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PUCO EXHIBIT FILING

Date of Hearing: 6/19/17

Case No. 16-206-GA-GCR et al

PUCO Case Caption: Brainard Gas, et al

List of exhibits being filed:

OCC Ex-1

Commissioned Ordered Exhibits

1 2 3 4

Company Exhibits

1 and 2

Reporter's Signature: Michael O. Spencer

Date Submitted: 6/30/17

2017 JUN 30 PM 1:03

PUCO

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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PROCEEDINGS

Before Nick Walstra and Patricia A. Schabo, Attorney Examiners, held at the Public Utilities Commission of Ohio, 180 East Broad Street, Hearing Room No. 11-C, Columbus, Ohio, on Monday, June 19, 2017, at 10:00 A.M.

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Armstrong & Okey, Inc.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215
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OCC Ex-1

Office of the Ohio Consumers' Counsel

June 12, 2017

Hon. Nicholas Walstra
Hon. Patricia Schabo
Attorney Examiners
Public Utilities Commission of Ohio
180 East Broad Street, 11th Floor
Columbus, OH 43215

> *Re: In the Matter of the Regulation of the Purchased Gas Adjustment Clauses Contained within the Rate Schedules of: Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, Orwell Natural Gas Company and Related matters, Case Nos. 16-206-GA-GCR, 16-209-GA-GCR, 16-212-GA-GCR.*

Dear Examiners Walstra and Schabo,

The Office of the Ohio Consumers' Counsel ("OCC") takes this opportunity to share our views on the settlement, signed by Brainard Gas Corporation, Northeast Ohio Natural Gas Corporation, and Orwell Natural Gas Company (collectively "GNI") that was filed in this case on May 12, 2017. OCC neither supports nor opposes the settlement in this case.

OCC acknowledges and appreciates GNI and the PUCO Staff for their efforts to negotiate a settlement agreement in this case to resolve issues for GNI's 22,400 residential utility customers.

Regards,

/s/ Ajay Kumar
Ajay Kumar
Assistant Consumers' Counsel

cc: Parties of Record

Commission-Ordered
Exhibit No. 1

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FILE

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

Financial Audit of the Gas Cost Recovery Mechanisms for the Effective GCR Periods

Brainard Gas Corporation
Case No. 16-206-GA-GCR
July 1, 2014 through June 30, 2016

Northeast Ohio Natural Gas Corporation
Case No. 16-209-GA-GCR
July 1, 2014 through June 30, 2016

Orwell Natural Gas Company
Case No. 16-212-GA-GCR
July 1, 2014 through June 30, 2016

Ohio | Public Utilities Commission

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Certificate of Accountability

The Staff has completed the required audits of Brainard Gas Corporation (Brainard), Northeast Ohio Natural Gas Corporation (Northeast) and Orwell Natural Gas Company (Orwell) (collectively "Companies"), as ordered by the Public Utilities Commission of Ohio (PUCO or Commission) for the Companies' Gas Cost Recovery (GCR) rates for the period of July 1, 2014, through June 30, 2016. The Staff audited for conformity, in all material respects, with the procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices, Administrative Code, and the Commission Entries in Case Nos. 16-206-GA-GCR, 16-209-GA-GCR and 16-212-GA-GCR.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. Staff asserts that at the time of preparing this report, except for those instances noted, the Companies accurately calculated GCR rates for those periods under investigation in accordance with the uniform purchased gas adjustment as set forth in Chapter 4901:1-14, Administrative Code, and related appendices. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.

David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

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

Section I
Executive Summary

Audit Work Program

Staff's investigation consisted of several components. Staff initially submitted a data request to the Companies requesting documentation necessary to recalculate the Companies' purchased gas costs, purchased volumes, customer billings, sales volumes and informational items such as number of customers and transportation through-put. Staff reviewed and evaluated the data responses along with relevant documents from within the Commission in preparation for the audit. Staff conducted investigative interviews with appropriate company personnel and examined related supplier invoices and spreadsheets at the Companies' office in Pleasantville, Ohio.

Recommendations

At the time of preparing this report, unless otherwise noted, the Companies accurately calculated its gas cost recovery rates for the time period discussed in this report. Any noted exceptions between the Staff and the Company's actual adjustment (AA) and balance adjustment (BA) are not self-correcting through the GCR mechanism. Following is a summary of the Staff's recommendations, which are based on the findings and conclusions presented in this report:

Brainard

Staff recommends an AA adjustment of $10,478 for an over-collection and a BA adjustment of $1,330 for an over-collection.

Northeast

Staff recommends an AA adjustment of $294,247 for an over-collection and a BA adjustment of $518,770 for an under-collection.

Orwell

Staff recommends an AA adjustment of $255,283 for an under-collection and a BA adjustment of $90,079 for an under-collection.

Companies

Staff recommends that the individual preparing the GCR report should verify its accuracy by comparing it to the source documents and also verify the accuracy of the GCR rate prior to issuing customer bills.

Section II
Introduction

Background

Brainard, Northeast, and Orwell are local distribution companies owned by Gas Natural Inc. (Gas Natural). The Companies' historical background, operations, and affiliate connections are explained in detail in this section.

Brainard

Brainard serves two townships, Middlefield and Parkman, in the southeastern portion of Geauga County, Ohio, as well as customers in Lake County. As of June 2016, Brainard provided service to 194 residential and commercial customers on its non-contiguous systems through interconnects with two intrastate pipelines. Brainard also provided transportation service to 17 customers.

When Brainard was formed in 1999, the Commission approved an application (Case No. 99-825-GA-ATA) that permitted Power Energy Distribution Inc. (Power Energy)[1] to withdraw its tariff so that the exact tariff could be adopted by Brainard who then provided service to the existing Power Energy customers.

In March 2006, Brainard's shares were sold to Richard Osborne, Trustee of the Richard M. Osborne Trust. Mr. Osborne, at the time, was the Chief Executive Officer (CEO) and chairman of Orwell and sole shareholder of the Lightning Pipeline Company, Inc. (Lightning), the Ohio holding company that owned all of the capital stock of Orwell. Upon transfer of the shares, Orwell took over the operation and maintenance of all Brainard facilities, but Brainard continued to operate as a separate regulated corporate entity (Case No. 06-404-GA-ATR).

Northeast

Northeast Ohio Natural Gas Corporation (Northeast) serves customers located in multiple counties across Ohio including Ashland, Carroll, Columbiana, Coshocton, Cuyahoga, Fairfield, Franklin, Guernsey, Harrison, Hocking, Holmes, Huron, Knox, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, Washington, and Wayne counties. As of June 2016, Northeast served approximately 16,171 residential and 1,181 commercial customers on its non-contiguous systems through interconnects with two interstate pipelines, two intrastate pipelines, one local distribution company, and local production. Northeast also provides transportation service to 77 customers. Northeast's customer count has risen in all sectors from the previous audit. Northeast has added an additional 985 residential customers, an additional 73 commercial customers, and 29 new transportation customers.

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[1] Power Energy was established in 1997 in Ohio by Mr. Edward Bonk in Case number 97-746-GA-ATA.

Northeast was founded in 1986. Portions of Northeast's operations were obtained from the former Ellis T. Myers Company pursuant to the Commission's December 16, 1986 Finding and Order in Case No. 86-2198-GA-ATR. In 1996, Northeast was acquired by Marbel Energy Corporation (Marbel). In 1998, Marbel was acquired by FE Holding, LLC, in a joint venture between FirstEnergy Corporation and Belden & Blake Corporation where both firms were equal owners.

In June 2003, Northeast was purchased by Great Plains Natural Gas Company (Great Plains) based in Mentor, Ohio. Great Plains was owned by Mr. Richard M. Osborne who was also at that time the CEO and chairman of the Orwell Natural Gas. This sale was approved by the Commission in Case No. 03-1229-GA-UNC.

Orwell

Orwell Natural Gas Company is a local distribution company serving customers in Ashtabula, Geauga, Lake, and Trumbull counties. As of June 2016, Orwell served approximately 9,621 residential, 26 commercial, and 2 industrial customers. Orwell also provides transportation service to 98 customers. During the audit period, the number of residential increased by 1,900 and the commercial customers decreased by 866, while Orwell's transportation service increased from 83 to 98 customers.

Orwell was formed by Willard Scott in 1986 to serve the Village of Orwell under the provisions of a municipal ordinance. In 1987 Orwell filed an application for approval of rules and regulations governing the distribution and sale of gas which was approved by the Commission on February 29, 1988.

In March 2002, Mr. Scott agreed to transfer all of Orwell's stock to Lightning Pipeline Company, Inc. (Lightning). The transfer of stock was approved by the Commission in Case No. 02-915-GA-UNC on May 21, 2002. Lightning stock was held primarily by Richard M. Osborne.

On February 16, 2007, in Case No. 07-163-GA-ATA, Orwell filed an application to establish rates and tariffs in its unincorporated areas, along with the filing of its gas cost rate (GCR) with the Commission. Prior to this filing, Orwell did not file its GCR with the Commission but instead filed its rates with the municipals that it served. On June 27, 2007, the Commission approved Orwell's application and established its initial GCR rate and case number for the filing of its GCRs. In Case No. 08-204-GA-GCR, Staff completed its initial GCR audit of Orwell.

Section III
Expected Gas Cost

Staff has reviewed the Companies' calculations of the expected gas cost (EGC), which is the mechanism that attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. The EGC is calculated by extending 12 month historical purchased volumes from each supplier by the rate that is expected to be in effect during the upcoming period. The cost for each supplier is summed and the total is divided by 12 month historical sales to develop an EGC rate to be applied to customer bills.

In this section, Staff comments on supply sources and supply agreements, where applicable, for all three entities. Thereafter, Staff makes individual entity observations concerning purchased volumes, sales volumes and transportation services.

Supply Sources

Gas supplies for all three entities are delivered from a combination of local production and interstate supplies.

Brainard

Brainard, the smallest of the three Gas Natural companies, does not have any direct connections to an interstate pipeline; however, volumes are transported to its city-gates through interconnections with intrastate pipelines Cobra Pipeline Co., LTD. (Cobra) and Orwell-Trumbull Pipeline Company, LLC (OTP).

Northeast

Northeast has direct connections to interstate pipelines including Columbia Gas Transmission Corporation (TCO) and Tennessee Gas Pipeline. Northeast also receives gas from Dominion East Ohio (DEO), Cobra, and approximately 17 local producers, the largest of which is Mormack.

Orwell

Orwell's gas supplies are delivered from a combination of local production and interstate supplies. Volumes are transported to its city-gates through interconnections with Spelman Pipeline, OTP, Columbia Gas Transmission, North Coast Gas Transmission, Dominion East Ohio, Gas Natural Resource, and Cobra. Orwell receives gas from approximately ten local producers, the largest of which is Independent Energy.

Sales Volumes

Staff reviewed the Companies' meter reading and billing register summaries for the two year audit period to ensure the sales volumes were properly calculated and summed each month for inclusion in the Company's GCR. Staff has the following observations for the audit period:

Brainard

Staff discovered discrepancies in Brainard's GCR filings in five of the twenty-four months *reviewed. Brainard reported total sales volumes of 92,072 Mcf, which was lower than the sales* volumes verified by Staff of 95,443 Mcf, resulting in a difference of 3,371 Mcf.

Northeast

Staff found several months in which the sales volumes reported in NEO's GCR filings were different from those contained in their billing registers. Staff verified sales volumes of 4,733,010 Mcf while the Company filed sales volumes of 4,717,775 Mcf, a difference of 15,235 Mcf.

Orwell

Staff found several months in which the sales volumes reported in Orwell's GCR filings were different than those contained in their billing registers. Staff verified sales volumes of 2,049,401 Mcf while the Company filed sales volumes of 2,018,577 Mcf, a difference of 30,824 Mcf.

Purchased Volumes

Staff reviewed the purchased volumes filed by the Companies in its GCR filings and made the following observations:

Brainard

Staff reviewed the purchased volumes from supplier invoices and found that some of the volumes did not match those filed in the Company's periodic GCR filings. Staff has reflected this difference in its calculation of purchased volumes.

