# 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: | |
| EASTERN NATURAL GAS COMPANY<br>PIKE NATURAL GAS COMPANY<br>AND RELATED MATTERS. | CASE NO. 17-207-GA-GCR<br>CASE NO. 17-214-GA-GCR |
| IN THE MATTER OF THE UNCOLLECTIBLE EXPENSE RIDERS OF: | |
| EASTERN NATURAL GAS COMPANY<br>PIKE NATURAL GAS COMPANY<br>AND RELATED MATTERS. | CASE NO. 17-307-GA-UEX<br>CASE NO. 17-314-GA-UEX |
| IN THE MATTER OF THE PERCENTAGE OF INCOME PAYMENT PLAN RIDERS OF: | |
| EASTERN NATURAL GAS COMPANY<br>PIKE NATURAL GAS COMPANY AND RELATED MATTERS. | CASE NO. 17-407-GA-PIP<br>CASE NO. 17-414-GA-PIP |

## OPINION AND ORDER

Entered in the Journal on July 25, 2018

## I. SUMMARY

{¶ 1} The Commission approves and adopts a Stipulation and Recommendation that resolves all issues relating to the gas cost recovery, uncollectible expense, and percentage of income payment plan audits of Eastern Natural Gas Company and Pike Natural Gas Company.

## II. PROCEDURAL BACKGROUND

{¶ 2} Eastern Natural Gas Company (Eastern) and Pike Natural Gas Company (Pike) (individually, the company or, collectively, the companies) are natural gas companies as defined in R.C. 4905.03 and public utilities under R.C. 4905.02, and, as such, both are subject to the jurisdiction of this Commission. Each company is also a natural gas company within the meaning of R.C. 4905.302(C), pursuant to which this Commission promulgated rules for a uniform purchased gas adjustment clause to be included in the schedules of gas or natural gas companies subject to the Commission's jurisdiction. These rules, which are contained in Ohio Adm.Code Chapter 4901:1-14, separate the jurisdictional cost of gas from all other costs incurred by a gas or natural gas company and provide for each company's recovery of these costs.

{¶ 3} R.C. 4905.302 also directs the Commission to establish investigative procedures, including periodic reports, audits, and hearings, to examine the arithmetic and accounting accuracy of the gas costs reflected in a company's gas cost recovery (GCR) rates; and to review each company's production and purchasing policies and their effect upon these rates. Pursuant to such authority, the Commission adopted Ohio Adm.Code 4901:1-14-07, which identifies how periodic financial audits of gas or natural gas companies shall be conducted. Ohio Adm.Code 4901:1-14-08(A) requires the Commission to hold a public hearing at least 60 days after the filing of each required audit report. Ohio Adm.Code 4901:1-14-08(C) specifies that notice of the hearing be published in one of three ways, at least 15 days, but not more than 30 days, prior to the date of the scheduled hearing.

{¶ 4} On February 1, 2017, the Commission initiated these proceedings, established the financial audit periods, established the date upon which the financial audit reports must be filed, and directed Staff to conduct the audits required under Ohio Adm.Code 4901:1-14-07. The Commission also scheduled a hearing for January 16, 2018, and directed the companies to publish notice.

{¶ 5} On November 13, 2017, Staff filed a motion requesting that the Commission extend the due date to December 15, 2017, for filing Staff's audit reports. Staff explained that the press of other matters prevented it from completing the audit reports on the scheduled date. The companies did not oppose Staff's request. By Entry issued November 17, 2017, the attorney examiner granted Staff's motion to extend the deadline to file audit reports until December 15, 2017. The attorney examiner noted that the hearing would be rescheduled by a subsequent entry.

{¶ 6} On December 15, 2017, Staff filed its audit reports in the captioned cases for the designated audit periods. The audit reports include the financial audit report for the companies' GCR mechanism (GCR Staff Report), the audit reports for Eastern's and Pike's uncollectible expense (UEX) mechanism (Eastern UEX Staff Report and Pike UEX Staff Report, respectively), and the audit report for the companies' percentage of income payment plan (PIPP) rider rates (PIPP Staff Report).

