

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE AUDIT OF THE
TRANSPORTATION MIGRATION RIDER -
PART B OF THE EAST OHIO GAS
COMPANY D/B/A DOMINION EAST
OHIO.**

CASE NO. 16-219-GA-EXR

**IN THE MATTER OF THE AUDIT OF THE
UNCOLLECTIBLE EXPENSE RIDER OF THE
EAST OHIO GAS COMPANY D/B/A
DOMINION EAST OHIO.**

CASE NO. 16-319-GA-UEX

**IN THE MATTER OF THE AUDIT OF THE
PERCENTAGE OF INCOME PAYMENT
PLAN RIDER OF THE EAST OHIO GAS
COMPANY D/B/A DOMINION EAST
OHIO.**

CASE NO. 16-419-GA-PIP

FINDING AND ORDER

Entered in the Journal on January 4, 2017

I. SUMMARY

{¶ 1} The Commission adopts the findings set forth in the audit reports regarding the transportation migration rider, uncollectible expense rider, and percentage of income payment plan rider of The East Ohio Gas Company d/b/a Dominion East Ohio.

II. DISCUSSION

{¶ 2} The East Ohio Gas Company d/b/a Dominion East Ohio (DEO) 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 DEO, 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 June 18, 2008, in Case No. 07-1224-GA-EXM, the Commission authorized DEO to proceed with the second phase of its plan to eliminate its GCR mechanism and implement a market-based standard service offer (SSO), through a wholesale auction for percentage of income payment plan (PIPP), choice-ineligible, and transitional customers, and a standard choice offer, through a retail auction for choice-eligible SSO customers. *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 07-1224-GA-EXM, Opinion and Order (June 18, 2008).

{¶ 6} With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR are now recovered through the Transportation Migration Rider - Part B (TMR). In Case No. 05-474-GA-ATA, the Commission approved a stipulation, which provided that all aspects of the proposed cost recovery through the TMR are to be reviewed as part of an annual financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff. *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 05-474-GA-ATA, Opinion and Order (May 26, 2006).

{¶ 7} On December 17, 2003, the Commission approved five gas distribution companies' applications to recover uncollectible expenses (UEX) through riders. *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, 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 DEO's GCR, the UEX rider is to be audited in the course of DEO's audit of the TMR.

{¶ 8} Furthermore, the Commission has authorized the utility companies, including DEO, to recover 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 14, 2016, in the above-captioned cases, the Commission initiated the financial audits of DEO's TMR, UEX, and PIPP riders. The TMR audit was for the calculation filed from the end of the last audit period through April 30, 2016. The UEX rider audit was for the period of April 1, 2015, to March 31, 2016. The PIPP rider audit was for the period of April 1, 2015, through March 31, 2016. DEO's auditor was directed to docket its audit findings for the TMR rider in Case No. 16-219-GA-EXR (*DEO 2016 EXR Case*), audit findings for the UEX rider in Case No. 16-319-GA-UEX (*DEO 2016 UEX Case*), and audit findings for the PIPP rider in Case No. 16-419-GA-PIP (*DEO 2016 PIPP Case*). The auditor, to be selected by DEO, was directed to docket all three audit reports in their respective dockets by October 14, 2016. Interested parties were directed to file comments and reply comments by October 28, 2016, and November 10, 2016, respectively.

{¶ 10} The audit report for the TMR, from the end of the last audit period through April 30, 2016, was filed on October 14, 2016, in the *DEO 2016 EXR Case*. The audit was performed by Deloitte & Touche LLP (D&T), which generally found that DEO's rate calculation schedules were in agreement with the TMR rate filings. With respect to D&T's review of DEO's application of the TMR rates, D&T randomly selected seven customer billings from the months of April, July, and November 2015 and February 2016. Next, D&T compared the TMR rate used in calculating the customer's bill to the applicable TMR rate filing. The only exception found by D&T was for Special Billing System (SBS) customers with a rate class of GTS, DTS, or TSS. D&T was subsequently informed by DEO that SBS customers are not subject to TMR provisions.

{¶ 11} On October 14, 2016, DEO filed correspondence indicating that it does not object to the Commission adopting D&T's TMR audit findings, as set forth in the audit report.

{¶ 12} The audit report for the UEX rider, for the period of April 1, 2015, to March 31, 2016, was filed on October 14, 2016, by D&T in the *DEO 2016 UEX Case*. D&T generally found no issues with DEO's recovery of uncollectible accounts expense through the UEX rider. With respect to the UEX rider regulatory asset balance, D&T obtained a reconciliation of the UEX rider regulatory asset balance used in calculating the UEX rider rate for the year ended December 31, 2015, and for the quarter ended March 31, 2016. In addition, D&T obtained the balance of the systems, applications, and products (SAP) account number 1171160 at December 31, 2015, and March 31, 2016. D&T found that DEO has identified reconciling items for activity during the periods ended December 31, 2015, and March 31, 2016, as a result of timing differences. D&T was informed by DEO that the differences result from the estimated amounts recorded to the SAP general ledger each month, in accordance with DEO's policies, which are updated with the actual balances in the following month.

{¶ 13} On October 14, 2016, DEO filed correspondence indicating that it does not object to the Commission adopting D&T's UEX audit findings, as set forth in the audit report.

{¶ 14} The audit report for the PIPP rider, for the period of April 1, 2015, through March 31, 2016, was filed on October 14, 2016, in the *DEO 2016 PIPP Case*. D&T generally found no issues with DEO's calculation of the PIPP rider. Regarding the application of credits to customer balances, D&T selected one individual Graduate PIPP customer payment made within the months of April, June, August, and November 2015 and January 2016. D&T found that the customer's account balance was reduced by a duplicate arrearage credit. D&T noted that, according to DEO, excess credits were applied to certain accounts due to a programming issue that DEO has rectified. D&T further noted that

duplicate credits of less than \$100, including the one identified by D&T, were not corrected due to the complexity of implementing the corrections and the overall de minimus impact on the rider. Additionally, D&T obtained a reconciliation of the balance of accumulated deferrals for the PIPP rider at March 31, 2106, to SAP account numbers 1171162/2171137, and found that DEO has identified reconciling items for activity during the period ended March 31, 2016, as a result of timing differences. D&T was informed by DEO that the differences are caused by the estimated amounts recorded to the SAP general ledger each month, in accordance with DEO's policies, which are updated with the actual balances in the subsequent month.

{¶ 15} On October 14, 2016, DEO filed correspondence indicating that it does not object to the Commission adopting D&T's PIPP audit findings, as set forth in the audit report.

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

III. ORDER

{¶ 17} It is, therefore,

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

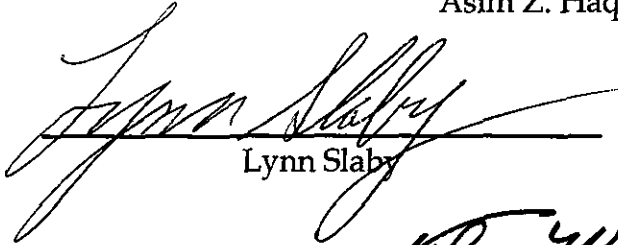
{¶ 19} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

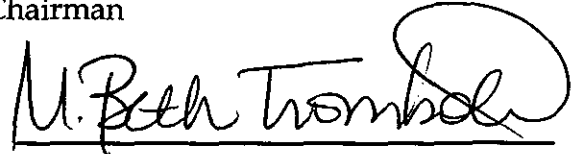
THE PUBLIC UTILITIES COMMISSION OF OHIO



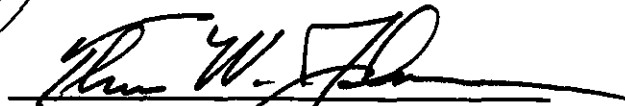
Asim Z. Haque, Chairman



Lynn Slaby



M. Beth Trombold



Thomas W. Johnson

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Barcy F. McNeal
Secretary