Northeast

Northeast's purchased volumes for the period were 5,262,881 Mcf. Staff has reviewed the volumes purchased by the Company and found that approximately 41 percent of the audit period supplies were received through DEO, with 54 percent delivered from TCO, with local production and Gatherco representing 4 percent and less than one percent from Tennessee Gas Pipeline.

Orwell

Staff has reviewed the volumes purchased by the Company and found that Orwell's purchased volumes for the period were approximately 2,037,369 Mcf.

Transportation Services

Brainard

Brainard provided transportation service to 17 customers on its system, the largest of which is Hans Rothenbuhler & Son Inc. The 17 customers represent the vast majority of the company's through-put volumes. Brainard transported approximately 601,029 Mcf of gas during the 24 month audit period.

Northeast

Northeast provides transportation service to 77 customers on its system with Marathon Petroleum being its largest transportation customer. For the last six months of the audit period, Northeast transported approximately 1.6 Bcf of gas and approximately 4.7 Bcf over the last 12 months.

Orwell

Orwell provides transportation service to 98 customers on its system with Masco Cabinetry, LLC being its largest customer. For the last six months of the audit period, Orwell transported approximately 241,058 Mcf of gas and approximately 404,896 Mcf over the last 12 months.

Recommendations

Staff recommends that the individual preparing the GCR for Brainard, NEO and Orwell verify the accuracy of the sales and purchased volumes used in their respectively filings by comparing them to their source documents.

Section IV
Actual Adjustment

The Actual Adjustment (AA) reconciles the monthly cost of purchased gas with the EGC billing rate. It is calculated by dividing the total cost of gas purchases for each month of the three-month reporting quarter by total sales for those respective months. The result is the unit book cost of gas, which is the cost incurred by the company for procuring each Mcf it sold that month. That unit book cost for each month is compared with the EGC rate which was billed for that quarter. The difference between each monthly unit cost and the EGC, whether positive or negative, is multiplied by the respective monthly jurisdictional sales to identify the total of under or over-recoveries of gas costs. The monthly under- or over-recoveries are summed and divided by the 12 month historic jurisdictional sales to develop an Actual Adjustment rate to be included in the GCR for four quarters.

Errors in the Actual Adjustment calculation can result from incorrectly reported purchased gas costs, errors in the stated sales volumes and from the use of the wrong EGC rate.

In its review of the Company's monthly purchased gas costs and volumes, Staff started with the *monthly summary sheets provided to Staff in the course of the audit. Staff constructed its* calculation to resemble the company's monthly summary sheets and then inputted the invoiced costs.

Brainard

As noted above, Staff calculated the purchased gas costs using invoices from interstate supplies and also reduced the Cobra monthly meter fee from $125 to an amount prorated between sales and purchased volumes, in order to reflect the actual transportation volumes that passed through the Bridge Road meter.

Northeast

Staff accounted for the imbalance volumes on Cobra, Spelman, and TCO for the purpose of calculating storage. During the audit, there were small differences found between Staff's and the Company's calculations. The result is a small difference in the purchased gas cost.

Orwell

As noted above, Staff calculated the purchased gas costs using the contracts that were provided and adjusted the telemetering fee charged by Orwell-Trumbull Pipeline and Cobra Pipeline to account for transportation volumes.

Recommendations

Staff calculated the purchased gas cost for Brainard, Northeast and Orwell, excluding the items noted above, which have resulted in the differences noted below. The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends the following reconciliation adjustments as shown in Table I, Table II, and Table III. This reconciliation adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

- Brainard: $10,479 for an over-collection – Table I
- Northeast: $294,247 for an over-collection – Table II
- Orwell: $255,282 for an under-collection - Table III

Table I
Brainard Natural Gas Company
Actual Adjustment

	Per Staff	Jul-14	Aug-14	Sep-14	AA	Difference
Quarter End: Sep-14	Supply Cost $	$3,337	$17,046	$4,475		
	Jur. Sales MCF	1,724	1,820	1,747		
	Total Sales MCF	1,724	1,820	1,747		
	Book Cost $/ MCF	$1.9351	$9.3654	$2.5614		
	EGC$/MCF	$4.5088	$4.1756	$4.2698		
	Diff. $/MCF	($2.5737)	$5.1898	($1.7084)		
	Cost Diff. $	($4,438)	$9,446	($2,984)	$2,024	
	Per Company					
	Supply Cost $	$3,337	$17,217	$4,465		
	Jur. Sales MCF	1,724	1,820	1,747		
	Total Sales MCF	1,724	1,820	1,747		
	Book Cost $/ MCF	$1.9356	$9.4599	$2.5558		
	EGC$/MCF	$4.5088	$4.1756	$4.2698		
	Diff. $/MCF	($2.5732)	$5.2843	($1.7140)		
	Cost Diff. $	($4,436)	$9,617	($2,994)	$2,187	($163)

	Per Staff	Oct-14	Nov-14	Dec-14	AA	Difference
Quarter End: Dec-14	Supply Cost $	$21,602	$25,629	$41,250		
	Jur. Sales MCF	1,958	2,802	5,760		
	Total Sales MCF	1,958	2,802	5,760		
	Book Cost $/ MCF	$11.0316	$9.1463	$7.1616		
	EGC$/MCF	$4.5881	$4.7500	$5.0222		
	Diff. $/MCF	$6.4435	$4.3963	$2.1394		
	Cost Diff. $	$12,618	$12,319	$12,323	$37,260	
	Per Company					
	Supply Cost $	$21,602	$25,629	$41,227		
	Jur. Sales MCF	1,958	2,802	5,760		
	Total Sales MCF	1,958	2,802	5,760		
	Book Cost $/ MCF	$11.0327	$9.1467	$7.1575		
	EGC$/MCF	$4.5881	$4.7500	$5.0222		
	Diff. $/MCF	$6.4446	$4.3967	$2.1353		
	Cost Diff. $	$12,619	$12,320	$12,299	$37,238	$22

Table I
Brainard Natural Gas Company
Actual Adjustment

	Per Staff	Jan-15	Feb-15	Mar-15	AA	Difference
Quarter	Supply Cost $	$42,312	$45,739	$37,322		
End:	Jur. Sales MCF	7,072	8,727	8,939		
Mar-15	Total Sales MCF	7,072	8,727	8,939		
	Book Cost $/ MCF	$5.9830	$5.2409	$4.1754		
	EGC$/MCF	$4.8646	$5.1477	$5.4125		
	Diff. $/MCF	$1.1184	$0.0932	($1.2371)		
	Cost Diff. $	$7,909	$813	($11,058)	($2,336)	
	Per Company					
	Supply Cost $	$42,312	$45,708	$37,293		
	Jur. Sales MCF	5,770	8,680	7,207		
	Total Sales MCF	5,770	8,680	7,207		
	Book Cost $/ MCF	$7.3331	$5.2659	$5.1746		
	EGC$/MCF	$4.8646	$5.1477	$5.4125		
	Diff. $/MCF	$2.4685	$0.1182	($0.2379)		
	Cost Diff. $	$14,243	$1,026	($1,715)	$13,554	($15,890)

	Per Staff	Apr-15	May-15	Jun-15	AA	Difference
Quarter	Supply Cost $	$10,218	$8,693	$4,580		
End:	Jur. Sales MCF	6,145	3,064	1,797		
Jun-15	Total Sales MCF	6,145	3,064	1,797		
	Book Cost $/ MCF	$1.6627	$2.8370	$2.5481		
	EGC$/MCF	$3.6846	$3.4703	$3.9608		
	Diff. $/MCF	($2.0219)	($0.6333)	($1.4127)		
	Cost Diff. $	($12,425)	($1,941)	($2,539)	($16,905)	
	Per Company					
	Supply Cost $	$10,218	$8,686	$4,574		
	Jur. Sales MCF	6,145	3,064	1,797		
	Total Sales MCF	6,145	3,064	1,797		
	Book Cost $/ MCF	$1.6628	$2.8349	$2.5454		
	EGC$/MCF	$3.6846	$3.4703	$3.9608		
	Diff. $/MCF	($2.0218)	($0.6354)	($1.4154)		
	Cost Diff. $	($12,424)	($1,947)	($2,543)	($16,914)	$9

Table I
Brainard Natural Gas Company
Actual Adjustment

	Per Staff	Jul-15	Aug-15	Sep-15	AA	Difference
Quarter	Supply Cost $	$3,464	$5,745	-$977		
End:	Jur. Sales MCF	1,335	1,226	1,235		
Sep-15	Total Sales MCF	1,335	1,226	1,235		
	Book Cost $/ MCF	$2.5949	$4.6872	($0.7911)		
	EGC$/MCF	$3.8209	$3.9153	$3.5881		
	Diff. $/MCF	($1.2260)	$0.7719	($4.3792)		
	Cost Diff. $	($1,637)	$946	($5,408)	($6,099)	
	Per Company					
	Supply Cost $	$3,464	$1,128	($977)		
	Jur. Sales MCF	1,335	1,226	1,235		
	Total Sales MCF	1,335	1,226	1,235		
	Book Cost $/ MCF	$2.5948	$0.9201	($0.7911)		
	EGC$/MCF	$3.8209	$3.9153	$3.5881		
	Diff. $/MCF	($1.2261)	($2.9952)	($4.3792)		
	Cost Diff. $	($1,637)	($3,672)	($5,408)	($10,717)	$4,618

	Per Staff	Oct-15	Nov-15	Dec-15	AA	Difference
Quarter	Supply Cost $	$9,523	$14,778	$19,321		
End:	Jur. Sales MCF	1,382	3,003	3,495		
Dec-15	Total Sales MCF	1,382	3,003	3,495		
	Book Cost $/ MCF	$6.8905	$4.9208	$5.5282		
	EGC$/MCF	$4.1196	$4.0653	$3.9603		
	Diff. $/MCF	$2.7709	$0.8555	$1.5679		
	Cost Diff. $	$3,829	$2,569	$5,480	$11,878	
	Per Company					
	Supply Cost $	$9,523	$14,778	$19,321		
	Jur. Sales MCF	1,113	3,003	3,495		
	Total Sales MCF	1,113	3,003	3,495		
	Book Cost $/ MCF	$8.5562	$4.9211	$5.5282		
	EGC$/MCF	$4.1196	$4.0653	$3.9603		
	Diff. $/MCF	$4.4366	$0.8558	$1.5679		
	Cost Diff. $	$4,938	$2,570	$5,480	$12,988	($1,110)

Table I
Brainard Natural Gas Company
Actual Adjustment

	Per Staff	**Jan-16**	**Feb-16**	**Mar-16**	**AA**	**Difference**
Quarter End: Mar-16	**Supply Cost $**	$27,196	$32,370	$19,393		
	Jur. Sales MCF	5,117	8,695	7,484		
	Total Sales MCF	5,117	8,695	7,484		
	Book Cost $/ MCF	$5.3149	$3.7228	$2.5913		
	EGC$/MCF	$3.8393	$3.6775	$3.5811		
	Diff. $/MCF	$1.4756	$0.0453	($0.9898)		
	Cost Diff. $	$7,551	$394	($7,408)	$537	
	Per Company					
	Supply Cost $	$30,127	$31,762	$17,950		
	Jur. Sales MCF	5,117	8,695	7,484		
	Total Sales MCF	5,117	8,695	7,484		
	Book Cost $/ MCF	$5.8876	$3.6529	$2.3985		
	EGC$/MCF	$3.8393	$3.6775	$3.5811		
	Diff. $/MCF	$2.0483	($0.0246)	($1.1826)		
	Cost Diff. $	$10,481	($214)	($8,851)	$1,416	($879)
	Per Staff	**Apr-16**	**May-16**	**Jun-16**	**AA**	**Difference**
Quarter End: Jun-16	**Supply Cost $**	$1,290	$950	$674		
	Jur. Sales MCF	4,988	3,922	2,005		
	Total Sales MCF	4,988	3,922	2,005		
	Book Cost $/ MCF	$0.2586	$0.2423	$0.3361		
	EGC$/MCF	$3.5427	$3.4815	$3.5485		
	Diff. $/MCF	($3.2841)	($3.2392)	($3.2124)		
	Cost Diff. $	($16,381)	($12,704)	($6,441)	($35,526)	
	Per Company					
	Supply Cost $	$0	$0	$0		
	Jur. Sales MCF	4,988	3,922	2,005		
	Total Sales MCF	4,988	3,922	2,005		
	Book Cost $/ MCF	$0.0000	$0.0000	$0.0000		
	EGC$/MCF	$3.5427	$3.4815	$3.5485		
	Diff. $/MCF	($3.5427)	($3.4815)	($3.5485)		
	Cost Diff. $	($17,671)	($13,654)	($7,115)	($38,440)	$2,914
					TOTAL:	**($10,479)**

