

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE AUDIT OF THE
CHOICE/SSO/SCO RECONCILIATION
RIDER OF COLUMBIA GAS OF OHIO,
INC.

CASE NO. 16-221-GA-EXR

IN THE MATTER OF THE AUDIT OF THE
UNCOLLECTIBLE EXPENSE RIDER OF
COLUMBIA GAS OF OHIO, INC.

CASE NO. 16-321-GA-UEx

IN THE MATTER OF THE AUDIT OF THE
PERCENTAGE OF INCOME PAYMENT
PLAN RIDER OF COLUMBIA GAS OF
OHIO, INC.

CASE NO. 16-421-GA-PIP

FINDING AND ORDER

Entered in the Journal on November 30, 2016

I. SUMMARY

{¶ 1} The Commission adopts the findings set forth in the audit reports regarding the CHOICE/SSO/SCO reconciliation rider, uncollectible expense rider, and percentage of income payment plan rider of Columbia Gas of Ohio, Inc.

II. DISCUSSION

{¶ 2} Columbia Gas of Ohio, Inc. (Columbia) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to R.C. 4905.302, natural gas companies implement purchased gas adjustment mechanisms, which allow them to adjust the rates they charge customers in accordance with any fluctuation in the cost the company incurs for the gas it sells to customers. R.C. 4905.302 also directs the Commission to audit the companies' gas cost recovery (GCR) rates and to review each company's production and purchasing policies and their effect upon the rates.

{¶ 4} R.C. 4929.04, among other things, authorizes the Commission, upon the application of a natural gas company such as Columbia, to exempt any commodity sales service or ancillary service from all provisions of R.C. Chapter 4905, including the GCR provisions contained in R.C. 4905.302.

{¶ 5} On December 2, 2009, the Commission authorized Columbia to replace its existing GCR mechanism, initially with a market-based standard service offer (SSO) rate, and subsequently, with a market-based standard choice offer (SCO) rate. *In re Columbia Gas of Ohio, Inc.*, Case No. 08-1344-GA-EXM (*Columbia SSO Case*), Opinion and Order (Dec. 2, 2009); *In re Columbia Gas of Ohio, Inc.*, Case No. 12-2637-GA-EXM, Opinion and Order (Jan. 9, 2013).

{¶ 6} With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR are now to be recovered through the CHOICE/SSO/SCO Reconciliation Rider (CSRR). The stipulation approved in the *Columbia SSO Case* provided that all aspects of the proposed cost recovery through the CSRR are to be reviewed as part of an annual financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff.

{¶ 7} On December 17, 2003, the Commission approved five gas distribution companies' applications to recover uncollectible expenses (UEX) through riders. *In re Columbia Gas of Ohio, Inc.*, Case No. 03-1127-GA-UNC, Finding and Order (Dec. 17, 2003). A requirement of the Order in that case was that the new UEX riders would be audited in the course of each company's GCR audit. With the elimination of Columbia's GCR, the UEX rider is to be audited in the course of Columbia's audit of the CSRR.

{¶ 8} Furthermore, the Commission has authorized the utility companies, including Columbia, to recover percentage of income payment plan (PIPP) arrearages associated with providing natural gas service through their PIPP riders. *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987).

{¶ 9} By Entry issued April 7, 2016, the Commission initiated the financial audits of Columbia's CSRR, UEX, and PIPP riders. The CSRR audit was for the period April 1, 2015, through March 31, 2016. The UEX audit was for April 2015 through March 2016. The PIPP audit was for rates effective April 2015 through March 2016. Columbia's auditor was directed to docket its audit findings for the CSRR in Case No. 16-221-GA-EXR (*Columbia 2016 CSRR Case*); audit findings for the UEX rider in Case No. 16-321-GA-UEX (*Columbia 2016 UEX Case*); and audit findings for the PIPP rider in Case No. 16-421-GA-PIP (*Columbia 2016 PIPP Case*). The auditor, to be selected by Columbia, was directed to docket all three audit reports in their respective dockets by September 30, 2016. Interested parties were directed to file comments and reply comments by October 14, 2016, and October 28, 2016, respectively.

