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

Pike Natural Gas Company

Audit of the Uncollectible Expense Mechanisms
For the Periods January 2015 through December 2016

Case Number 17-314-GA-UEX

December 15, 2017

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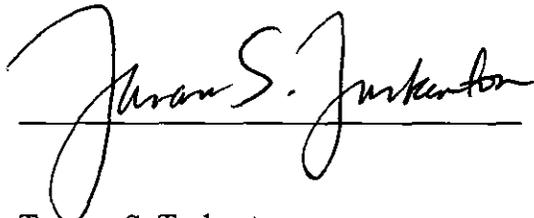
PUCO

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Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Pike Natural Gas Company's (Pike or Company) uncollectible expense (UEX) rider rates for January 2015 through December 2016. The Staff audited the material as set forth in the Commission Entry in Case No. 17-314-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, Pike 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
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Pike Natural Gas Company Uncollectible Expense Rider

Commission Entry

On February 1, 2017, the Commission authorized Staff to conduct an audit of Pike's UEX account for the rates effective during the period January 1, 2015 through December 31, 2016. The Commission's Staff has concluded its audit and hereby submits its findings in this Report to the Commission.

Background

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five natural gas companies. The mechanism approved allowed for recovery of actual bad/uncollectible debt through a rider, rather than through base rates.

Pike was authorized in Case No. 05-824-GA-AIR to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. On June 28, 2006, the Commission issued its Opinion and Order in that case and authorized an initial UEX rate of \$0.0787 per Mcf. Since that time Pike has filed annual updates to adjust the rider when appropriate, and the Commission has authorized such subsequent revisions.

On December 12, 2012, in Case No. 12-2792-GA-UNC, the Commission authorized the sale of ownership of Pike to Utility Pipeline, Ltd. In January 2013, the sale of ownership was completed.

In Case No. 15-314-GA-UEX, Staff recommended in its audit report that the Company establish a written credit and collections policy. Further, Staff recommended that an adjustment to their December, 2014 balance be made.

Staff's Review

Prior to the on-site audit, Staff issued a data request for the Company's 2015 and 2016 Annual Balance Reconciliation (ABR), the 2015 and 2016 sales volumes that were used to calculate the UEX rate, copies of invoices billed by collection agencies that the Company had placed for recovery through the ABR, the Company's bad debt write-off policies and procedures, the calculations used in applying the UEX monthly rider rate to monthly sales volumes and a list of customer payments made directly to the Company.

Through this audit, Staff discovered that Pike does not maintain a written policy of its credit and collection practices as stipulated in Case Nos. 04-1339-GA-UEx, 05-824-GA-AIR, and 15-314-GA-UEx.

Staff found the monthly UEx rider rates and monthly sales volumes were correctly calculated during the audit period.

Staff proved the amount of collection agency expenses during the audit period.

Pike correctly applied a balance adjustment in May 2016 as stipulated in Case No. 15-314-GA-UEx.

The Company employs an accounting method known as the aging method to calculate the amount of bad debt the Company encountered each month. This method is the classification of accounts by the time elapsed after the date of billing or the due date. The longer a customer's account remains uncollected, the greater is its realization risk. An aging schedule of accounts receivable may break down receivables from 1-30 days, 31-60 days, 61-90 days, and over 90 days. Staff's audit verified that the Company placed receivables greater than 90 days of non-payment into the UEx account.

Staff discovered that Percentage of Income Payment Plan (PIPP) accounts were sporadically removed from the total balance of receivables before inclusion into the UEx account. Staff removed all identified PIPP accounts from the total receivables balance and recalculated the monthly bad debt write-off to arrive at a different December, 2016 balance. The removal of identified PIPP accounts caused a reduction of \$40,541.75 to the Company's ending December, 2016 balance.

Staff's Recommendations

Staff recommends that Pike implement a written credit and collections policy and that the Company submit the policy into the case docket and to Staff within 60 days of the Commission's Order in this proceeding.

Staff recommends that the Company adjust their December 2016 ending balance to show a balance of \$550,982.95. Staff calculated the ending balance by subtracting the \$40,541.75 in PIPP accounts from the Company's ending balance of \$591,524.70. Please see the Staff calculation of the Company's ABR in Attachments A and B.

Staff recommends Pike file an application to adjust the UEx rate within 30 days of the Commission's Order in this proceeding.

Attachment A

PIKE NATURAL GAS COMPANY
PUCO CASE NO. 17-314-GA-UEx
UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER
2015 - 2016

STAFF CALCULATIONS

	2015											
	January	February	March	April	May	June	July	August	September	October	November	December
(1) Balance - Beginning of Month	(\$1,609)	(\$13,073)	\$188,611	\$219,324	\$210,076	\$221,203	\$315,256	\$326,028	\$357,299	\$276,178	\$286,296	\$286,403
(2) Bad Debts Written Off	(\$11,465)	\$201,696	\$30,825	(\$9,120)	\$11,127	\$94,053	\$10,772	\$31,270	(\$81,121)	\$10,458	\$17,045	\$541,214
(3) Collection Agency - Expenses		\$12	\$48	\$55						\$340	\$49	
(4) Collection Agency - Recovery		\$23	\$161	\$183						\$679	\$164	
(5) Recovery - Bad Debt Rider (a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,824	\$23,456
(6) Recovery - Other (b)												
(7) Incremental Bad Debt (2)+(3)-(4)+(5)+(6)	(\$11,465)	\$201,685	\$30,712	(\$9,248)	\$11,127	\$94,053	\$10,772	\$31,270	(\$81,121)	\$10,119	\$107	\$517,758
(8) Balance Subtotal (1)+(7)	(\$13,073)	\$188,611	\$219,324	\$210,076	\$221,203	\$315,256	\$326,028	\$357,299	\$276,178	\$286,296	\$286,403	\$804,161
(9) Carrying Charges ((1)+(8))/2)x(c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
## Balance - End of Month (8)+(9)	(\$13,073)	\$188,611	\$219,324	\$210,076	\$221,203	\$315,256	\$326,028	\$357,299	\$276,178	\$286,296	\$286,403	\$804,161
Hillsboro Sales Volumes - Staff	96,206	79,958	101,361	45,608	20,167	8,403	7,057	4,424	10,310	13,732	28,293	39,766
Waverly Sales Volumes - Staff											23,615	32,608
Total Monthly Sales Volumes	96,206	79,958	101,361	45,608	20,167	8,403	7,057	4,424	10,310	13,732	51,909	72,374
UEX Rider Rate	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.32410	\$0.32410