{¶ 7} The attorney examiner issued an Entry on December 21, 2017, rescheduling the hearing for February 22, 2018. The attorney examiner also ordered the companies to publish notice between 15 and 30 days prior to the hearing.

{¶ 8} On February 20, 2018, the companies filed a joint motion to continue the hearing to allow additional time for settlement negotiations. The companies anticipated that they would enter into a stipulation with Staff that would resolve all issues. The companies also needed additional time to publish notice of the hearing. Pike, through oversight, failed to issue notice of the hearing by bill insert. The companies proposed to issue notice prior to a revised hearing date.

{¶ 9} On February 21, 2018, the attorney examiner granted the joint motion to continue the hearing. The attorney examiner scheduled the hearing for March 29, 2018, and directed the companies to publish legal notice of the hearing. Pursuant to the attorney examiner's direction, the hearing scheduled for February 22, 2018, proceeded as scheduled to allow public testimony and to address the parties' progress toward settlement. No public witnesses appeared to offer testimony.

{¶ 10} On March 28, 2018, Eastern, Pike, and Staff (collectively, the parties) filed a Joint Stipulation and Recommendation (Stipulation) that would resolve all issues in these dockets (Jt. Ex. 1). On March 29, 2018, the hearing proceeded as scheduled. At the hearing, the companies' proof of publication of notice of the hearing was admitted into the record (Eastern Ex. 1, Pike Ex. 1, Tr. at 6). No public witnesses appeared to offer testimony.

## III. Discussion

### A. *GCR Audit*

**{¶ 11}** In the GCR Staff Report, Staff noted that, prior to the Commission issuing a Finding and Order on December 12, 2012, in *In re Eastern Natural Gas, et al.*, Case No. 12-2792-GA-UNC (*Transfer Case*), Eastern, Pike, and Southeastern Natural Gas Company (Southeastern) were wholly-owned subsidiaries of Clearfield Ohio Holding, Inc. (COHI). In the *Transfer Case*, the Commission approved the transfer of common stock from COHI to Utility Pipeline Ltd. (UPL). Eastern, Pike, and Southeastern became wholly-owned subsidiaries of UPL. UPL currently operates as a natural gas distribution management company that is headquartered in Canton, Ohio. On September 2, 2016, Eastern and Pike filed an application for the Commission's approval of a transfer of 100 percent of the ownership rights of UPL to Utility Pipeline Holdings, LLC. The Commission approved the application in *In re Eastern Natural Gas Co., et al.*, Case No. 16-1825-GA-UNC, Finding and Order (Jan. 11, 2017). (GCR Staff Report at 4.)

**{¶ 12}** Eastern provides utility sales service to approximately 6,597 residential and commercial customers and four industrial customers. Eastern's service area consists of five non-contiguous regions located in the eastern portions of Ashtabula and Trumbull counties. Three of its regions were once part of National Fuel Gas Supply (National Fuel). Eastern still receives the majority of its system requirements through National Fuel. Approximately ten percent of its requirements come from Dominion Energy Ohio and less than one percent is from local production. (GCR Staff Report at 4.)

**{¶ 13}** Pike's system is separated into two service areas: Waverly and Hillsboro (Pike/Waverly and Pike/Hillsboro, respectively). Different interstate pipelines serve each service area. Because the systems are not interconnected, Pike files separate GCR rates.

Pike/Waverly serves approximately 3,540 residential, commercial, and industrial customers located in Pike, Ross, and Jackson counties. Tennessee Gas Pipeline provides its gas supply. Pike/Hillsboro serves approximately 3,735 residential, commercial, and industrial customers in Highland and Clinton counties. It obtains its gas supply from Columbia Gas Transmission Corporation. Combined, Pike/Waverly and Pike/Hillsboro provide transportation service to six customers. (GCR Staff Report at 4.)