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

Quarter End: Aug-14	Per Staff	Jun-14	Jul-14	Aug-14	AA	Difference
	Supply Cost $	$0	$472,406	$536,659		
	Jur. Sales MCF	0	69,538	65,542		
	Total Sales MCF	0	69,538	65,542		
	Book Cost $/ MCF	$0.0000	$6.7935	$8.1880		
	EGC$/MCF	$0.0000	$5.1291	$4.9017		
	Diff. $/MCF	$0.0000	$1.6644	$3.2863		
	Cost Diff. $	$0	$115,739	$215,391	$331,130	
	Per Company					
	Supply Cost $	$0	$474,454	$538,300		
	Jur. Sales MCF	0	69,538	65,542		
	Total Sales MCF	0	69,538	65,542		
	Book Cost $/ MCF	$0.0000	$6.8230	$8.2130		
	EGC$/MCF	$0.0000	$5.1291	$4.9017		
	Diff. $/MCF	$0.0000	$1.6939	$3.3113		
	Cost Diff. $	$0	$117,790	$217,030	$334,820	($3,690)

Quarter End: Nov-14	Per Staff	Sep-14	Oct-14	Nov-14	AA	Difference
	Supply Cost $	$520,534	$675,092	$1,129,488		
	Jur. Sales MCF	68,400	86,657	179,567		
	Total Sales MCF	68,400	86,657	179,567		
	Book Cost $/ MCF	$7.6101	$7.7904	$6.2901		
	EGC$/MCF	$4.9838	$5.0274	$5.1482		
	Diff. $/MCF	$2.6263	$2.7630	$1.1419		
	Cost Diff. $	$179,640	$239,434	$205,047	$624,121	
	Per Company					
	Supply Cost $	$520,644	$675,191	$1,129,573		
	Jur. Sales MCF	68,400	86,657	179,567		
	Total Sales MCF	68,400	86,657	179,567		
	Book Cost $/ MCF	$7.6117	$7.7915	$6.2906		
	EGC$/MCF	$4.9838	$5.0274	$5.1482		
	Diff. $/MCF	$2.6279	$2.7641	$1.1424		
	Cost Diff. $	$179,749	$239,529	$205,137	$624,415	($294)

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	Per Staff	Dec-14	Jan-15	Feb-15	AA	Difference
Quarter End: Feb-15	Supply Cost $	$1,493,151	$1,817,982	$1,823,002		
	Jur. Sales MCF	329,500	382,261	442,203		
	Total Sales MCF	329,500	382,261	442,203		
	Book Cost $/ MCF	$4.5316	$4.7559	$4.1225		
	EGC$/MCF	$5.2695	$4.8668	$4.5838		
	Diff. $/MCF	($0.7379)	($0.1109)	($0.4613)		
	Cost Diff. $	($243,138)	($42,393)	($203,988)	($489,519)	
	Per Company					
	Supply Cost $	$1,493,815	$1,817,734	$1,823,056		
	Jur. Sales MCF	329,500	382,261	442,203		
	Total Sales MCF	329,500	382,261	442,203		
	Book Cost $/ MCF	$4.5336	$4.7552	$4.1227		
	EGC$/MCF	$5.2695	$4.8668	$4.5838		
	Diff. $/MCF	($0.7359)	($0.1116)	($0.4611)		
	Cost Diff. $	($242,479)	($42,660)	($203,900)	($489,039)	($480)

	Per Staff	Mar-15	Apr-15	May-15	AA	Difference
Quarter End: May-15	Supply Cost $	$1,604,807	$604,085	$499,609		
	Jur. Sales MCF	454,546	237,074	132,643		
	Total Sales MCF	454,546	237,074	132,643		
	Book Cost $/ MCF	$3.5306	$2.5481	$3.7666		
	EGC$/MCF	$4.6629	$3.4811	$3.2993		
	Diff. $/MCF	($1.1323)	($0.9330)	$0.4673		
	Cost Diff. $	($514,683)	($221,190)	$61,984	($673,889)	
	Per Company					
	Supply Cost $	$1,604,917	$604,206	$515,448		
	Jur. Sales MCF	378,281	279,354	149,676		
	Total Sales MCF	378,281	279,354	149,676		
	Book Cost $/ MCF	$4.2427	$2.1629	$3.4437		
	EGC$/MCF	$4.6629	$3.4811	$3.2993		
	Diff. $/MCF	($0.4202)	($1.3182)	$0.1444		
	Cost Diff. $	($158,950)	($368,254)	$21,614	($505,590)	($168,299)

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	Per Staff	Jun-15	Jul-15	Aug-15	AA	Difference
Quarter	Supply Cost $	$355,507	$303,369	$285,184		
End:	Jur. Sales MCF	79,320	61,852	71,596		
Aug-15	Total Sales MCF	79,320	61,852	71,596		
	Book Cost $/ MCF	$4.4819	$4.9048	$3.9832		
	EGC$/MCF	$3.4530	$3.5187	$3.2702		
	Diff. $/MCF	$1.0289	$1.3861	$0.7130		
	Cost Diff. $	$81,613	$85,733	$51,048	$218,394	
	Per Company					
	Supply Cost $	$391,226	$362,985	$375,660		
	Jur. Sales MCF	79,320	61,777	71,717		
	Total Sales MCF	79,320	61,777	71,717		
	Book Cost $/ MCF	$4.9322	$5.8757	$5.2381		
	EGC$/MCF	$3.4530	$3.5187	$3.2702		
	Diff. $/MCF	$1.4792	$2.3570	$1.9679		
	Cost Diff. $	$117,331	$145,608	$141,133	$404,072	($185,678)

	Per Staff	Sep-15	Oct-15	Nov-15	AA	Difference
Quarter	Supply Cost $	$398,265	$503,884	$876,057		
End:	Jur. Sales MCF	65,057	81,792	139,543		
Nov-15	Total Sales MCF	65,057	81,792	139,543		
	Book Cost $/ MCF	$6.1218	$6.1606	$6.2780		
	EGC$/MCF	$3.7409	$3.8089	$3.6622		
	Diff. $/MCF	$2.3809	$2.3517	$2.6158		
	Cost Diff. $	$154,894	$192,350	$365,017	$712,261	
	Per Company					
	Supply Cost $	$440,230	$570,608	$863,672		
	Jur. Sales MCF	65,385	82,206	140,472		
	Total Sales MCF	65,385	82,206	140,472		
	Book Cost $/ MCF	$6.7329	$6.9412	$6.1484		
	EGC$/MCF	$3.7409	$3.8089	$3.6622		
	Diff. $/MCF	$2.9920	$3.1323	$2.4862		
	Cost Diff. $	$195,631	$257,495	$349,242	$802,368	($90,107)

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	Per Staff	Dec-15	Jan-16	Feb-16	AA	Difference
Quarter End: Feb-16	Supply Cost $	$1,202,389	$1,542,982	$1,495,490		
	Jur. Sales MCF	225,953	337,181	404,501		
	Total Sales MCF	225,953	337,181	404,501		
	Book Cost $/ MCF	$5.3214	$4.5761	$3.6971		
	EGC$/MCF	$3.7891	$3.9520	$4.1062		
	Diff. $/MCF	$1.5323	$0.6241	($0.4091)		
	Cost Diff. $	$346,228	$210,435	($165,481)	$391,181	
	Per Company					
	Supply Cost $	$1,202,256	$1,614,617	$1,495,763		
	Jur. Sales MCF	225,953	337,181	404,501		
	Total Sales MCF	225,953	337,181	404,501		
	Book Cost $/ MCF	$5.3208	$4.7886	$3.6978		
	EGC$/MCF	$3.7891	$3.9520	$4.1062		
	Diff. $/MCF	$1.5317	$0.8366	($0.4084)		
	Cost Diff. $	$346,092	$282,086	($165,198)	$462,980	($71,799)

	Per Staff	Mar-16	Apr-16	May-16	AA	Difference
Quarter End: May-16	Supply Cost $	$1,214,297	$519,910	$498,280		
	Jur. Sales MCF	313,306	248,571	156,763		
	Total Sales MCF	313,306	248,571	156,763		
	Book Cost $/ MCF	$3.8758	$2.0916	$3.1786		
	EGC$/MCF	$4.0419	$4.1879	$4.3557		
	Diff. $/MCF	($0.1661)	($2.0963)	($1.1771)		
	Cost Diff. $	($52,040)	($521,079)	($184,526)	($757,645)	
	Per Company					
	Supply Cost $	$1,213,506	$516,175	$483,292		
	Jur. Sales MCF	313,172	248,705	156,763		
	Total Sales MCF	313,172	248,705	156,763		
	Book Cost $/ MCF	$3.8749	$2.0755	$3.0829		
	EGC$/MCF	$4.6837	$4.1879	$4.3557		
	Diff. $/MCF	($0.8088)	($2.1124)	($1.2728)		
	Cost Diff. $	($253,294)	($525,364)	($199,528)	($978,186)	$220,541

Table II
Northeast Ohio Natural Gas Corporation
Actual Adjustment

	Per Staff	Jun-16	Jul-16	Aug-16	AA	Difference
Quarter End: Aug-16	Supply Cost $	$304,165	$0	$0		
	Jur. Sales MCF	99,644	0	0		
	Total Sales MCF	99,644	0	0		
	Book Cost $/ MCF	$3.0525	$0.0000	$0.0000		
	EGC$/MCF	$4.3594	$0.0000	$0.0000		
	Diff. $/MCF	($1.3069)	$0.0000	$0.0000		
	Cost Diff. $	($130,225)	$0	$0	($130,225)	
	Per Company					
	Supply Cost $	$298,601	$0	$0		
	Jur. Sales MCF	99,644	0	0		
	Total Sales MCF	99,644	0	0		
	Book Cost $/ MCF	$2.9967	$0.0000	$0.0000		
	EGC$/MCF	$4.3594	$0.0000	$0.0000		
	Diff. $/MCF	($1.3627)	$0.0000	$0.0000		
	Cost Diff. $	($135,784)	$0	$0	($135,784)	$5,559
					TOTAL:	($294,247)

Table III
Orwell Natural Gas Company
Actual Adjustment

	Per Staff	Jul-14	Aug-14	Sep-14	AA	Difference
Quarter	Supply Cost $	$66,694	$129,873	$126,437		
End:	Jur. Sales MCF	15,128	17,648	20,508		
Sep-14	Total Sales MCF	15,128	17,648	20,508		
	Book Cost $/ MCF	$4.4086	$7.3591	$6.1653		
	EGC$/MCF	$5.6275	$4.9331	$5.0430		
	Diff. $/MCF	($1.2189)	$2.4260	$1.1223		
	Cost Diff. $	($18,440)	$42,814	$23,016	$47,390	
	Per Company					
	Supply Cost $	$71,564	$125,960	$126,547		
	Jur. Sales MCF	15,128	17,648	20,508		
	Total Sales MCF	15,128	17,648	20,508		
	Book Cost $/ MCF	$4.7304	$7.1372	$6.1705		
	EGC$/MCF	$5.6275	$4.9331	$5.0430		
	Diff. $/MCF	($0.8971)	$2.2041	$1.1275		
	Cost Diff. $	($13,572)	$38,899	$23,123	$48,450	($1,060)

