

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the matter of the Regulation of the  
Purchased Gas Adjustment Clause Contained  
Within the Rate Schedules of:

Eastern Natural Gas Company	:	Case No. 15-207-GA-GCR
Pike Natural Gas Company	:	Case No. 15-214-GA-GCR
Southeastern Natural Gas Company and Related Matters.	:	Case No. 15-215-GA-GCR

In the Matter of the Uncollectible Expense  
Riders of:

Eastern Natural Gas Company	:	Case No. 15-307-GA-UEX
Pike Natural Gas Company and Related Matters.	:	Case No. 15-314-GA-UEX

In the Matter of the Percentage of Income  
Payment Plan Riders of:

Eastern Natural Gas Company	:	Case No. 15-407-GA-PIP
Pike Natural Gas company	:	Case No. 15-414-GA-PIP
Southeastern Natural Gas Company and Related Matters.	:	Case No. 15-415-GA-PIP

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**STIPULATION AND RECOMMENDATION**

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**I. BACKGROUND**

Rule 4901-1-30 of the Ohio Administrative Code ("O.A.C.") provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such proceeding. Pursuant to Rule 4901-1-10(C), O.A.C., the Staff of the Public Utilities Commission of Ohio ("Staff") is considered a party for the purpose of entering into a stipulation under Rule 4901-1-30 of the O.A.C.

The purpose of this document is to set forth the understanding of Eastern Natural Gas Company ("Eastern"), Pike Natural Gas Company ("Pike"), and Southeastern Natural Gas Company ("Southeastern") or, collectively, the "Companies" and the Staff (collectively, the "Signatory Parties") and to resolve all issues.

## **II. STIPULATION AND RECOMMENDATION**

A. It is understood by the Signatory Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio ("Commission"). However, the agreement contained herein is supported by information provided in the Financial Audits of the Gas Cost Recovery Mechanisms of the Eastern Natural Gas Company, Pike Natural Gas Company and the Southeastern Natural Gas Company for the Effective GCR Periods January 1, 2013 through December 31, 2014; the audit of Eastern Natural Gas Company Uncollectible Expense Mechanisms for the Periods January 2013 through December 2014; the audit of Pike Natural Gas Company's Uncollectible Expense Mechanisms for the Periods January 2013 through December 2014; and the audit of the Companies' Percentage of Income Payment Plan for the period January 2013 through December 2014, each filed in these proceedings on December 18, 2015. The Stipulation and Recommendation is based upon the Signatory Parties' desire to arrive at a reasoned and reasonable result considering the law, facts and circumstances. Accordingly, the Signatory Parties believe this Stipulation and Recommendation should be given careful consideration by the Commission and should be adopted.

B. This Stipulation and Recommendation is submitted for the purpose of these cases and should not be understood to reflect the positions that either the Staff or the Companies would have taken if all the issues in these proceedings were litigated. As is the case with most

Stipulations and Recommendations reviewed by the Commission, the willingness of the Staff and the Companies to jointly sponsor this document is predicated on the reasonableness of the Stipulation and Recommendation taken as a whole.

C. This Stipulation and Recommendation is submitted subject to the condition that the Commission adopts each and every item specifically set forth below. In the event this condition is not satisfied, at the option of any of the parties who so request, this Stipulation and Recommendation may be withdrawn, in which event it shall not be regarded in any way as part of the record in these proceedings and shall not be used for any purpose in these or any other proceedings. In the event said condition is not satisfied, it is understood that the Signatory Parties shall be entitled to fully litigate, including all rights of appeal, all issues which each has attempted to resolve herein just as though this Stipulation and Recommendation had never been submitted and the proceeding begun anew.

D. In order to resolve all the issues raised in these proceedings, the agreement set forth below is offered for the Commission's consideration.

### **III. GAS COST RECOVERY (GCR) MATTERS**

A. The Signatory Parties agree and recommend as follows:

1. Expected gas cost:

a) Eastern and the Pike Hillsboro Division will double-check their respective sales volumes prior to inclusion in its filings.

b) Pike Natural Gas Company will make an adjustment with respect to its Waverly Division to remove all volumes and costs associated with transport customers.

c) On a going forward basis, Southeastern will double-check its sales volumes prior to inclusion in its filings.

2. Actual adjustment:

a) Eastern will implement a reconciliation adjustment of (\$102,985) to be applied to Eastern's GCR rates. This represents the net difference the Staff found in recording errors in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

b) Pike will implement a reconciliation adjustment of \$257,864 to be applied to Pike's Hillsboro Division GCR rates. This represents the net difference the Staff found in the Refund and Reconciliation Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

c) Pike will implement a reconciliation adjustment of (\$54,091) to be applied to Pike's Waverly Division GCR rates. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

In the Pike Waverly GCR filings, the Company failed to include the costs associated with serving three schools in Scioto County. The schools are served by Pike through a short pipe connected to Knox Energy Cooperative (Knox Energy), an unregulated cooperative. The schools are charged for transportation service across Columbia Gas of Ohio (Columbia) and Knox Energy, along with a distribution service across Pike. The commodity is purchased from Knox Energy. Staff was able to verify the Knox Energy transportation fee due to the fact that it was set to equal Columbia's fees. The commodity charges were verified from third party invoices, but those costs represent only a portion of the gas supply charges billed by Knox Energy. Included in the Knox Energy gas supply charges were third party commodity rates, transportation on Columbia's system and imbalance fees. Staff was unable to tie the gas supply costs charged by Knox Energy, but found the costs to be less than the third party commodity rates plus the Columbia transportation rate.