**{¶ 14}** In its financial review, Staff examined the periodic filings of the companies from January 1, 2015, through December 31, 2016. Except for those instances noted in the audit report, Staff found that the companies accurately calculated their GCR rates for the period stated above, in accordance with the uniform purchased gas adjustment clause, as set forth in Ohio Adm.Code Chapter 4901:1-14 and related appendices. (GCR Staff Report at 2.)

**1. Expected Gas Cost (EGC)**

**{¶ 15}** Staff reviewed the companies' calculation of their EGC and evaluated the supply sources, sales volumes, and purchased volumes. With regard to supply sources, Staff found that Atmos Energy Marketing (Atmos) purchased and nominated almost all the companies' gas supplies, except for a small amount of local production. Beginning November 2008, Atmos' service agreements with the companies were amended from agency agreements to asset management agreements consistent with Federal Energy Regulatory Commission Order 712. The terms of the asset management agreement required that the companies release their pipeline capacity (firm transportation and storage) to Atmos. As the asset manager, Atmos was responsible for purchasing supplies and nominating the gas to the companies' city gates. The companies paid Atmos the New York Mercantile Exchange monthly closing price plus price add-ons that recovered their respective pipeline capacity costs (fixed and volumetric), and management fees. The price add-ons for the companies are similar to the charges paid by suppliers under Columbia

Gas of Ohio's, Dominion Energy Ohio's, and Vectren Energy Delivery of Ohio's Standard Service Offer and Standard Choice Offer programs. (GCR Staff Report at 5.)

{¶ 16} The companies entered into hedging contracts with Merrill Lynch for the months of October 2014 through March 2015. Staff noted that the companies continued to follow the same hedging process that was identified in the 2015 audits, except that they did not allocate 20 percent of the hedge accrual to Southeastern for the months of January through March 2015. Using the companies' percentage allocation amounts that are used to allocate hedge costs to Eastern, Pike/Waverly, and Pike/Hillsboro, Staff adjusted the total GCR hedge accrual downward from $435,140 to $386,770. This amount is applicable to the three regulated entities: Eastern, Pike/Waverly, and Pike/Hillsboro. (GCR Staff Report at 5.)

{¶ 17} In the GCR Staff Report, Staff analyzed the sales volumes for Eastern and Pike's two divisions. Staff's analysis did not disclose any errors in sales volumes for the periods under investigation. (GCR Staff Report at 6.)

{¶ 18} Staff reviewed the purchased volumes for each company. For Eastern, Staff reviewed invoices from Atmos, local producers, and Eastern's transport customers. Staff discovered that most of the purchases were made through Atmos for jurisdictional sales customers and transport customers. Staff removed the applicable transport customers' volumes to arrive at the jurisdictional purchased volumes. Staff found minor differences between the purchased volumes reported by the company and those calculated by Staff. (GCR Staff Report at 6.)

{¶ 19} In its analysis of Pike/Hillsboro purchased volumes, Staff reviewed supplier invoices. With the exception of November and December 2015, Staff found that the purchased volumes matched those filed in the company's periodic filings. Staff's calculation was 2,691 thousand cubic feet (Mcf) less than the volumes filed by the company. Staff reflected the difference in its calculation of purchased volumes. (GCR Staff Report at 6.)

{¶ 20} Staff reviewed the purchased volumes for Pike/Waverly by examining the invoices of Atmos and a local producer. Staff also analyzed the volumes associated with the Pike/Waverly transport customers. Staff determined that most of the purchases were made through Atmos for customers to arrive at the jurisdictional purchased volumes. Staff found small differences in the purchased volumes reported by the company and those calculated by Staff. In *In re Pike Natural Gas Co.*, Case No. 15-214-GA-GCR, et al., Opinion and Order (June 29, 2016), the Commission directed Staff to monitor the Pike/Waverly division's practice of inserting additional entities into the procurement or delivery of gas. Staff did not find any additional customers or entities added in this audit period. (GCR Staff Report at 6.)

{¶ 21} Upon its review of purchased volumes of the companies, Staff has no recommendations (GCR Staff Report at 7).

