

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Regulation of the)	
Purchased Gas Adjustment Clauses Contained)	Case No. 16-206-GA-GCR
within the Rate Schedules of:)	Case No. 16-209-GA-GCR
)	Case No. 16-212-GA-GCR
Brainard Gas Corporation, Northeast Ohio)	
Natural Gas Corporation, Orwell Natural Gas)	
Company and related Matters.)	
In the Matter of the Uncollectible Expense)	
Riders of:)	
)	
Northeast Ohio Natural Gas Corporation,)	Case No. 16-309-GA-UEX
Orwell Natural Gas Company and related)	Case No. 16-312-GA-UEX
Matters.)	
In the Matter of The Percentage of Income)	
Payment Plan Rider of Northeast Ohio)	Case No. 16-409-GA-PIP
Natural Gas Corporation and Related Matters.)	

STIPULATION AND RECOMMENDATION

Ohio Administrative Code (“O.A.C”) Rule 4901-1-30 provides that any two or more parties to a proceeding before the Public Utilities Commission of Ohio (“Commission”) may enter into a written stipulation covering the issues presented in that proceeding. The purpose of this Stipulation and Recommendation (“Stipulation”) is to set forth the understanding and agreement of Brainard Gas Corporation (“Brainard”), Northeast Ohio Natural Gas Corporation (“Northeast”), Orwell Natural Gas Company (“Orwell”)(collectively referred to as “Companies” or individually referred to as “Company”), and the Commission Staff (“Staff”)¹ (collectively, the “Signatory Parties”), and to recommend that the Commission approve and

¹ For the purpose of entering into this Stipulation, Staff will be considered a party pursuant to O.A.C. Code 4901-1-10(C).

adopt this Stipulation as part of its Opinion and Order, which will resolve all of the issues raised in the above-captioned proceedings.

This Stipulation is a product of lengthy, serious, arm's-length bargaining among the Signatory Parties with diverse interests, who are capable, knowledgeable parties, which negotiations were undertaken by the Signatory Parties to settle this proceeding. This Stipulation was negotiated among all parties to the proceeding, and no party was excluded from negotiations. This Stipulation is supported by adequate data and information. As a package, the Stipulation benefits customers and the public interest; represents a just and reasonable resolution of all issues in this proceeding; and violates no regulatory principle or practice. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by parties representing a wide range of interests, including Staff.

For the purpose of resolving all issues raised in these proceedings, the Signatory Parties stipulate, agree and recommend as follows:

I. PARTIES

This Stipulation is entered into by and among the Companies, their successors and assigns, and the other Signatory Parties. The Signatory Parties fully support this Stipulation and urge the Commission to accept and approve it without modifications.

II. BACKGROUND

1. On February 24, 2016, the Commission issued an Entry in the above captioned cases which initiated GCR financial audits for Brainard, Northeast, and Orwell (Case Nos. 16-206-GA-GCR, 16-209-GA-GCR, and 16-212-GA-GCR), an audit of Northeast's and Orwell's uncollectable expense ("UEX") riders (Case Nos. 16-309-GA-UEX and 16-312-GA-UEX), and an audit of Northeast's percentage of income payment plan ("PIPP") rider (Case No. 16-409-GA-PIP).

2. On May 11, 2016, the Commission issued an Entry in which it ordered the Companies to undergo a management/performance audit (“M/P Audit”) for the period of July 1, 2014 through June 30, 2016.

3. On August 31, 2016, the Commission issued an Entry in which it selected Rehmann Corporate Investigative Services (“Rehmann”) to perform the M/P Audit.

4. On February 24, 2017, Staff filed the following reports: (a) the Financial Audit of the Gas Cost Recovery Mechanisms for Brainard, Northeast, and Orwell for the Effective GCR Periods (“GCR Report”); (b) the Audit Report for Northeast’s Uncollectable Expense Mechanism for the Period of January 2014 through December 2015 (“Northeast UEX Report”); (c) the Audit Report for Orwell’s Uncollectable Expense Mechanism for the Period of January 2014 through December 2015 (“Orwell UEX Report”); and (d) the Audit Report for Northeast’s Percentage of Income Payment Plan for the Period of January 2014 through December 2015 (“Northeast PIPP Report”).

5. On February 24 and February 27, 2017, Rehmann submitted both a public and confidential version of its M/P Audit Report (the “Rehmann Report”) to the Commission.