	Per Staff	Oct-14	Nov-14	Dec-14	AA	Difference
Quarter	Supply Cost $	$332,110	$620,743	$822,018		
End:	Jur. Sales MCF	32,748	71,127	143,289		
Dec-14	Total Sales MCF	32,748	71,127	143,289		
	Book Cost $/ MCF	$10.1414	$8.7273	$5.7368		
	EGC$/MCF	$5.0905	$5.5349	$5.5389		
	Diff. $/MCF	$5.0509	$3.1924	$0.1979		
	Cost Diff. $	$165,407	$227,066	$28,357	$420,830	
	Per Company					
	Supply Cost $	$334,630	$621,539	$820,085		
	Jur. Sales MCF	32,748	71,127	143,289		
	Total Sales MCF	32,748	71,127	143,289		
	Book Cost $/ MCF	$10.2185	$8.7384	$5.7233		
	EGC$/MCF	$5.0905	$5.5349	$5.5389		
	Diff. $/MCF	$5.1280	$3.2035	$0.1844		
	Cost Diff. $	$167,929	$227,856	$26,422	$422,207	($1,377)

Table III
Orwell Natural Gas Company
Actual Adjustment

	Per Staff	Jan-15	Feb-15	Mar-15	AA	Difference
Quarter End: Mar-15	Supply Cost $	$1,101,322	$1,350,483	$1,101,800		
	Jur. Sales MCF	192,923	200,418	221,191		
	Total Sales MCF	192,923	200,418	221,191		
	Book Cost $/ MCF	$5.7086	$6.7383	$4.9812		
	EGC$/MCF	$5.4502	$5.3532	$4.5804		
	Diff. $/MCF	$0.2584	$1.3851	$0.4008		
	Cost Diff. $	$49,851	$277,600	$88,653	$416,104	
	Per Company					
	Supply Cost $	$1,128,260	$1,409,955	$1,038,986		
	Jur. Sales MCF	185,686	236,088	162,024		
	Total Sales MCF	185,686	236,088	162,024		
	Book Cost $/ MCF	$6.0762	$5.9722	$6.4125		
	EGC$/MCF	$5.4502	$5.4330	$4.5804		
	Diff. $/MCF	$0.6260	$0.5392	$1.8321		
	Cost Diff. $	$116,240	$127,299	$296,845	$540,384	($124,280)

	Per Staff	Apr-15	May-15	Jun-15	AA	Difference
Quarter End: Jun-15	Supply Cost $	$312,400	$124,261	$62,231		
	Jur. Sales MCF	109,170	56,991	26,098		
	Total Sales MCF	109,170	56,991	26,098		
	Book Cost $/ MCF	$2.8616	$2.1804	$2.3845		
	EGC$/MCF	$4.2240	$3.4519	$4.5736		
	Diff. $/MCF	($1.3624)	($1.2715)	($2.1891)		
	Cost Diff. $	($148,733)	($72,464)	($57,131)	($278,328)	
	Per Company					
	Supply Cost $	$297,225	$128,406	$57,570		
	Jur. Sales MCF	109,170	56,991	26,098		
	Total Sales MCF	109,170	56,991	26,098		
	Book Cost $/ MCF	$2.7226	$2.2531	$2.2059		
	EGC$/MCF	$4.2240	$3.4519	$4.5736		
	Diff. $/MCF	($1.5014)	($1.1988)	($2.3677)		
	Cost Diff. $	($163,908)	($68,320)	($61,792)	($294,020)	$15,692

Table III
Orwell Natural Gas Company
Actual Adjustment

	Per Staff	Jul-15	Aug-15	Sep-15	AA	Difference
Quarter End: Sep-15	Supply Cost $	$60,169	$40,363	$43,879		
	Jur. Sales MCF	18,202	21,246	20,604		
	Total Sales MCF	18,202	21,246	20,604		
	Book Cost $/ MCF	$3.3056	$1.8998	$2.1296		
	EGC$/MCF	$4.2391	$4.3238	$4.0569		
	Diff. $/MCF	($0.9335)	($2.4240)	($1.9273)		
	Cost Diff. $	($16,992)	($51,500)	($39,710)	($108,202)	
	Per Company					
	Supply Cost $	$62,278	$38,702	$49,692		
	Jur. Sales MCF	18,202	21,246	20,604		
	Total Sales MCF	18,202	21,246	20,604		
	Book Cost $/ MCF	$3.4215	$1.8216	$2.4118		
	EGC$/MCF	$4.2391	$4.3238	$4.0569		
	Diff. $/MCF	($0.8176)	($2.5022)	($1.6451)		
	Cost Diff. $	($14,882)	($53,162)	($33,896)	($101,940)	($6,262)

	Per Staff	Oct-15	Nov-15	Dec-15	AA	Difference
Quarter End: Dec-15	Supply Cost $	$121,340	$470,166	$585,091		
	Jur. Sales MCF	25,929	60,663	103,099		
	Total Sales MCF	25,929	60,663	103,099		
	Book Cost $/ MCF	$4.6797	$7.7505	$5.6750		
	EGC$/MCF	$3.8273	$4.3288	$4.2428		
	Diff. $/MCF	$0.8524	$3.4217	$1.4322		
	Cost Diff. $	$22,102	$207,571	$147,658	$377,331	
	Per Company					
	Supply Cost $	$118,753	$470,094	$593,950		
	Jur. Sales MCF	25,929	61,122	103,099		
	Total Sales MCF	25,929	61,122	103,099		
	Book Cost $/ MCF	$4.5800	$7.6911	$5.7610		
	EGC$/MCF	$3.8273	$4.3288	$4.2428		
	Diff. $/MCF	$0.7527	$3.3623	$1.5182		
	Cost Diff. $	$19,517	$205,511	$156,525	$381,553	($4,222)

Table III
Orwell Natural Gas Company
Actual Adjustment

	Per Staff	Jan-16	Feb-16	Mar-16	AA	Difference
Quarter End: Mar-16	Supply Cost $	$940,658	$875,764	$659,086		
	Jur. Sales MCF	162,600	190,869	144,877		
	Total Sales MCF	162,600	190,869	144,877		
	Book Cost $/ MCF	$5.7851	$4.5883	$4.5493		
	EGC$/MCF	$4.4683	$4.5643	$5.1418		
	Diff. $/MCF	$1.3168	$0.0240	($0.5925)		
	Cost Diff. $	$214,112	$4,581	($85,840)	$132,853	
	Per Company					
	Supply Cost $	$840,503	$707,676	$545,964		
	Jur. Sales MCF	163,475	190,018	144,304		
	Total Sales MCF	163,475	190,018	144,304		
	Book Cost $/ MCF	$5.1415	$3.7242	$3.7834		
	EGC$/MCF	$4.4683	$4.5643	$4.6837		
	Diff. $/MCF	$0.6732	($0.8401)	($0.9003)		
	Cost Diff. $	$110,051	($159,634)	($129,917)	($179,500)	$312,353

	Per Staff	Apr-16	May-16	Jun-16	AA	Difference
Quarter End: Jun-16	Supply Cost $	$132,314	$89,405	$45,741		
	Jur. Sales MCF	95,578	61,599	36,895		
	Total Sales MCF	95,578	61,599	36,895		
	Book Cost $/ MCF	$1.3844	$1.4514	$1.2398		
	EGC$/MCF	$3.9005	$4.5332	$4.4509		
	Diff. $/MCF	($2.5161)	($3.0818)	($3.2111)		
	Cost Diff. $	($240,485)	($189,836)	($118,474)	($548,795)	
	Per Company					
	Supply Cost $	$131,514	$89,405	$45,741		
	Jur. Sales MCF	95,578	61,599	36,895		
	Total Sales MCF	95,578	61,599	36,895		
	Book Cost $/ MCF	$1.3760	$1.4514	$1.2398		
	EGC$/MCF	$4.5663	$4.5332	$4.4509		
	Diff. $/MCF	($3.1903)	($3.0818)	($3.2111)		
	Cost Diff. $	($304,923)	($189,836)	($118,474)	($613,233)	$64,438
					TOTAL:	$255,282

Section V
Refund and Reconciliation Adjustment

The Refund and Reconciliation Adjustment (RA) is used to pass through the jurisdictional portion of refunds received from gas suppliers and adjustments ordered by the Commission. Annual interest of 10 percent is applied to the net jurisdictional amount of the RA, which is then divided by 12 months of historic sales volumes to develop a unit rate to be included in the GCR calculation for four quarters.

Staff's review of the Company's RA calculation revealed the following:

Brainard

In the last audit, the Company filed its RA in August 2014, five months after the Commission Opinion and Order was issued. During this audit, the Company filed a subsequent RA in a timely manner and implemented the rate correctly.

Northeast

In the last audit the Company filed its RA in August 2014, seven months after the Commission Opinion and Order was issued. Based on the Commission order, the Company should have filed the RA in February 2014. In the current audit, the Company made a significant improvement in filing its RA in a timely manner, by filing the RA in the GCR filing following the Commission Opinion and Order.

Orwell

In the last audit, the Company filed its RA in August 2014, seven months after the Commission Opinion and Order was issued. In the current audit, the Company made a significant improvement in filing its RA in a timely manner, by filing the RA in the GCR filing following the Commission Opinion and Order.

Recommendations

Staff has no recommendations.

Section VI
Balance Adjustment

The Balance Adjustment (BA) mechanism corrects for under- or over- recoveries of previously calculated AA and RA adjustments. The BA is calculated by subtracting the product of the respective AA, and RA rate and the sales to which those rates were applied from the dollar amounts of the respective AA and RA previously included in the GCR and used to generate those adjustment rates. Since those adjustment rates themselves were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus historical sales. The sum of the differences for the AA and RA calculations is the total BA for the quarter, which is then combined with the quarterly AA adjustment and divided by 12 months of historical sales to obtain a new AA rate to be included in the GCR. Errors detected in the BA are generally the result of incorrectly reported sales volumes, but also may be due to selecting an incorrect rate from previous AA and RA calculations.

Brainard

Staff found errors in reported sales volumes and applied rates that impacted the BA. The errors affected the BA for Brainard in the form of a $1,330 over-collection.

Northeast

Staff found errors that were made by Northeast that had an impact on the BA. The largest of these errors was an RA adjustment that the Company included in the 12 month period ending August 2015. The Company continued to include the same RA adjustment in three consecutive GCR filings for the periods ending November 2015, February 2016, and May 2016. This error resulted in the Company passing back more than the RA amount ordered by the Commission. The result of the errors identified by Staff result in a credit adjustment of $518,770.

Orwell

The Company did not consistently apply the AA for the 12-month period ending July 2015 and left out a RA. Additionally, Staff found errors in the sales volumes as explained previously in Section III. The errors resulted in a debit adjustment of $90,079.

Recommendations

The differences between the Staff and the companies' calculations of the BA are not self-correcting through the GCR mechanism. Staff recommends the following reconciliation adjustments, also shown in Table IV, Table V, and Table VI.

- Brainard: $1,330 for an over-collection – Table IV
- Northeast: $518,770 for an under-collection – Table V
- Orwell: $90,079 for an under-collection – Table VI

These reconciliation adjustments should be applied in the first GCR filing following the Opinion and Order in this case.