For future audits it is vital to be able to audit the costs of gas purchases from the unregulated cooperative, Knox Energy, and therefore all costs sought for recovery through Pike and Eastern GCR filings should be verifiable through documentation from non-Knox and non-affiliated parties.

d) Southeastern will implement a reconciliation adjustment of (\$182,590) to be applied to Southeastern's GCR rates. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

3. Balance adjustments:

a) Eastern shall implement a reconciliation adjustment of \$279 which shall be applied in the first GCR filing following the Opinion and Order in this case.

b) Pike will implement a reconciliation adjustment of \$33,497 for its Hillsboro Division and this adjustment will be applied in the first GCR filing following the Opinion and Order in this case.

c) Pike will implement a reconciliation adjustment of \$717 which will be applied in the first GCR filing following the Opinion and Order in this case.

d) Southeastern will implement a reconciliation adjustment of (\$10,750) which will be applied in the first GCR filing following this case.

4. Management Issues. This audit was the first audit of Eastern, Pike and Southeastern under the operational status of Utility Pipeline Ltd. The prior audit involved the ownership of Eastern, Pike and Southeastern by UPL, but UPL was not yet operating the systems. The Companies now have a better understanding of the nature of the audits and a better grasp of the type of documents that the Staff is seeking. The Companies will have at least one employee capable of understanding the nature of the entire GCR process and its accompanying

filings and who will be capable of reviewing GCR filings to ensure that invoices that are being included for recovery are attributed to sales customers.

5. Hedging. The Parties agree that each will strive to understand the other party's position with respect to hedging and the need for flexibility in order that a meaningful discussion and analysis of this issue can take place in the next GCR case.

#### **IV. UNACCOUNTED FOR GAS**

The Parties agree that the Eastern and Pike unaccounted-for gas percentages are within acceptable levels. The Staff believes that an appropriate unaccounted-for gas percentage for Southeastern Natural Gas Company would be 5%. The Parties agree that if the Commission approves the application in Case No. 15-1508-GA-ATR, that Case Nos. 15-215-GA-GCR and 15-415-GA-PIP will be the final GCR and PIPP audits for Southeastern Natural Gas Company. Eastern and Pike will continue to monitor the unaccounted-for gas level in order to better determine why they are making more purchases than they receive in sales volumes.

#### **V. UNCOLLECTIBLE EXPENSE RIDER**

A. The Signatory Parties agree that Eastern will implement a written bad debt write-off policy to write-off accounts for non-payment at 90 days.

B. Eastern will adjust its December 2014 ending balance to (\$26,775.27) as set forth in the December 18, 2015 staff report.

C. Pike will implement a written bad debt write-off policy and will write off accounts for non-payment at 90 days.

D. Pike will adjust its December 2014 ending balance to (\$1,608.55) as set forth in the December 18, 2015 staff report.

E. The Staff recommendation regarding Eastern and Pike discontinuing the practice

of pro-rating the monthly UEX rate to new and former customers is no longer an issue in these cases.

## **VI. PIPP MATTERS**

A. Eastern will restate its January 1, 2015 beginning balances in the "Deferred PIPP Balances" as (\$143,220).

B. Pike will restate its January 1, 2015 beginning balance in the "Deferred PIPP Balance" at (\$226,615).

C. Southeastern will restate its January 1, 2015 beginning balance for "Deferred PIPP Balance" at \$6,585.

D. The Companies will consistently use the September month-ending balance when calculated the forgiveness credits. The Companies will implement the staff recommendation that the applied percentage is to be based upon the number of installment payments made between August and July to balances greater than zero.

## **VII. PROCEDURAL MATTERS**

A. The Signatory Parties agree that the affidavit of the Billing Manager for these proceedings will be filed as Company Exhibit No. 2 and will show that notice of the hearing has been provided to customers via bill message in substantial compliance with the Attorney Examiner's Entry of January 13, 2016.

B. The Signatory Parties agree that the Financial Audit filed on December 18, 2015, should be deemed to be part of the records in these cases and further agree to waive their right to conduct cross-examination of the sponsor of each document provided this Stipulation and Recommendation is adopted by the Commission.

C. The Signatory Parties agree and intend to support the reasonableness of this Stipulation and Recommendation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation and Recommendation. If not finally adopted by the Commission or if rejected by any appellate court, this Stipulation and Recommendation shall not prejudice any of the positions taken by any party before the Commission in these or any other proceeding, is not an admission of fact by any of the parties, and shall not be admissible evidence in this or any other proceedings. This Stipulation and Recommendation is submitted for purposes of these cases only, and may not be relied upon or used in any other proceeding except as necessary to enforce the terms of this Stipulation and Recommendation. The Signatory Parties jointly recommend that the Commission adopt the Stipulation and Recommendation.

The undersigned hereby stipulate, agree and represent that he is authorized to enter into this Stipulation and Recommendation on behalf of his respective Party.

April 22, 2016.

Thomas G. Lindgren  
On Behalf of the Staff of the  
Public Utilities Commission of Ohio

**Thomas G. Lindgren**  
Assistant Attorneys General  
Public Utilities Section  
Public Utilities Commission of Ohio  
180 East Broad Street, 6<sup>th</sup> Floor  
Columbus, Ohio 43215

Stephen M. Howard  
On Behalf of  
Southeastern Natural Gas Company  
Eastern Natural Gas Company  
Pike Natural Gas Company

**Stephen M. Howard**  
**Gretchen L. Petrucci**  
Vorys, Sater, Seymour and Pease LLP  
52 East Gay Street, P. O. Box 1008  
Columbus, Ohio 43216-1008  
(614) 464-5401  
(614) 464-5407  
[smhoward@vorys.com](mailto:smhoward@vorys.com)  
[glpetrucci@vorys.com](mailto:glpetrucci@vorys.com)



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Summary: Stipulation And Recommendation submitted on behalf of the Public Utilities  
Commission of Ohio. electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO