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

Eastern Natural Gas Company

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

Case Number 17-307-GA-UEx

December 15, 2017

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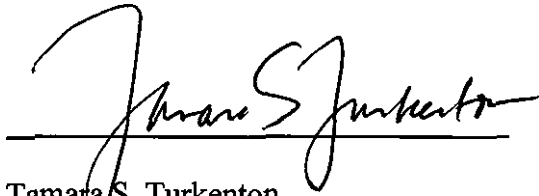
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**Public Utilities  
Commission**

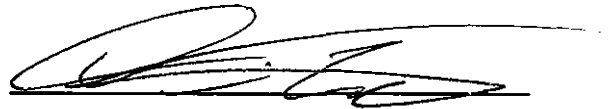
## **Certificate of Accountability**

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff has completed the required audit of the Eastern Natural Gas Company's (Eastern 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. 17-307-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, Eastern 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.

A handwritten signature in black ink, appearing to read "Tamara S. Turkenton", written over a horizontal line.

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

A handwritten signature in black ink, appearing to read "David Lipthratt", written over a horizontal line.

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

## **Eastern Natural Gas Company Uncollectible Expense Rider**

### **Commission Entry**

On February 1, 2017, the Commission authorized Staff to conduct an audit of Eastern'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.

Eastern was authorized in Case No. 04-1779-GA-AIR to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. On January 11, 2006, the Commission issued its Opinion and Order in that case and authorized an initial UEX rate of \$0.0880 per Mcf. Since that time Eastern has filed 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 Eastern to Utility Pipeline, Ltd. In January 2013, the sale of ownership was completed.

In Case No. 15-307-GA-UEX, the Commission's order was predicated on a stipulation that required the Company to establish a written credit and collections policy and to adjust its December, 2014 balance by \$1,547.18.

### **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 Eastern does not maintain a written policy of its credit and collection practices as stipulated in Case Nos. 04-1779-GA-AIR and 15-307-GA-UEX.

Through Staff's investigation, Staff verified that the monthly UEX rider rates and monthly sales volumes were correctly calculated during the audit period and that Eastern correctly applied a balance adjustment in May 2016 as stipulated in Case No. 15-307-GA-UEX. Additionally, Staff verified the accuracy of the collection agency expenses during the audit period.

The Company employs an accounting method known as the aging method to calculate the amount of bad debt the Company encountered each month. Under the aging method, outstanding accounts receivables are grouped 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.

As part of the audit, 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 \$58,500.16 to the Company's ending December, 2016 balance.

### **Staff's Recommendations**

Staff recommends that Eastern implement a written credit and collections policy and 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 \$282,886.39. Staff calculated the ending balance by subtracting the \$58,500.16 in PIPP accounts from the Company's ending balance of \$341,386.55. Please see Staff's calculation of the Company's ABR in Attachments A and B.

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

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## EASTERN NATURAL GAS COMPANY

PUCO CASE NO. 17-307-GA-UEx

## UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER

2015-2016

### STAFF CALCULATIONS

[illegible]

EASTERN NATURAL GAS COMPANY  
PUCO CASE NO. 17-307-GA-UEx  
UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER  
2015 - 2016

## STAFF CALCULATIONS

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