Table IV
Brainard Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	($27,201)	$0	$0		
	Rate $/MCF	($0.8408)	$0.0000	$0.0000		
Sep-14	Sales MCF	48,677	0	0		
	Recovery $	($39,606)	$0	$0		
	Balance $	$12,405	$0	$0	$12,405	
	Per Company					
	Adjustment $	($27,201)	$0	$0		
	Rate $/MCF	($0.8408)	$0.0000	$0.0000		
	Sales MCF	48,678	0	0		
	Recovery $	($40,928)	$0	$0		
	Balance $	$13,727	$0	$0	$13,727	($1,322)

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	($3,511)	$0	$0		
	Rate $/MCF	($0.1078)	$0.0000	$0.0000		
Dec-14	Sales MCF	52,265	0	0		
	Recovery $	($4,149)	$0	$0		
	Balance $	$638	$0	$0	$638	
	Per Company					
	Adjustment $	($3,511)	$0	$0		
	Rate $/MCF	($0.1078)	$0.0000	$0.0000		
	Sales MCF	52,641	0	0		
	Recovery $	($4,190)	$0	$0		
	Balance $	$679	$0	$0	$679	($41)

Table IV
Brainard Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$17,133	$0	$0		
	Rate $/MCF	$0.5134	$0.0000	$0.0000		
Mar-15	Sales MCF	53,474	0	0		
	Recovery $	$27,453	$0	$0		
	Balance $	($10,320)	$0	$0	($10,320)	
	Per Company					
	Adjustment $	$17,133	$0	$0		
	Rate $/MCF	$0.5134	$0.0000	$0.0000		
	Sales MCF	55,722	0	0		
	Recovery $	$28,608	$0	$0		
	Balance $	($11,475)	$0	$0	($11,475)	$1,155

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$32,081	($8,810)	$0		
	Rate $/MCF	$0.8061	($0.1910)	$0.0000		
Jun-15	Sales MCF	51,556	51,556	0		
	Recovery $	$40,139	($9,518)	$0		
	Balance $	($8,058)	$708	$0	($7,350)	
	Per Company					
	Adjustment $	$32,081	$0	$0		
	Rate $/MCF	$0.8061	$0.0000	$0.0000		
	Sales MCF	51,556	0	0		
	Recovery $	$41,559	$0	$0		
	Balance $	($9,478)	$0	$0	($9,478)	$2,128

Table IV
Brainard Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$18,251	$0	$0		
	Rate $/MCF	$0.3956	$0.0000	$0.0000		
Sep-15	Sales MCF	50,061	0	0		
	Recovery $	$19,804	$0	$0		
	Balance $	($1,553)	$0	$0	($1,553)	
	Per Company					
	Adjustment $	$18,251	$0	$0		
	Rate $/MCF	$0.3956	$0.0000	$0.0000		
	Sales MCF	50,060	0	0		
	Recovery $	$19,804	$0	$0		
	Balance $	($1,553)	$0	$0	($1,553)	$0

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$15,912	$0	$0		
	Rate $/MCF	$0.3269	$0.0000	$0.0000		
Dec-15	Sales MCF	47,421	0	0		
	Recovery $	$15,502	$0	$0		
	Balance $	$410	$0	$0	$410	
	Per Company					
	Adjustment $	$18,251	$0	$0		
	Rate $/MCF	$0.3269	$0.0000	$0.0000		
	Sales MCF	46,551	0	0		
	Recovery $	$15,217	$0	$0		
	Balance $	$3,034	$0	$0	$3,034	($2,624)

Table IV
Brainard Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$37,915	$0	$0		
	Rate $/MCF	$0.7202	$0.0000	$0.0000		
Mar-16	Sales MCF	43,979	0	0		
	Recovery $	$31,673	$0	$0		
	Balance $	$6,242	$0	$0	$6,242	
	Per Company					
	Adjustment $	$37,915	$0	$0		
	Rate $/MCF	$0.7202	$0.0000	$0.0000		
	Sales MCF	43,108	0	0		
	Recovery $	$31,047	$0	$0		
	Balance $	$6,868	$0	$0	$6,868	($626)

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$2,078	$0	$0		
	Rate $/MCF	$0.0373	$0.0000	$0.0000		
Jun-16	Sales MCF	43,887	0	0		
	Recovery $	$1,637	$0	$0		
	Balance $	$441	$0	$0	$441	
	Per Company					
	Adjustment $	$2,078	$0	$0		
	Rate $/MCF	$0.0373	$0.0000	$0.0000		
	Sales MCF	43,885	0	0		
	Recovery $	$1,637	$0	$0		
	Balance $	$441	$0	$0	$441	$0

TOTAL:	($1,330)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

		AA	RA	BA	Total BA	Difference
	Per Staff	**AA**	**RA**	**BA**	**Total BA**	**Difference**
Year End:	**Adjustment $**	$318,121	$0	$0		
	Rate $/MCF	$0.1510	$0.0000	$0.0000		
Aug-14	**Sales MCF**	2,575,897	0	0		
	Recovery $	$388,960	$0	$0		
	Balance $	($70,839)	$0	$0	($70,839)	
	Per Company					
	Adjustment $	$318,121	$269,826	$0		
	Rate $/MCF	$0.1510	$0.3618	$0.0000		
	Sales MCF	2,575,897	2,575,897	0		
	Recovery $	$388,960	$931,959	$0		
	Balance $	($70,839)	($662,133)	$0	($732,972)	$662,133

		AA	RA	BA	Total BA	Difference
	Per Staff	**AA**	**RA**	**BA**	**Total BA**	**Difference**
Year End:	**Adjustment $**	$11,615	$0	$0		
	Rate $/MCF	$0.0054	$0.0000	$0.0000		
Nov-14	**Sales MCF**	2,580,571	0	0		
	Recovery $	$13,935	$0	$0		
	Balance $	($2,320)	$0	$0	($2,320)	
	Per Company					
	Adjustment $	$11,615	$0	$0		
	Rate $/MCF	$0.0054	$0.0000	$0.0000		
	Sales MCF	2,580,571	0	0		
	Recovery $	$13,935	$0	$0		
	Balance $	($2,320)	$0	$0	($2,320)	$0

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$131,078	$0	$0		
	Rate $/MCF	$0.0602	$0.0000	$0.0000		
Feb-15	Sales MCF	2,514,584	0	0		
	Recovery $	$151,378	$0	$0		
	Balance $	($20,300)	$0	$0	($20,300)	
	Per Company					
	Adjustment $	$131,078	$0	$0		
	Rate $/MCF	$0.0602	$0.0000	$0.0000		
	Sales MCF	2,514,584	0	0		
	Recovery $	$151,378	$0	$0		
	Balance $	($20,300)	$0	$0	($20,300)	$0

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$151,140	$0	$0		
	Rate $/MCF	$0.0595	$0.0000	$0.0000		
May-15	Sales MCF	2,531,535	0	0		
	Recovery $	$150,626	$0	$0		
	Balance $	$514	$0	$0	$514	
	Per Company					
	Adjustment $	$151,140	$0	$0		
	Rate $/MCF	$0.0595	$0.0000	$0.0000		
	Sales MCF	2,531,535	0	0		
	Recovery $	$150,626	$0	$0		
	Balance $	$514	$0	$0	$514	$0

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year	Adjustment $	($135,569)	($808,062)	$0		
End:	Rate $/MCF	($0.0529)	($0.3158)	$0.0000		
Aug-15	Sales MCF	2,525,665	2,525,665	0		
	Recovery $	($133,605)	($795,679)	$0		
	Balance $	($1,964)	($12,383)	$0	($14,347)	
	Per Company					
	Adjustment $	($135,569)	($808,062)	$0		
	Rate $/MCF	($0.0529)	($0.3158)	$0.0000		
	Sales MCF	2,525,665	2,525,665	0		
	Recovery $	($133,608)	($797,605)	$0		
	Balance $	($1,961)	($10,457)	$0	($12,418)	($1,929)

	Per Staff	AA	RA	BA	Total BA	Difference
Year	Adjustment $	($218,636)	$0	$0		
End:	Rate $/MCF	($0.0849)	$0.0000	$0.0000		
Nov-15	Sales MCF	2,477,387	0	0		
	Recovery $	($93,512)	$0	$0		
	Balance $	($125,124)	$0	$0	($125,124)	
	Per Company					
	Adjustment $	($218,636)	($808,062)	$0		
	Rate $/MCF	($0.0849)	($0.3158)	$0.0000		
	Sales MCF	2,371,582	2,371,582	0		
	Recovery $	($201,347)	($748,946)	$0		
	Balance $	($17,289)	($59,116)	$0	($76,405)	($48,719)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year	Adjustment $	$622,095	$0	$0		
End:	Rate $/MCF	$0.2411	$0.0000	$0.0000		
Feb-16	Sales MCF	2,291,058	0	0		
	Recovery $	$552,704	$0	$0		
	Balance $	$69,391	$0	$0	$69,391	
	Per Company					
	Adjustment $	$622,095	($808,062)	$0		
	Rate $/MCF	$0.2415	($0.3158)	$0.0000		
	Sales MCF	3,116,760	3,116,760	0		
	Recovery $	$752,697	($984,273)	$0		
	Balance $	($130,602)	$176,211	$0	$45,609	$23,782

	Per Staff	AA	RA	BA	Total BA	Difference
Year	Adjustment $	($509,339)	$0	$0		
End:	Rate $/MCF	($0.2026)	$0.0000	$0.0000		
May-16	Sales MCF	2,531,535	0	0		
	Recovery $	($442,769)	$0	$0		
	Balance $	($66,570)	$0	$0	($66,570)	
	Per Company					
	Adjustment $	($509,339)	($808,062)	$0		
	Rate $/MCF	($0.2026)	($0.3158)	$0.0000		
	Sales MCF	2,514,584	2,514,584	0		
	Recovery $	($509,455)	($794,106)	$0		
	Balance $	$116	($13,956)	$0	($13,840)	($52,730)

Table V
Northeast Ohio Natural Gas Corporation
Balance Adjustment

		AA	RA	BA	Total BA	Difference
	Per Staff					
Year	**Adjustment $**	($505,076)	$0	$0		
End:	**Rate $/MCF**	($0.1995)	$0.0000	$0.0000		
Aug-16	**Sales MCF**	2,211,905	0	0		
	Recovery $	($441,275)	$0	$0		
	Balance $	($63,801)	$0	$0	($63,801)	
	Per Company					
	Adjustment $	($505,076)	$0	$0		
	Rate $/MCF	($0.1995)	$0.0000	$0.0000		
	Sales MCF	2,531,535	0	0		
	Recovery $	($505,041)	$0	$0		
	Balance $	($35)	$0	$0	($35)	($63,766)
					TOTAL:	**$518,770**

Table VI
Orwell Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
12 months ending Sep-14	Adjustment $	($238,533)	$0	$0		
	Rate $/MCF	($0.2693)	$0.0000	$0.0000		
	Sales MCF	1,086,053	0	0		
	Recovery $	($301,293)	$0	$0		
	Balance $	$62,760	$0	$0	$62,760	
	Per Company					
	Adjustment $	($238,533)	$0	$0		
	Rate $/MCF	($0.2693)	$0.0000	$0.0000		
	Sales MCF	1,088,786	0	0		
	Recovery $	($293,210)	$0	$0		
	Balance $	$54,677	$0	$0	$54,677	$8,083

	Per Staff	AA	RA	BA	Total BA	Difference
12 months ending Dec-14	Adjustment $	$87,452	$0	$0		
	Rate $/MCF	$0.0981	$0.0000	$0.0000		
	Sales MCF	1,099,182	0	0		
	Recovery $	$107,830	$0	$0		
	Balance $	($20,378)	$0	$0	($20,378)	
	Per Company					
	Adjustment $	$87,452	$0	$0		
	Rate $/MCF	$0.0981	$0.0000	$0.0000		
	Sales MCF	1,101,540	0	0		
	Recovery $	$108,061	$0	$0		
	Balance $	($20,609)	$0	$0	($20,609)	$231

Table VI
Orwell Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
12 months ending Mar-15	Adjustment $	$337,354	$0	$0		
	Rate $/MCF	$0.3681	$0.0000	$0.0000		
	Sales MCF	1,131,770	0	0		
	Recovery $	$416,605	$0	$0		
	Balance $	($79,251)	$0	$0	($79,251)	
	Per Company					
	Adjustment $	$337,354	$0	$0		
	Rate $/MCF	$0.3681	$0.0000	$0.0000		
	Sales MCF	1,132,273	0	0		
	Recovery $	$416,790	$0	$0		
	Balance $	($79,436)	$0	$0	($79,436)	$185

	Per Staff	AA	RA	BA	Total BA	Difference
12 months ending Jun-15	Adjustment $	$886,000	(726,203.41)	$0		
	Rate $/MCF	$0.8274	($0.6782)	$0.0000		
	Sales MCF	1,107,239	1,112,767	0		
	Recovery $	$889,034	($754,679)	$0		
	Balance $	($3,034)	$28,475	$0	$25,441	
	Per Company					
	Adjustment $	$886,000	$0	$0		
	Rate $/MCF	$0.8274	$0.0000	$0.0000		
	Sales MCF	1,107,239	0	0		
	Recovery $	$916,129	$0	$0		
	Balance $	($30,129)	$0	$0	($30,129)	$55,570

