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**A report by the Staff of the  
Public Utilities Commission of Ohio**

Glenwood Energy of Oxford, Inc.

**Audit of the Percentage of Income Payment Plan Mechanisms  
for the period January 2015 through December 2016  
Case No. 17-410-GA-PIP**

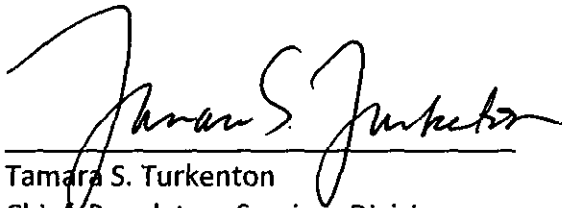
June 30, 2017

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### **Certificate of Accountability**

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of Glenwood Energy of Oxford, Inc.'s (Glenwood or Company) Percentage of Income Payment Plan (PIPP) rates for January 1, 2015 through December 31, 2016. The Staff audited the material as set forth in the Commission Entry in Case No. 17-410-GA-PIP.

*Staff's audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff notes that at the time of preparing this report, unless otherwise noted, Glenwood accurately calculated its percentage of income payment plan rider rates for the time period discussed in this report. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.*



Tamara S. Turkenton  
Chief, Regulatory Services Division  
Public Utilities Commission of Ohio



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Chief, Research and Policy Division  
Public Utilities Commission of Ohio

## **Glenwood Energy of Oxford, Inc. Percentage of Income Payment Plan**

### **Commission Entry**

On February 1, 2017, the Commission initiated the financial audit of Glenwood's PIPP rates in effect for the calendar years 2015 and 2016 (audit period). Staff has conducted its audit of Glenwood's PIPP write-offs, recoveries and arrearage forgiveness program and presents its findings and recommendations in this report.

### **Background**

On December 2, 1993, in Case No. 88-1115-GA-PIP, the Commission adopted a Stipulation and Recommendation (Stipulation) between regulated gas and electric companies and interested parties. The Stipulation was applicable to gas, electric and combination companies with PIPP riders, and contained provisions associated with the accounting for the PIPP program. One of those provisions allowed the companies to initiate, not more than annually, a proceeding before the Commission to adjust their PIPP riders to "true-up" the over or under recoveries of the rider from the prior year.

In 2009, the Commission initiated an investigation of Ohio's large natural gas companies to evaluate whether their collections practices and policies were effective in minimizing uncollectible expenses (UEX). The investigation also sought to develop best practices and establish certain benchmarks to be employed by natural gas companies to minimize UEX. A report was filed on May 3, 2010, that presented findings and recommendations meant to enhance utility companies' collections practices for UEX and PIPP. As a result, the Commission ordered that natural gas companies with UEX and PIPP riders to file annual applications that reflect the level of arrearage and collections.

In 2013, Glenwood filed its initial PIPP application in Case No. 13-2254-GA-PIP. This application contained historical write-offs and an outstanding PIPP arrears balance of \$32,810.65 as of July 31, 2013. On January 7, 2014, the Company instituted a PIPP rider rate of \$0.0293 per Mcf for recovery of the outstanding balance. Per an ordinance with the city of Oxford, Glenwood continued this PIPP rider rate through 2016 and has not filed an application to update its PIPP rider rate since the initial 2013 filing. Glenwood currently has 16 PIPP customers, which is a five customer increase from the prior audit. The Company plans to revisit the current rate with the city of Oxford in 2017, based upon the results of Staff's audit.

### **Audit Process and Documentation**

Staff initiated its audit by issuing data requests seeking documentation of PIPP write-offs, rider collections, customers' account balances and arrearage credits. The documents were made

available during the on-site audit, and Company personnel were on hand to clarify any issues that were found.

During the course of the audit, Staff relied upon the Company's customer billing history to verify the accuracy of an Excel spreadsheet (PIPP Spreadsheet) that the Company used to track the PIPP customers' billings, payments and arrearage credits. Glenwood's billing system is incapable of calculating and storing monthly arrearage credits which is why they utilized the PIPP Spreadsheet to track the PIPP balances. The Company must manually apply, into their billing system, any arrearage credits to the PIPP customer's account.