{¶ 10} The audit report for the CSRR, for the period April 1, 2015, through March 31, 2016, was filed on September 29, 2016, in the *Columbia 2016 CSRR Case*. The audit was performed by Deloitte & Touche LLP (D&T). The report details the procedures agreed to by Columbia and Staff that were performed by D&T. Two discrepancies were found by D&T during the CSRR audit. First, D&T obtained details of monthly off-system sales and capacity release volumes to be shared with the customer. D&T recalculated the dollar value to be shared, by multiplying the volumes to be shared by the applicable CSRR, with no exception. D&T also compared the dollar amount to be shared to the general ledger, and identified differences of \$8,250 in April 2015 and (\$8,250) in May 2015.¹

{¶ 11} In addition, for each quarterly CSRR filing, D&T compared the account activity for each account included in the computation of supplier refund and reconciliation adjustment to the general ledger. D&T found that the amount differed by

¹ Numbers in parentheses indicate negative numbers.

(\$187,287.70) for the quarter ended June 2015 and by \$187,287.70 for the quarter ended September 2015.

{¶ 12} Columbia filed its comments regarding the CSRR audit on October 12, 2016. Regarding the differences between the dollar amount to be shared and the general ledger, Columbia explained that the variances were caused by accidental use of the prior year's volumes for April 2015. The error was corrected in May 2015, which resulted in a further variance from the CSRR. Columbia noted that the variance had no impact on the CSRR rate because the rider had properly reported the pass back of the shared revenues.

{¶ 13} Columbia also addressed the discrepancy between the supplier refund and reconciliation adjustment and the general ledger. Columbia explained that the variance resulted from the refund not being booked to the rate refund account until July 2015, rather than June 2015, when the refund was actually received. Columbia noted that the variance had no impact on the CSRR rate because the rider had properly provided for pass back of the refund based on the month received rather than the month reflected on the books.

{¶ 14} No reply comments were filed concerning the CSRR audit.

{¶ 15} The audit report for the UEX rider, for the period April 2015 through March 2016, was filed on September 23, 2016, by D&T in the *Columbia 2016 UEX Case*. D&T found no discrepancies.

{¶ 16} In its comments filed on October 12, 2016, Columbia noted that the audit report for the UEX rider found that the Company's accounting systems were accurate in all respects. No other comments were filed concerning the UEX rider audit.

{¶ 17} The audit report for the PIPP rider, for the period April 2015 through March 2016, was filed on September 29, 2016, in the *Columbia 2016 PIPP Case*. D&T randomly selected three months for the period and obtained information concerning net deferred PIPP arrearages for the selected months. Next, D&T obtained information

regarding the regulatory services monthly PIPP report for the months selected, as well as each month preceding the months selected. Finally, D&T compared the net deferred PIPP arrearage to the current month report, recalculated the selected months' activity, and compared the monthly activity to accounting schedules summarizing deferred PIPP balances by month. Only one discrepancy was found. Specifically, the December 2015 monthly activity, which was recalculated by subtracting the December 2015 regulatory services monthly PIPP report from the November 2015 regulatory services monthly PIPP report, was \$2,863.94 less than the December 2015 activity included in the schedule summarizing deferred PIPP balances by month.

{¶ 18} Columbia filed its comments on October 12, 2016, concerning the audit of the PIPP rider. Columbia states that the discrepancy was caused by a change in the structure of its reports that are used internally to determine the correct PIPP balance. According to Columbia, the error was corrected in February 2016. Columbia noted that the variance had no impact on the PIPP rider rate because the error was corrected within the accounting period.

{¶ 19} No reply comments were filed concerning the PIPP rider audit.

{¶ 20} The Commission has reviewed the reports filed in these dockets by D&T, as well as Columbia's comments. The Commission concludes that D&T found no material discrepancies in Columbia's calculation of the CSRR, UEX, and PIPP riders that were not resolved by Columbia. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *Columbia 2016 CSRR Case*, *Columbia 2016 UEX Case*, and *Columbia 2016 PIPP Case* should be adopted.

III. ORDER

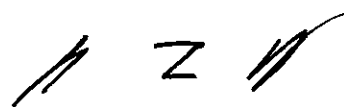
{¶ 21} It is, therefore,


{¶ 22} ORDERED, That the findings of D&T set forth in the audit reports docketed in these cases be adopted. It is, further,

{¶ 23} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 24} ORDERED, That a copy of this Finding and Order be served upon Columbia and upon all other persons of record in these proceedings.


THE PUBLIC UTILITIES COMMISSION OF OHIO


Asim Z. Haque, Chairman


Lynn Slaby


M. Beth Trombold

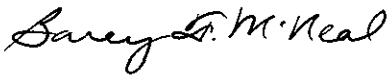

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Secretary