Table VI
Orwell Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
12 months ending Sep-15	Adjustment $	($482,358)	($275,654)	$0		
	Rate $/MCF	($0.4426)	($0.2529)	$0.0000		
	Sales MCF	1,114,007	1,092,111	0		
	Recovery $	($493,060)	($276,195)	$0		
	Balance $	$10,702	$541	$0	$11,243	
	Per Company					
	Adjustment $	($482,358)	$0	$0		
	Rate $/MCF	($0.4426)	$0.0000	$0.0000		
	Sales MCF	1,114,006	0	0		
	Recovery $	($493,059)	$0	$0		
	Balance $	$10,701	$0	$0	$10,701	$542

	Per Staff	AA	RA	BA	Total BA	Difference
12 months ending Dec-15	Adjustment $	$103,127	$0	$0		
	Rate $/MCF	$0.0946	$0.0000	$0.0000		
	Sales MCF	1,056,534	0	0		
	Recovery $	$99,948	$0	$0		
	Balance $	$3,179	$0	$0	$3,179	
	Per Company					
	Adjustment $	$103,127	$0	$0		
	Rate $/MCF	$0.0946	$0.0000	$0.0000		
	Sales MCF	1,056,205	0	0		
	Recovery $	$99,917	$0	$0		
	Balance $	$3,210	$0	$0	$3,210	($31)

Table VI
Orwell Natural Gas Company
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
12 months	Adjustment $	$401,598	$0	$0		
ending	Rate $/MCF	$0.3646	$0.0000	$0.0000		
Mar-16	Sales MCF	940,348	0	0		
	Recovery $	$342,851	$0	$0		
	Balance $	$58,747	$0	$0	$58,747	
	Per Company					
	Adjustment $	$401,598	$0	$0		
	Rate $/MCF	$0.3646	$0.0000	$0.0000		
	Sales MCF	940,331	0	0		
	Recovery $	$342,845	$0	$0		
	Balance $	$58,753	$0	$0	$58,753	($6)

	Per Staff	AA	RA	BA	Total BA	Difference
12 months	Adjustment $	$460,948	$0	$0		
ending	Rate $/MCF	$0.4071	$0.0000	$0.0000		
Jun-16	Sales MCF	942,161	0	0		
	Recovery $	$383,554	$0	$0		
	Balance $	$77,394	$0	$0	$77,394	
	Per Company					
	Adjustment $	$460,948	$0	$0		
	Rate $/MCF	$0.4071	$0.0000	$0.0000		
	Sales MCF	1,025,234	0	0		
	Recovery $	$417,373	$0	$0		
	Balance $	$43,575	$0	$0	$43,575	$33,819
					TOTAL:	**$90,079**

Section VII
Unaccounted-For Gas

Unaccounted-for gas (UFG) is the difference between gas purchased and sale volumes. It is calculated on a 12 month basis, ending in one of the low usage summer months, so as to minimize the effects of unbilled volumes on the calculation. Chapter 4901:1-14-08(F)(3), Ohio Administrative Code (OAC), specifies that the Commission may adjust the Company's future GCR rates by means of a reconciliation adjustment as a result of UFG above a reasonable level, presumed to be no more than five percent for an audit period.

Staff finds that Northeast and Orwell's UFG levels are within the five-percent range allowed by the GCR rules. The results of Staff's calculations are shown in the tables below.

Brainard UFG Rates

24 Months Ended	Receipts - In Mcf	Deliveries - Out Mcf	UFG Mcf	UFG Percent
June 2016	88,435	95,443	-8,546	-8.95%

Northeast UFG Rates

24 Months Ended	Receipts - In Mcf	Deliveries - Out Mcf	UFG Mcf	UFG Percent
June 2016	4,836,289	4,733,010	103,279	2.14%

Orwell UFG Rates

24 Months Ended	Receipts - In Mcf	Deliveries - Out Mcf	UFG Mcf	UFG Percent
June 2016	2,043,441	2,049,401	-5,960	-0.29%

Recommendations

Staff recommends that Brainard continue to monitor the UFG levels to determine why the Company is recording greater sales volumes than purchases. Traditionally, this is a result of metering errors, timing differences in the recognition of purchases and sales or the assignment of volumes to sales customers that were actually consumed by transportation customers.

Section VIII
Customer Billing

An important component in the GCR process is the proper application of GCR rates to customer bills. Staff randomly selected invoices from each month of the audit period to verify GCR and base rates, along with the customer charges applied to each account. Staff discovered one customer billing error as described below:

Brainard

Staff confirmed through its customer billing sample that the monthly GCR rates on file with the Commission were properly billed to the customers.

Northeast

Staff confirmed through its customer billing sample that the monthly GCR rates on file with the Commission were properly billed to the customers.

Orwell

Staff confirmed through its customer billing sample that the monthly GCR rates on file with the Commission were properly billed to the customers except for April 2016 where the rate was incorrect.

Recommendation

Staff recommends that Orwell confirm the accuracy of the billed GCR rates prior to issuing customers' bills.

Commission-Ordered
Exhibit No. 2

8

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

Orwell Natural Gas Company
Case Number 16-312-GA-UEX

Audit of the Uncollectible Expense Mechanisms For the Periods January 2014 through December 2015

February 24, 2017

Ohio | Public Utilities Commission

Orwell Natural Gas Company
Uncollectible Expense Rider

Background

On February 24, 2016, the Public Utilities Commission of Ohio (Commission) initiated the financial audit of Orwell Natural Gas Company's (Orwell or Company) uncollectible expenses (UEX or UEX Rider) rider encompassing the UEX rate in effect for the calendar years 2014 and 2015 (audit period). Staff has conducted its audit of UEX rider and present its finds and recommendations in this report.

Staff Review

Staff began this audit by verifying the amounts filed by Orwell in its Annual Balance Reconciliation (ABR) calculations for calendar years 2014 and 2015 Case Nos. 15-312-GA-UEX and 16-312-GA-UEX.

As shown in Attachments 1 and 2, Orwell's ABRs contained monthly write-off amounts, recoveries from the UEX rider, recoveries – other (payments received from collection agencies less collection fees), sales volumes, and applicable UEX rider rates. From these components, Orwell calculated its monthly over – or under–recoveries of uncollectible expenses and its annual ending balances. Staff in the course of its audit verified the amounts for each component of Orwell's ABRs.

For the verification of monthly write-offs, Staff obtained from the Company its Bad Debts Written – Off Report (BDR). The BDR is generated monthly by Orwell's billing system and contains flagged accounts where no payment has been received in the last 90 days and also represents the monthly write-off amount in Orwell's ABR. Through the review, Staff found that Orwell incorrectly reported bad debt write - offs in the ABR for February, March, and April of 2014. The bad debt write - offs were incorrectly reported as a recovery in base rates (Line 3). The reporting of a write – off as a recovery affects the calculation of incremental bad debt (line 7) and ultimately the monthly ending balance (Line 9). Staff corrected the reporting error and re-calculated the ABR for both years. Staff's ending balance for December 2014 and December 2015 is reported in Attachments 3 and 4.

Staff then randomly selected customer accounts that had been included in the BDR and requested their billing history. For each account, Staff was able to verify the last payment, monthly balance, final balance, and the length of time between the customer's final payment and when their account was placed into the BDR. Staff found all of the customer's unpaid balances matched the figures contained in the BDR. Staff also confirmed that these customers had not made a payment on their accounts for at least 90 days prior to their disconnection and being placed as account balance into the BDR.

In order to verify the recoveries place into the "Recovery – Rider", Staff examined sales volumes and verified dates to ensure Commission approved rider adjustments properly became effective during the audit period. Using this information, Staff was able to recalculate recoveries placed in "Recovery – Rider" in the ABR. No errors were found.

Conclusions

Staff determined through the audit that Orwell accurately applied the UEX rider rates and sales volumes for 2014 and 2015.

Staff also confirmed that no Percentage of Payment (PIPP) accounts were transferred to the UEX account for recovery.

Staff corrected a reporting error and re-calculated the ABR to determine a new ending balance for the reporting period.

Recommendations

Staff recommends that Orwell adjust the December 2015 ending balance to account for errors made during the reporting period. Staff recommends a December 2015 ending balance of $87,648.51.

Attachment 1
Orwell Natural Gas
Annual Budget Reconciliation
2014

Orwell Natural Gas
Bad Debt Rider
Annual Balance Reconciliation
2014

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
(1) Balance - Beginning of Month	$ (39,166.58)	$ (36,370.63)	$ (34,298.92)	$ (32,756.65)	$ (31,468.01)	$ (31,057.35)	$ (31,007.92)	$ (30,929.86)	$ (30,927.43)	$ (30,833.45)	$ 17,769.68	$ 38,182.39	
(2) Bad Debts Written Off	1,339.11	-	-	-	-	(126.37)	-	(68.51)	-	48,875.99	20,898.06	3,230.84	
(3) Recovery - Base Rates		186.60	272.47	293.61	-								
(4) Recovery - Bad Debt Rider	1,548.62	1,966.97	1,351.28	1,073.16	486.63	250.21	153.32	146.10	169.02	(256.99)	(553.33)	(1,117.50)	
(5) Recovery - Other													
(6) Incremental Bad Debt	2,887.73	2,157.57	1,623.75	1,366.67	486.63	124.64	153.32	77.59	169.02	48,619.00	20,344.73	2,113.34	
(7) Balance Subtotal	(36,278.85)	(34,213.06)	(32,675.17)	(31,389.98)	(30,981.38)	(30,932.51)	(30,854.60)	(30,852.27)	(30,758.41)	17,785.55	38,114.41	40,295.73	
(8) Carrying Charges	(91.78)	(85.87)	(81.47)	(78.03)	(75.97)	(75.41)	(75.26)	(75.16)	(75.04)	(15.87)	67.98	95.47	
(9) Balance - End of Month	$ (36,370.63)	$ (34,298.92)	$ (32,756.65)	$ (31,468.01)	$ (31,057.35)	$ (31,007.92)	$ (30,929.86)	$ (30,927.43)	$ (30,833.45)	$ 17,769.68	$ 38,182.39	$ 40,391.20	

MEMO ONLY

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
Net Monthly Carrying Charge Rt	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%	0.2433%
Sales Volumes	185,686.0	238,098.0	162,024.0	128,676.0	68,349.0	30,268.0	15,128.0	17,848.0	20,508.0	32,748.0	71,127.0	143,626.0
Projected Sales Volumes												

(2) Bad Debts Written Off
(5) Recovery - Other

Attachment 2
Orwell Natural Gas
Annual Budget Reconciliation
2015

Orwell Natural Gas
Bad Debt Rider
Annual Balance Reconciliation
2016

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
(1) Balance - Beginning of Month	$ 99,278.75	$ 84,965.10	$ 82,088.09	$ 73,529.69	$ 70,015.52	$ 70,892.66	$ 92,746.66	$ 101,203.15	$ 106,331.86	$ 111,491.74	$ 116,181.46	$ 120,899.67
(2) Bad Debts Written Off	(641.96)	12,967.47	3,728.05	4,348.78	5,814.10	24,593.17	9,900.73	4,500.00	4,500.00	4,000.00	4,000.00	4,000.00
(3) Recovery - Base Rates												
(4) Recovery - Bad Debt Rider	(14,229.85)	(16,350.55)	(12,757.88)	(8,297.81)	(5,363.83)	(3,234.90)	(2,031.80)					
(5) Recovery - Other												
(6) Incremental Bad Debt	(14,871.81)	(3,383.08)	(9,029.83)	(3,949.03)	450.27	21,358.27	7,868.93	4,500.00	4,500.00	4,000.00	4,000.00	4,000.00
(7) Balance Subtotal	84,406.94	81,582.02	73,058.26	69,580.66	70,465.79	92,250.93	100,615.59	105,703.15	110,831.86	115,491.74	120,181.46	124,899.67
(8) Carrying Charges	558.15	506.07	471.43	434.86	426.87	495.73	587.56	628.71	659.88	689.72	718.22	746.89
(9) Balance - End of Month	$ 84,965.10	$ 82,088.09	$ 73,529.69	$ 70,015.52	$ 70,892.66	$ 92,746.66	$ 101,203.15	$ 106,331.86	$ 111,491.74	$ 116,181.46	$ 120,899.67	$ 125,646.57
MEMO ONLY												
Net Monthly Carrying Charge Ra	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%	0.6077%
Projected Sales Volumes	163,474.6	190,018.4	144,303.8	95,578.3	61,599.0	36,895.3	23,157.3					
Projected Annual Volumes							1,124,810.7	20,102.0	24,555.0	55,666.0	119,574.0	179,887.0