### **PIPP Balance of Arrears**

Staff reviewed the PIPP balance of arrears by comparing customer billing histories for active PIPP customers to the Company's PIPP Spreadsheet. The PIPP Spreadsheet, in addition to tracking arrearage credits, was also utilized to calculate a customer's monthly write-off amount, which is calculated as the monthly billed amount minus customer payments, deposits, and Home Energy Assistance Program (HEAP) payment vouchers. Staff examined bills of new customers enrolled in PIPP to verify that the customer's account balance was properly accounted for in the PIPP Spreadsheet. Additionally, Staff verified that "valid PIPP balances"<sup>1</sup> were not erroneously transferred to the UEX rider. During this review, Staff found two customers included in the PIPP Spreadsheet that were incorrectly included in the Company's UEX balance. Staff removed the two balances from the UEX.

Staff also found that the Company provided refunds to two PIPP customers that had ceased service and had credit balances. The Company should have recognized the refunds as reductions to revenue collected from the PIPP customers. Staff reduced PIPP customers' payments by the amount of the two credit balances, which was \$621.76.

Staff noted that a customer in Glenwood's service territory changed their address, and in doing so received a new account number. The customer's old account balance was transferred to the new account. However, in the Company's PIPP Spreadsheet, the transferred balance was recognized as a billed amount, when it should have had no impact in the calculation of write-offs. Staff eliminated the transferred balance from its calculations. Staff also found three HEAP payments that were not recognized as payments in the spreadsheet. Staff included the payments in its calculations. The above-mentioned Staff findings result in adjustments to the Company's monthly write-offs and year ending balances for 2015 and 2016 as shown on Attachments A and B.

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<sup>1</sup> Valid PIPP balances represent the accounts of customers who were billed and who made payments while enrolled in PIPP.

### **PIPP Arrearage Forgiveness**

In Case No. 10-1443-GA-WVR, Glenwood was granted a waiver by the Commission to adopt an alternative PIPP forgiveness program and an exemption from the graduate PIPP rules. Glenwood's alternative program provides an arrearage credit to a PIPP customer who makes at least nine timely PIPP payments in a 12-month period. This proposal grants an arrearage credit to a PIPP customer making 75 percent of the minimum required PIPP payments, in full and on time. It also affords the PIPP customers the opportunity to eliminate some or all of their accumulated balance.

Staff examined the individual PIPP customers and their payments by looking at a customer's billing history and determining whether the customer was eligible for arrearage credits per the Company's alternative PIPP arrearage program. Staff then examined whether the arrearage credits were properly applied to customer's balances. Staff found that the Company had properly calculated the arrearage credits for 2015 and 2016, but the 2015 credits were applied in January 2016 instead of September 2015. The 2016 credits were correctly applied in September 2016.

### **Conclusions and Recommendations**

Staff finds that there were omissions of payments and inclusions of billings and customers' balances on the Company's PIPP Spreadsheet, in which some of the monthly write-offs were being overstated or understated. This overstatement or understatement of write-offs impacted the monthly ending balances along with the carrying costs, resulting in Staff's calculated balance being \$2,580.17 less than the Company's December 31, 2016, ending balance of \$15,111.24.

Staff also finds that the Company did not consistently apply the calculated PIPP arrearage credits in September, consistent with its Commission approved program.

Staff recommends that the Company continue to improve its tracking and documentation of PIPP customers by having one central document, such as the PIPP Spreadsheet, that contains the updated active/inactive status of all PIPP customers, and that the status is consistent with the billings, payments and arrearage credits reflected in its calculations. The use of the spreadsheet's capabilities, such as linking cells through formulas and functions, could reduce the Company's need to manually input data, minimize the chance of error and aid the Company and Staff in future filings and audits.

Staff recommends to the Commission that Glenwood reduce its PIPP arrearage balance as of December 31, 2016, to \$12,531.07.

**ATTACHMENT A**  
**GLENWOOD ENERGY OF OXFORD**  
**PIPP ACCOUNTS EXPENSE RIDER**  
**2015 Annual Balance Reconciliation (Actual)**