III. M/P AUDIT

The Signatory Parties agree that certain recommendations in the Rehmann Report are reasonable and should be adopted by the Companies. Further, to extent the Companies implemented measures to address certain recommendations of Rehmann before the Stipulation was filed, the Signatory Parties agree that the Companies shall continue to apply these measures to the extent it’s practicable. The Companies agree to the following terms and conditions regarding certain recommendations contained in the Rehmann Report:

1. The Companies agree to use a new spreadsheet to assist in the calculation of the GCR on a monthly basis. Staff provided the Companies a GCR spreadsheet template and the

Companies are currently working with Staff to develop a final spreadsheet which the Companies intend to use in the GCR process going forward. The Companies agree that this new spreadsheet, once finalized, should simplify the GCR calculation process, enhance auditability of the GCR calculations, specify sources of information used in GCR calculations, and eliminate unnecessary information. This new spreadsheet is also intended to reduce potential errors in the GCR process by creating a more consistent and streamlined calculation process. (Rehmann Report at pgs. 36-37, Recommendations 1, 2, and 5)²

2. The Companies agree to create a secured database, which will contain the historical figures that were used in the GCR calculation. The secured database, which the Companies created before the Stipulation was filed, is “locked down” so that only specific employees can access the final Excel spreadsheets that were used in the GCR calculations. The specific employees that have access to final Excel spreadsheets are the President, the Controller, Staff Accountants, and the Director of Technical Operations. The secured database will help ensure that the historical figures that are used while calculating the GCR are not subsequently modified. (Rehmann Report at pg. 37, Recommendations 3 and 4)

3. The Companies agree to continue to abide by their existing GCR policy which currently specifies the process of performing the GCR calculation. It is the Companies’ current policy that the following individuals assist in the GCR process: Staff Accountants and the Controller. The Staff Accountants reconcile the monthly accounting files with the monthly GCR calculation. The Staff Accountants are also responsible for preparing the GCR calculation. The Controller reviews the details of the GCR calculation in conjunction with the monthly accounting files, and approves and signs the GCR calculations which are officially filed with the Commission. (Rehmann Report at pg. 37, Recommendation 5)

² The recommendations are not numbered in the Rehmann Report. The recommendations are numbered in this Stipulation for ease of reference.

4. The Companies agree to continue implementing their current plans for addressing free gas customers. These plans, which have been shared with the parties in the above-captioned proceeding, are described in this paragraph. The Companies currently possess information regarding all customers that receive free gas. The Companies are in the process of contacting those free gas customers that might not be entitled to free gas. The Companies intend to cease providing free gas to those customers that are unable to establish that they are entitled to free gas, and may also begin a process of transferring certain customers to another provider of natural gas service. For those free gas customers that continue to be served by the Companies, the Companies will track these customers' monthly allotment of free gas in the Companies' billing system. Once a free gas customer uses more than his/her allotment, the customer is charged as a GCR customer for all volumes that exceed their specified allotment. (Rehmann Report at pg. 37, Recommendation 6)

5. Before the Stipulation was filed, the Companies corrected network access so that the only Gas Natural Inc. ("GNI")/affiliated company employees whom are designated as "need-to-know" employees can access the Companies' critical and confidential data. The Companies also agree to implement an annual test of network access. (Rehmann Report at pg. 37, Recommendation 7)

6. The Companies agree to implement the role enabler program as recommended by Rehmann. (Rehmann Report at pg. 38, Recommendation 8)

7. The Companies agree to exercise the allocation methodology described in Companies' signed shared services agreements with GNI for certain shared service costs that cannot be directly allocated from GNI to Northeast, Orwell, and Brainard. (Rehmann Report at pg. 38, Recommendation 9)

8. The Companies agree to continue their current process of verifying that the volumes purchased by the Companies are properly allocated between the Companies. Currently,

the individual responsible for procuring volumes is different from the individual who verifies that the correct amount of gas is delivered to each respective Company. The Companies agree to continue this process to ensure that the employee procuring gas is independent from the employee that verifies proper allocation and delivery of gas. (Rehmann Report at pg. 38, Recommendation 10)

9. The Companies do not currently employ individuals that work for both unregulated GNI subsidiaries and the Companies. Further, the Companies' employees are not allowed to assume responsibility for both sides of one financial transaction, such as preparing invoices on behalf of an unregulated affiliate while also approving the invoice on the behalf of a regulated Company. The Companies agree to continue this current policy. (Rehmann Report at pg. 38, Recommendation 11 and 13)

10. The Companies agree to develop a written policy that addresses reconciling figures between the general ledger and the GCR calculation. The Companies are currently in the process of implementing and drafting this policy and agree to complete the written policy within sixty (60) days of issuance of a final Order approving this Stipulation. (Rehmann Report at pg. 38, Recommendation 12)

11. The Companies modified their email system so that all internal and external email communications contain a signature block that indicates by whom the sender of the email is employed or on whose behalf the sender is acting. The Companies agree to continue this process in the future. (Rehmann Report at pg. 39, Recommendation 17)

12. The Companies have completed final versions of job descriptions for the President and Controller and provided these job descriptions to Rehmann and Staff during these proceedings. (Rehmann Report at pg. 39, Recommendation 18)

13. The Companies have adopted an Acceptable Use Policy which addresses employee email and communication activities. The Companies agree to abide by this policy. (Rehmann Report at pg. 40, Recommendation 27)

14. For any commitment contained in Paragraph III of this Stipulation that has not already been satisfied by the Companies or does not specify an agreed upon completion date, the Companies agree to complete such commitment by June 30, 2018.