(2) Bad Debts Written Off
(5) Recovery - Other

Attachment 3
Annual Budget Reconciliation
2014
Staff Reporting

ORWELL NATURAL GAS COMPANY
BAD DEBT RIDER
ANNUAL BALANCE RECONCILIATION
CASE NO. 16-312-GA-UEX

	2014											
	January	February	March	April	May	June	July	August	September	October	November	December
1) Balance - Beginning of Month	($39,166.58)	($39,471.64)	($41,350.21)	($42,530.94)	($43,415.01)	($44,007.87)	($44,493.20)	($44,727.77)	($45,052.55)	($45,333.41)	$3,745.52	$25,229.31
2) Bad Debts Written Off	$1,339.11	$188.60	$272.47	$293.51		($125.37)		($68.51)		$48,875.99	$20,898.06	$3,230.84
3) Recovery - Base Rates	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
4) Recovery - Bad Debt Rider (a)	($1,548.62)	($1,968.97)	($1,351.28)	($1,073.16)	($486.63)	($252.44)	($126.17)	($147.18)	($171.04)	$253.47	$550.52	$1,110.89
5) Recovery - Other (b)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
6) Incremental Bad Debt (2)-[(3)+(4)+(5)]	($209.51)	($1,780.37)	($1,078.81)	($779.65)	($486.63)	($377.81)	($126.17)	($215.69)	($171.04)	$49,129.46	$21,448.58	$4,341.73
7) Balance Subtotal (1) + (6)	($39,376.09)	($41,252.01)	($42,429.02)	($43,310.59)	($43,901.64)	($44,385.67)	($44,619.37)	($44,943.47)	($45,223.59)	$3,796.05	$25,194.10	$29,571.04
8) Carrying Charges {[(1)+(7)]/2}*(c)	($95.55)	($98.20)	($101.92)	($104.43)	($106.22)	($107.53)	($108.41)	($109.09)	($109.82)	($50.53)	$35.21	$66.66
9) Balance - End of Month (7) + (8)	($39,471.64)	($41,350.21)	($42,530.94)	($43,415.01)	($44,007.87)	($44,493.20)	($44,727.77)	($45,052.55)	($45,333.41)	$3,745.52	$25,229.31	$29,637.70
Carry Charge	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433	0.002433
Sales Vols.	185,686	236,088	162,024	128,676	58,349	30,268	15,128	17,648	20,508	32,748	71,127	143,526
UEX Rate	($0.00834)	($0.00834)	($0.00834)	($0.00834)	($0.00834)	($0.00834)	($0.00834)	($0.00834)	($0.00834)	$0.00774	$0.00774	$0.00774

Attachment 4
Annual Budget Reconciliation
2015
Staff Reporting

ORWELL NATURAL GAS COMPANY
BAD DEBT RIDER
ANNUAL BALANCE RECONCILIATION
CASE NO. 16-312-GA-UEX

2015

	January	February	March	April	May	June	July	August	September	October	November	December
1) Balance - Beginning of Month	$29,637.70	$73,801.45	$72,905.44	$73,553.02	$73,886.51	$74,669.09	$76,334.64	$76,476.91	$76,776.72	$77,083.33	$80,176.98	$87,914.66
2) Bad Debts Written Off	$45,343.62	$210.81	$1,915.94	$731.82	$773.67	$1,410.11	($179.75)	$0.00	$0.00	$2,817.95	$7,698.01	$0.00
3) Recovery - Base Rates	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
4) Recovery - Bad Debt Rider (a)	($1,493.22)	($1,551.24)	($1,712.02)	($844.98)	($441.11)	($202.00)	($140.88)	($164.45)	($159.47)	($200.69)	($469.53)	($797.98)
5) Recovery - Other (b)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
6) Incremental Bad Debt (2)-((3)+(4)+(5))	$43,850.40	($1,340.43)	$203.92	($113.16)	$332.56	$1,208.11	($320.63)	($164.45)	($159.47)	$2,617.26	$7,228.48	($797.98)
7) Balance Subtotal (1) + (6)	$73,488.10	$72,461.02	$73,109.36	$73,439.87	$74,219.07	$75,877.20	$76,014.00	$76,312.47	$76,617.24	$79,700.59	$87,405.46	$87,116.68
8) Carrying Charges (((1)+(7))/2)*(c)	$313.35	$444.42	$443.67	$446.64	$450.02	$457.43	$462.91	$464.25	$466.09	$476.39	$509.20	$531.83
9) Balance - End of Month (7) + (8)	$73,801.45	$72,905.44	$73,553.02	$73,886.51	$74,669.09	$76,334.64	$76,476.91	$76,776.72	$77,083.33	$80,176.98	$87,914.66	$87,648.51
Carry Charge	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077	0.006077
Sales Vols.	192,922.7	200,418.4	221,191.1	109,169.9	56,990.6	26,097.9	18,201.9	21,246.4	20,603.8	25,928.7	60,662.6	103,098.5
UEX Rate	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077	$0.0077

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Orwell Natural Gas Company (Orwell or Company) Uncollectible Expense Rider (UEX) rates for January 1, 2014 through December 31, 2015. The Staff audited the material as set forth in the Commission Entry in Case No. 16-312-GA-UEX.

Our 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, Orwell accurately calculated its UEX 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

David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Commission-Ordered
Exhibit No. 3

4

FILE

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

Northeast Ohio Natural Gas Corporation
Case Number 16-309-GA-UEX

Audit of the Uncollectible Expense Mechanisms
For the Periods January 2014 through December 2015

February 24, 2017

Ohio | Public Utilities Commission

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Northeast Ohio Natural Gas Corporation (Northeast or Company) Uncollectible Expense Rider (UEX) rates for January 1, 2014 through December 31, 2015. The Staff audited the material as set forth in the Commission Entry in Case No. 16-309-GA-UEX.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff asserts that at the time of preparing this report, unless otherwise noted, Northeast accurately calculated its UEX 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.

David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

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

Northeast Ohio Natural Gas Corporation
Uncollectible Expense Rider

Background

On February 24, 2016, the Public Utilities Commission of Ohio (Commission) initiated the financial audit of Northeast Ohio Natural Gas Corporation's (Northeast or Company) uncollectible expenses (UEX or UEX Rider) rider encompassing the UEX rate in effect for the calendar years 2014 and 2015 (audit period). Staff has conducted its audit of Northeast's UEX rider and present its finds and recommendations in this report.

Staff Review

Staff began this audit with a verification of the amounts filed by Northeast in its Annual Balance Reconciliation (ABR) calculations for calendar years 2014 and 2015. The ABRs for 2014 and 2015 were filed as attachments to the Company's UEX applications in Case Nos. 15-309-GA-UEX and 16-309-GA-UEX.

Northeast's ABRs contained monthly write-off amounts, recoveries from the UEX rider, recoveries – other (payments received from collection agencies less collection fees), sales volumes, and applicable UEX rider rates. From these components, Northeast calculated its monthly over – or under–recoveries of uncollectible expenses and its annual ending balances. Staff in the course of its audit verified the amounts for each component of Northeast's ABRs.

For the verification of monthly write-offs, Staff obtained the Company's Bad Debts Written – Off Report (BDR). The BDR is generated monthly by Northeast's billing system and contains flagged accounts in which no payment has been received in the last 90 days and represent the monthly write-off amount in Northeast's ABR. Staff examined the BDR for all months of the audit period and found no discrepancies.

Staff then randomly selected customer accounts that had been included in the BDR and requested their billing history. For each account, Staff was able to verify the last payment, monthly balance, final balance, and the length of time between the customer's final payment and when their account was placed into the BDR. Staff found all of the customer's unpaid balances matched the figures contained in the BDR. Staff also confirmed that these customers had not made a payment on their accounts for at least 90 days prior to their disconnection and being placed as account balance into the BDR.

In order to verify the recoveries place into the "Recovery – Rider", Staff examined sales volumes and verified dates to ensure Commission approved rider adjustments properly became effective during the audit period. Using this information, Staff was able to recalculate recoveries placed in "Recovery – Rider" in the ABR. No errors were found.

Conclusions

Staff determined that Northeast accurately applied the UEX rider rates and sales volumes for 2014 and 2015.

Staff also confirmed that no PIPP accounts were transferred to the UEX account for recovery.

Staff in the course of its audit verified the amounts for each component of Northeast's ABRs.

Recommendations

Staff has no recommendations.

FILE

Commission-Ordered
Exhibit No. 4

6

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

Northeast Ohio Natural Gas Corporation

Case No. 16-409-GA-PIP

February 24, 2017

Audit of the Percentage of Income Payment Plan for the period January 2014 through December 2015

Ohio | Public Utilities Commission

Northeast Ohio Natural Gas Corp.
16-409-GA-PIP

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio, the Staff has completed the required audit of the Northeast Ohio Natural Gas Corporation Percentage of Income Payment Plan rates for January 1, 2014, through December 31, 2015. The Staff audited the material as set forth in the Commission Entry in Case No. 16-409-GA-PIP.

Our 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, Northeast Ohio Natural Gas Corporation 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.

David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

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

Enclosure
cc: Parties of Record

Northeast Ohio Natural Gas Corporation
Percentage of Income Payment Plan

Commission Entry

On February 24, 2016, the Public Utilities Commission of Ohio (Commission) initiated in Case No. 16-409-GA-PIP, the financial audit of Northeast Ohio Natural Gas Corporation (NEO or Company) Percentage of Income Payment Plan (PIPP). The audit was to examine the PIPP rider rates in effect for the calendar years 2014 and 2015 (audit period). Staff has conducted its audit of NEO's PIPP arrearages and recoveries 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 for the companies to initiate not more than annually a proceeding before the Commission to adjust their PIPP riders to "true-up" the recoveries with the costs of offering the program.

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

On December 4, 2013, NEO filed its annual PIPP application in Case No. 13-2351-GA-PIP (PIPP application). The 2013 application contained write-offs and recoveries from July 2009 to June 2013. The Company's rates went into effect in February 2014.

The Commission initiated with it February 24th entry the audit of NEO PIPP applications, however the Company has not filed a PIPP application. In the absence of an application, NEO assembled the necessary documents in preparation for this audit.

Northeast Ohio Natural Gas Corp.
16-409-GA-PIP

Audit Process and Documentation

On August 26, 2016, Staff initiated its audit of NEO with the issuance of data requests (DRs) seeking documentation of the write-offs, collections through the rider, and account balances.

In its review of the Company's documentation, Staff relied upon the Company's Gas PIPP Reports (PIPP reports from October 2013 through December 2015). The reports contained monthly queries that mirrored the information found in a customer's billing history starting with the current month's billed amount, installment payment, current month's payment, additional payment, other credits, other charges, Home Energy Assistance Program (HEAP) credits and account balances.

From the PIPP Reports, Staff randomly selected customers billing histories where Staff compared the customers' account balances, monthly billed amount, monthly payments, additional payments, HEAP, and write-offs to those contained on the PIPP reports. Staff found no discrepancies.

Staff also compared the PIPP reports, for the audit period, to the monthly amounts contained in the Company's PIPP Computation Worksheet (Computation Worksheet) tab titled Account Balance Summary (Accounts Balance). The Accounts Balance assembled the PIPP Reports into a single table, reflecting PIPP customers' monthly activity and accumulative customers' balances from July 2009 to December 2015. The Accounts Balance is the accounts receivable monthly balances for PIPP customers (Account # 142). Staff's review found no discrepancies.

The Computation Worksheet contained tabs used to support the PIPP application. The tabs were titled as follows: Proposed PIPP Rider Change, Deferred PIPP Calculation, Write-off Summary, Recoveries from Customers, and Arrearage Credits.

In its examination of these tabs, Staff noted three exceptions. The first exception was on the Write-off Summary tab. This tab showed total write-offs from January 2011 through December 2013 as $234,534, however the write offs for the same period in the last audit were $220,664. The difference is $13,890. This difference was resolved during the audit.