**2. Actual Adjustment (AA)**

{¶ 22} Staff examined the invoices from Eastern's suppliers: Atmos and local producers. To verify purchased volumes, Staff removed purchases made on behalf of Eastern's transport customers to arrive at the jurisdictional purchased volumes. Staff noted differences in the purchased gas costs for all months under investigation. The differences are not self-correcting. Staff's accounting of the differences total ($27,756).[1] The negative adjustment represents a decrease to the company's GCR rates. (GCR Staff Report at 8.)

{¶ 23} For Pike/Hillsboro, Staff examined Atmos' invoices and found that the company properly recorded the purchased volumes and costs, with the exception of November and December 2015. In its accounting, Staff calculated errors totaling $107,527.

1 Numbers in parentheses indicate negative numbers.

The difference is not self-correcting. The adjustment represents an increase to the company's GCR rates. (GCR Staff Report at 8.)

{¶ 24} Likewise, to analyze the purchased volumes for Pike/Waverly, Staff examined the invoices for Pike/Waverly's suppliers: Atmos and a local producer, Geopetro, LLC. To verify the amount of purchased volumes, Staff had to remove any purchases made on behalf of the transport customers to arrive at jurisdictional purchased volumes. Staff noted differences in all of the months under investigation. In its accounting of the differences with the company, Staff calculated a non-self-correcting total of ($67,663). The negative adjustment represents a decrease to the company's GCR rates. (GCR Staff Report at 8-9.)

{¶ 25} Staff made recommendations to address the errors it noted. For Eastern, Staff noted that the differences between Staff's and the company's AA calculations are not self-correcting through the GCR mechanism. Staff, therefore, recommended a reconciliation adjustment of ($27,756) for an over-collection be applied to Eastern's GCR rates. Staff recommended that the adjustment be applied in the first GCR filing following this Opinion and Order. (GCR Staff Report at 9.)

{¶ 26} For Pike/Hillsboro, Staff recommended a reconciliation adjustment of $107,527 for an under-collection be applied to its GCR rates. Staff recommended that the adjustment be applied in the first GCR filing following this Opinion and Order. (GCR Staff Report at 9.)

{¶ 27} For Pike/Waverly, Staff recommended a reconciliation adjustment of ($67,663) for an over-collection be added to the first GCR filing following the Opinion and Order in these cases. (GCR Staff Report at 9.)

### 3. Refund and Reconciliation Adjustment (RA)

{¶ 28} With regard to the RA, Staff found that the Commission-ordered reconciliations from Case Nos. 15-207-GA-GCR and 15-214-GA-GCR were included in each company's RA and passed back or collected from customers over 12 consecutive months. Staff found that none of the companies received refunds from their respective pipelines or suppliers during the months under investigation. Consequently, Staff made no recommendations for the RA. (GCR Staff Report at 22.)

#### 4. Balance Adjustment (BA)

{¶ 29} In its audit of Eastern, Staff did not find any differences in Eastern's BA calculation. For Pike/Hillsboro, Staff found a difference in the first quarter AA calculation, an under-collection in the amount of $32. For Pike/Waverly, Staff did not find any differences in the BA calculation. Staff had no recommendations for Eastern or Pike/Waverly. Noting that the difference between Staff's and Pike/Hillsboro's calculations of the BA are not self-correcting through the GCR mechanism, Staff recommended a reconciliation adjustment of $32 be added to Pike/Hillsboro's GCR rates and applied in the first GCR filing following the Opinion and Order in these cases. (GCR Staff Report at 23.)

#### 5. Customer Billing

{¶ 30} Staff recalculated customers' bills to verify that the GCR rates, as well as the customer service base rate charges and taxes, were properly applied to jurisdictional customer bills during the months under investigation. After a random sampling of customer bills for the companies, Staff found that, in general, Eastern and Pike properly billed their GCR, customer charge, and base rate to their respective customers for all months under investigation. However, their rates effective for March 2016 were improperly billed in February 2016. Staff recommended that a second person independently verify that the appropriate monthly GCR rates are used prior to any bills being distributed to customers. (GCR Staff Report at 28.)