IV. GCR FINANCIAL AUDIT

The Companies agree that all the recommendations in the GCR Report are reasonable and should be adopted. More specifically, the Companies agree to the following recommendations:

1. For Brainard, the Signatory Parties agree to Staff's recommendation of an actual adjustment ("AA") of \$10,478 for an over-collection and a balance adjustment ("BA") of \$1,330 for an over-collection, which is a total adjustment of \$11,808³ in the customers' favor.

2. For Northeast, the Signatory Parties agree to Staff's recommendation of an AA of \$294,247 for an over-collection and a BA of \$518,770 for an under-collection, which is a total adjustment of \$224,523⁴ in Northeast's favor.

3. For Orwell, the Signatory Parties agree to Staff's recommendation of an AA of \$255,283 for an under-collection and a BA of \$90,079 for an under-collection, which is a total adjustment of \$345,362⁵ in Orwell's favor.

4. The Companies agree to ensure that the individual preparing the GCR calculations verifies the accuracy of the calculations by comparing them to source documents. The Companies also agree to verify the accuracy of the GCR rate before issuing bills to customers.

V. UNCOLLECTABLE EXPENSE AUDIT⁶

³ AA + BA = total adjustment. For, Brainard, \$10,478 + \$1,330=\$11,808.

⁴ \$294,247 + (\$518,770) = (\$224,523).

⁵ (\$255,283) + (\$90,079) = (\$345,362).

1. Orwell agrees that all the recommendations in the Orwell UEX Report are reasonable and should be adopted. Specifically, Orwell agrees to adjust its December 2015 ending balance to \$87,648.51.

VI. PERCENTAGE OF INCOME PAYMENT PLAN AUDIT

1. Northeast agrees that all the recommendations in the Northeast PIPP Report are reasonable and should be adopted. Specifically, Northeast agrees that \$3,509 should be removed from Account 142 and placed in Account 144. Northeast also agrees to file a PIPP application within sixty (60) days of the issuance of a Commission Order granting the Stipulation.

VII. OTHER CONDITIONS

1. In arms-length bargaining, the Signatory Parties have negotiated terms and conditions that are embodied in this Stipulation. This Stipulation resolves a variety of difficult, complicated issues that would otherwise be resolved only through expensive, complex, and protracted litigation. This Stipulation contains the entire agreement among the Signatory Parties, and embodies a complete settlement of all claims, defenses, issues, and objections in this proceeding. Any objections or motions filed by the Signatory Parties that are inconsistent with this Stipulation shall be deemed withdrawn upon approval by the Commission of this Stipulation. The Signatory Parties agree that this Stipulation is in the best interests of the public and of all parties, and urge the Commission to adopt it.

2. This Stipulation is submitted for purposes of this case and should not be understood to reflect the positions which the Signatory Parties would have taken if all of the issues in the proceeding had been litigated. As with most stipulations reviewed by the Commission, the willingness of the Signatory Parties to sponsor this document jointly is predicated on the reasonableness of the Stipulation taken as a whole.

⁶ The Northeast UEX Report did not contain any recommendations.

3. Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing may go forward at the procedural point at which this Stipulation was filed and the Signatory Parties will be afforded the opportunity to present witnesses, cross-examine all witnesses, present rebuttal testimony, and brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

4. This Stipulation is not to be relied upon in any other proceedings, except as necessary to enforce the terms of this Stipulation. The Signatory Parties agree that if the Commission rejects all or any part of this Stipulation, or otherwise materially modifies its terms, any adversely affected party shall have the right within thirty (30) business days of the Commission's Order, either to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice with the Commission. The Signatory Parties agree to, and intend to support the reasonableness of, this Stipulation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation. If not fully adopted by the Commission or if rejected by the Supreme Court of Ohio, the Stipulation shall not prejudice any of the positions taken by any party on any issue before the Commission in any other proceeding and shall not be admissible evidence in this or any other proceeding.

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation on the 12th of May, 2017. This Stipulation can be signed in counterparts.

**BRAINARD GAS CORPORATION,
ORWELL NATURAL GAS COMPANY,
AND NORTHEAST OHIO NATURAL
GAS CORPORATION**

By: Dennis D. Parvum
Counsel

Date: 5/12/17

**STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO**

per e-mail
authority
5/12/17

By: Werna L. Margund / ddp
Counsel

Date: 5/12/17

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Summary: Stipulation Stipulation and Recommendation filed on behalf of NEO, Brainard, and Orwell electronically filed by Mr. Devin D. Parram on behalf of Orwell Natural Gas and Northeast Ohio Natural Gas and Brainard Gas Corp