The second exception was contained on the Arrearage Credits tab. On this tab, the Company calculated the arrearage credits for the periods of November 2013 through October 2014 and November 2014 through October 2015, however they did not apply the credits to customers' account balances until November 2016.

Staff reviewed the Company's calculations and agreed with the arrearage credits that were calculated for each of the 12 month periods, but instead of applying the credits to customers' account balances as of November 2016, as the Company had done, Staff applied the credits to customers' balances as of October 31, 2015, a year early. Because Staff's credits were applied when customers' account balances were slightly higher and which fell within the audit period, the credits were larger than the Company's applied credits. For 2016, the Company's customer account balance total was $3,509 higher than Staff's. The Company should eliminate this difference prior to the next period.

The third exception was contained on the Deferred PIPP Calculation tab. On this tab, the Company summed the Account Balance Summary, Write-off Summary, Recoveries from Customers and Arrearage Credit tabs to determine the change in the Deferred PIPP balance from January 2014 to December 2015. Because of the differences noted in the Write-off Summary and Arrearage Credits tabs, the Deferred PIPP Calculation varies from the Staff's calculation. The Staff's calculation, compared to the Company's calculation is shown on Attachment A.

PIPP Arrearage Forgiveness

On June 2, 2010, in Case No. 08-723-AU-ORD, NEO was granted a waiver by the Commission to adopt an alternative PIPP forgiveness program and an exemption from the graduate PIPP rules. NEO'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 customer the opportunity to eliminate the accumulated arrearage (historic, previously accrued) and accumulating arrearage balances (the difference between the PIPP payment and the actual bill) in one year.

In order to participate in this program, NEO PIPP customers shall (a) be active participants in the PIPP program for the period November 1 to October 31; (b) make at least nine timely payments of at least the required income-based payment in the 12-month period; and (c) make payments totaling at least 75 percent of the annual total PIPP payment obligation amount. The Company's forgiveness calculations recognize that, as the customers make more on time and in full payments, the percentage of arrearage forgiveness increases. The minimum level is 9 out of 12 payments resulting in a 75% crediting of arrearages. The maximum forgiveness occurs when a customer makes 12 timely installment payments, resulting in 100% of the arrearage being forgiven.

Staff initiated its review of NEO's' arrearage forgiveness program through a data request that requested documents from 2014 and 2015. The documents contained customers' accounts whose balances could have been credited for timely and in full payments.

For the verification, Staff randomly selected customers from the Arrearage Credit tab and requested copies of their billing histories. The customers' billing histories were examined to determine if the calculated arrearage credits were credited to customers' account balances. Staff found that the arrearage credits were properly applied to customers account balances.

Conclusions

Staff recognizes the difficulties that small companies encounter in preparing their regulatory filings and acknowledges that based on the audit period numbers, NEO's PIPP rate would have only changed by an immaterial amount. However, Staff believes the Company needs to make a stronger commitment to filing, on a timely basis, its PIPP applications and the calculation and crediting of arrearage credits.

Staff finds that the Company did not apply arrearage credits in a timely manner during the audit period.

Northeast Ohio Natural Gas Corp.
16-409-GA-PIP

Recommendations

Staff recommends that, in the next audit, the $3,509 difference in arrearage credits be examined to ensure that this amount is removed from Account 142 and placed into Account 144.

Staff recommends that the Company immediately file a PIPP application.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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).

Company Ex. 1

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 number 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 $11,808[3] 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 $224,523[4] 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 $345,362[5] 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 AUDIT[6]

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[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.

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[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: Devin D. Parram
Counsel

Date: 5/12/17

STAFF OF THE PUBIC UTILITIES COMMISSION OF OHIO

By: Werner L. Margard /ddp
Counsel

per e-mail authority 5/12/17

Date: 5/12/17

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

DIRECT TESTIMONY OF

MARTIN K. WHELAN

Submitted on behalf of

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

Filed June 2, 2017

Company Ex. 2

Q. Please state your name and business address.

A. Martin K. Whelan, 5640 Lancaster-Newark Road, Pleasantville, Ohio 43148.

Q. By whom are you employed and in what capacity?

A. I am President of Northeast Ohio Natural Gas Company ("Northeast"), Orwell Natural Gas Company ("Orwell"), and Brainard Gas Corporation ("Brainard") (collectively, the "Companies").

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is being sponsored by the Companies.

Q. Please describe your professional experience and qualifications.

A. I have 15 years of experience in Heavy Highway Construction, with an emphasis on the installation of underground utilities, including sanitary sewers, storm sewers, electric, water lines and gas lines. For the last 16 years I have been involved with the operations of both Northeast and Orwell and have attended various industry seminars and classes related to the distribution of natural gas. I began working for Orwell in September of 2002 as a Project Manager in charge of pipeline construction. I was also involved with operations and earned the title of Operations Manager prior to being transferred to Northeast in January 2004, with the title Vice President, Chief Operating Officer.

Q. Describe the duties of your current position?

A. I am currently President of the Companies. I am responsible for all aspects of the day-to-day operations of the Companies, including pipeline construction, pipeline maintenance, pipeline safety, and metering. I am very familiar with both Orwell's and Northeast's pipeline systems and have been involved with the construction, maintenance and operation of both systems.

Q. What is the purpose of your testimony?

A. I am testifying in support of the Stipulation and Recommendation ("Stipulation") that was filed in the above captioned matters on May 12, 2017. I will provide an overview of the key terms and conditions of the Stipulation, and also explain how the Stipulation meets the criteria used by the Commission when considering stipulated agreements.

Q. Please summarize the Stipulation.

A. The Stipulation, as a package, resolves the GCR financial audits for Brainard, Northeast, and Orwell (Case Nos. 16-206-GA-GCR, 16-209-GA-GCR, and 16-212-GA-GCR, hereafter referred to as the "GCR cases"), the audits of Northeast's and Orwell's uncollectable expense ("UEX") riders (Case Nos. 16-309-GA-UEX and 16-312-GA-UEX, hereafter referred to as the "UEX cases"), and an audit of Northeast's percentage of income payment plan ("PIPP") rider (Case No. 16-409-GA-PIP, hereafter referred to as the "PIPP case"). The Stipulation incorporates all the recommendations that Staff made in their reports in the GCR, UEX, and PIPP cases· The Stipulation also resolves all issues raised by Rehmann Corporate Investigative Services ("Rehmann") in its management/performance audit ("M/P Audit") report ("Rehmann Report"), which was filed with the Commission on February 24 and February 27, 2017. The following represents a summary of the key provisions of the Stipulation:

- The Signatory Parties agree that Brainard will file an adjustment of $11,808 to the GCR rate in the customers' favor, agree that Northeast will file an adjustment of $224,523 to the GCR rate in Northeast's favor, and agree that Orwell will file an adjustment of $345,362 to the GCR rate in Orwell's favor.
- 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.

- Orwell agrees that all the recommendations in the Orwell UEX Report are reasonable and should be adopted.

Q. Please summarize the Stipulation provisions regarding recommendations from the Rehmann Report.

A. In Case No. 14-206-GA-GCR, *et al.*, the Commission approved a stipulation in which the parties agreed that an M/P Audit would be conducted by an independent auditor selected by the Commission.[1] On May 11, 2016, the Commission issued an Entry in this proceeding in which it ordered the Companies to undergo an M/P Audit for the period of July 1, 2014 through June 30, 2016. On August 31, 2016, the Commission issued an Entry in which it selected Rehmann to perform the M/P Audit. Rehmann filed its report with the Commission on February 24 and February 27, 2017. In the Stipulation, the Companies have agreed to perform a number of the recommendations contained in the Rehmann Report. The following represents a summary of the key recommendations the Companies agreed to adopt:

- The Companies agree to use a new spreadsheet to assist in the calculation of the GCR on a monthly basis, which will 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 intended to reduce potential errors in the GCR process by creating a more consistent and streamlined calculation process.
- The Companies agree to create a secured database, which will contain the historical figures that were used in the GCR calculation. The secured database will help ensure that the historical figures that are used while calculating the GCR are not subsequently modified.
- The Companies agree to continue to abide by their existing GCR policy which currently specifies the process of performing the GCR calculation, and also specifies the individuals responsible for assisting in the GCR process.

[1] See *In re Brainard Gas Corp., Northeast Ohio Natural Gas Corp., and Orwell Natural Gas Co.*, Case No. 14-206-GA-GCR, et al., Opinion and Order (Oct. 21, 2015) at 11-12.

- The Companies agree to continue implementing their current plans for ensuring that GCR customers that are not entitled to free gas no longer receive free gas from the Companies.
- The Companies agree to correct network access issues so that the only Gas Natural Inc. ("GNI")/affiliated company employees that can access the Companies' critical and confidential data are those affiliated company employees that are designated as "need-to-know" employees.
- The Companies agree to implement the role enabler program as recommended by Rehmann, which will help ensure that the Companies assign employees SAP roles on a need-to-know basis.
- The Companies agree to exercise the allocation methodology described in Companies' signed shared-services agreements with GNI.
- The Companies agree to continue the current process of verifying that the volumes purchased by the Companies are properly allocated between the Companies, and continue the process of ensuring that the employee procuring gas is independent from the employee that verifies proper allocation and delivery of gas.
- The Companies agree to continue enforcing current policies that preclude employees from working for unregulated GNI subsidiaries and the Companies at the same time.
- The Companies agree to develop a written policy that addresses reconciling figures between the general ledger and the GCR calculation.
- The Companies agreed to modify 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 have agreed to complete final versions of job descriptions for the President and Controller.
- The Companies agreed to adopt an Acceptable Use Policy, which addresses employee email and communication activities.

Q. What criteria have the Commission used in considering approval of a stipulation among signatory parties in a proceeding?

A. My understanding is that a stipulation must satisfy three criteria: (1) the stipulation must be the product of serious bargaining among capable, knowledgeable parties; (2) the stipulation must not violate any important regulatory principle or practice; and (3) the stipulation must, as a package, benefit ratepayers and the public interest.

Q. Does the Stipulation in this case satisfy these criteria?

A. Yes. It does.

Q. Is the Stipulation the product of serious bargaining among capable, knowledgeable parties?

A. Yes. Staff, the Companies, and The Office of Ohio's Consumers' Counsel ("OCC") have a history of participation and experience in GCR, UEX, and PIPP cases, and are represented by experienced and competent counsel. The Signatory Parties reached the Stipulation after a thorough investigation by Staff and Rehmann. OCC also issued discovery in these proceedings. Further, although OCC is not a signatory party to the Stipulation, it was included in the settlement process. The Signatory Parties are very knowledgeable of all the relevant issues in these cases, and they used this knowledge to reach a comprehensive resolution of all the issues in these cases.

Q. Does the stipulation violate any important regulatory principle or practice?

A. No. Based on my experience in Commission cases, it is my understanding that stipulations are frequently approved by the Commission in GCR, UEX, and PIPP cases. It is my understanding that these stipulations typically adopt all of or a portion of the recommendations of Staff. In this proceeding, the Companies have agreed to ***all*** of Staff's recommendations from the GCR, UEX, and PIPP reports. Further, the Companies have agreed to adopt many of the key recommendations from the Rehmann Report.

Q. Does the Stipulation, as a package, benefit customers and ratepayers?

A. Yes. Customers benefit from the Stipulation in a number of ways. As a total package, the Signatory Parties have agreed to financial adjustments to the GCR rates of Brainard that works in customers' favor. Although the financial adjustments of Orwell and Northeast work in Orwell's and Northeast's favor, these adjustments are necessary to ensure Orwell and Northeast do not under-recover for purchasing gas, which helps ensure that the Companies are recovering their actual gas costs. In addition, the Companies have agreed to a number of recommendations from the Rehmann Report, which will help strengthen Companies' internal management procedures and policies. This will also help strengthen the Companies' GCR calculations and reporting processes, which benefits the Companies' customers.

Q. Does this conclude your testimony?

A. Yes. I reserve the right to supplement my testimony.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Motion was served via electronic mail upon the following, this 2nd day of June 2017.

Devin D. Parram

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werner.margard@ohioattorneygeneral.gov