|   | January         | February        | March           | April           | May             | June            | July            | August          | September       | October         | November        | December        |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| (1) Balance - Beginning of Month  | \$25,565        | \$23,760        | \$23,872        | \$23,736        | \$23,229        | \$22,015        | \$21,537        | \$20,444        | \$20,440        | \$20,248        | \$20,239        | \$20,189        |
| (2) PIPP Account Adjustments  | \$388           | \$2,506         | \$1,513         | \$134           | -\$1,025        | -\$406          | -\$1,016        | \$73            | -\$60           | \$271           | \$699           | \$692           |
| (3) Recovery - PIPP Rider (a)   | \$2,377         | \$2,572         | \$1,827         | \$816           | \$359           | \$235           | \$234           | \$229           | \$283           | \$431           | \$900           | \$1,337         |
| (4) Recovery - Other (b)  | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             |
| (5) Incremental Adjustments (2)-[(3)+(4)]   | -\$1,989        | -\$67           | -\$314          | -\$682          | -\$1,384        | -\$641          | -\$1,250        | -\$157          | -\$343          | -\$160          | -\$201          | -\$645          |
| (6) Balance Subtotal (1)+(5)  | \$23,576        | \$23,694        | \$23,558        | \$23,054        | \$21,846        | \$21,374        | \$20,287        | \$20,287        | \$20,096        | \$20,088        | \$20,038        | \$19,544        |
| (7) Carrying Charges [(1)+(6)]/(2)*(d)  | \$184           | \$178           | \$178           | \$175           | \$169           | \$163           | \$157           | \$153           | \$152           | \$151           | \$151           | \$149           |
| (8) Balance - End of Month (6)+(7)  | <u>\$23,760</u> | <u>\$23,872</u> | <u>\$23,736</u> | <u>\$23,229</u> | <u>\$22,015</u> | <u>\$21,537</u> | <u>\$20,444</u> | <u>\$20,440</u> | <u>\$20,248</u> | <u>\$20,239</u> | <u>\$20,189</u> | <u>\$19,693</u> |
| (a) Calculated: actual consumption times authorized rider rate                          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| (b) Consists of customer payments, net-collection agency revenue, and other collections |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| (c) Net monthly carrying charge rate (e)  | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           |
| (d) Annual CC rate  | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           |
| Sales Volumes   | 81,130          | 87,798          | 62,350          | 27,860          | 12,248          | 8,021           | 7,989           | 7,822           | 9,674           | 14,723          | 30,715          | 45,635          |
| Rider Rate of Recovery  | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       |
| ACTUAL 2014 Volumes - (Net of Meter Adjustments)  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |

**ATTACHMENT B**  
**GLENWOOD ENERGY OF OXFORD**  
**PIPP ACCOUNTS EXPENSE RIDER**

2016 Annual Balance Reconciliation (Actual)

|   | January         | February        | March           | April           | May             | June            | July            | August          | September       | October         | November        | December        |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| (1) Balance - Beginning of Month  | \$19,693        | \$17,164        | \$16,858        | \$17,102        | \$16,939        | \$16,643        | \$16,167        | \$15,475        | \$14,728        | \$14,033        | \$13,181        | \$13,172        |
| (2) PIPP Account Adjustments  | -\$231          | \$1,381         | \$1,404         | \$584           | \$25            | -\$343          | -\$613          | -\$641          | -\$525          | -\$611          | \$990           | \$1,631         |
| (3) Recovery - PIPP Rider (a)   | \$2,436         | \$1,814         | \$1,287         | \$874           | \$447           | \$256           | \$197           | \$219           | \$277           | \$343           | \$1,098         | \$2,368         |
| (4) Recovery - Other (b)  | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             | \$0             |
| (5) Incremental Adjustments (2)-[(3)+(4)]   | -\$2,667        | -\$433          | \$117           | -\$290          | -\$422          | -\$599          | -\$810          | -\$860          | -\$802          | -\$954          | -\$107          | -\$737          |
| (6) Balance Subtotal (1)+(5)  | \$17,026        | \$16,731        | \$16,975        | \$16,812        | \$16,518        | \$16,044        | \$15,357        | \$14,615        | \$13,926        | \$13,079        | \$13,073        | \$12,435        |
| (7) Carrying Charges [((1)+(6))/2]*(d)  | \$138           | \$127           | \$127           | \$127           | \$125           | \$123           | \$118           | \$113           | \$107           | \$102           | \$98            | \$96            |
| (8) Balance - End of Month (6)+(7)  | <u>\$17,164</u> | <u>\$16,858</u> | <u>\$17,102</u> | <u>\$16,939</u> | <u>\$16,643</u> | <u>\$16,167</u> | <u>\$15,475</u> | <u>\$14,728</u> | <u>\$14,033</u> | <u>\$13,181</u> | <u>\$13,172</u> | <u>\$12,531</u> |
| (a) Calculated: actual consumption times authorized rider rate                          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| (b) Consists of customer payments, net-collection agency revenue, and other collections |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| (c) Net monthly carrying charge rate (e)  | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           | 0.75%           |
| (d) Annual CC rate  | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           | 9.00%           |
| <b>ACTUAL 2014 Volumes - (Net of Meter Adjustments)</b>                                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Sales Volumes   | 83,129          | 61,922          | 43,925          | 29,841          | 15,245          | 8,730           | 6,736           | 7,461           | 9,461           | 11,691          | 37,464          | 80,808          |
| Rider Rate of Recovery  | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       | \$ 0.0293       |