### 6. Unaccounted-for Gas (UFG)

{¶ 31} Staff analyzed the UFG for each company based on information available from the audit period. To calculate the amount of UFG, Staff computed the difference between sales volumes and purchased volumes. Staff then divided the difference by the purchased volumes to arrive at a system UFG percentage. Staff concluded that the companies' UFG percentages are within acceptable levels. Staff, therefore, made no recommendations. (GCR Staff Report at 29-30.)

## *B. UEX Audit*

### 1. Eastern

{¶ 32} Pursuant to the Commission's authorization, Staff conducted an audit of Eastern's UEX account for rates effective during the period January 1, 2015, through December 31, 2016. In conducting its audit, Staff discovered that Eastern does not maintain a written policy of its credit and collection practices as stipulated in *In re Eastern Natural Gas Co.*, 04-1779-GA-AIR and *In re Eastern Natural Gas Co.*, 15-307-GA-UEX. (Eastern UEX Staff Report at 2-3.)

{¶ 33} Staff verified that Eastern correctly calculated monthly UEX rider rates and monthly sales volumes during the audit period and that Eastern correctly applied a balance adjustment in May 2016 as stipulated in *In re Eastern Natural Gas Co.*, Case No. 15-307-GA-UEX. Staff also verified the accuracy of the collection agency expenses during the audit period. (Eastern UEX Staff Report at 3.)

{¶ 34} Eastern uses the aging method of accounting to calculate the amount of bad debt for the company each month. Under the aging method, outstanding accounts receivable are grouped in time periods determined by the time elapsed after the date of billing or the due date. For example, an aging schedule might categorize accounts receivable in blocks of 1-30 days, 31-60 days, 61-90 days, and over 90 days. Staff verified that Eastern placed receivables greater than 90 days of nonpayment into the UEX account. (Eastern UEX Staff Report at 3.)

{¶ 35} Through its audit, Staff discovered that some PIPP accounts, though properly included in the total balance of receivables, were not excluded from the company's UEX write-offs. Staff removed all identified PIPP accounts from the total receivables and placed them into a separate PIPP receivable account. Staff then recalculated the monthly UEX write-off to arrive at its December 2016 balance. Removing the identified PIPP accounts caused a reduction of $58,500.16 to the company's ending December 2016 uncollectible balance. (Eastern UEX Staff Report at 3.)

{¶ 36} Staff made recommendations to address its findings. Staff recommended 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 these proceedings. To correct the PIPP account error, Staff recommended that the company adjust its December 2016 ending uncollectible balance to $282,886.39.[2] Finally, Staff recommended that Eastern file an application to adjust the UEX rate within 30 days of the Commission's order in these proceedings. (Eastern UEX Staff Report at 3.)

### 2. Pike

{¶ 37} Staff conducted an audit of Pike's UEX account for rates effective during the period January 1, 2015, through December 31, 2016. In conducting its audit, Staff discovered that Pike does not maintain a written policy of its credit and collection practices as stipulated in *In re Pike Natural Gas Co.*, Case Nos. 04-1339-GA-UEX, 05-824-GA-AIR, and 15-314-GA-UEX. Among other findings, Staff found Pike correctly calculated the monthly UEX rider rates and monthly sales volumes. Staff proved the amount of collection agency expenses during the audit period. Staff also determined that Pike correctly applied a

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2 At the hearing, Staff testified that the figure should actually be ($282,886.39), as reflected in Attachment B of the Eastern UEX Staff Report (Tr. at 9-10).

balance adjustment in May 2016 as stipulated in *In re Pike Natural Gas Co.*, Case No. 15-314-GA-UEX. (Pike UEX Staff Report at 3.)

{¶ 38} Like Eastern, Pike uses the aging method of accounting to calculate the amount of bad debt for the company each month. Staff verified that Pike placed receivables greater than 90 days of nonpayment into the UEX account. (Pike UEX Staff Report at 3.)

{¶ 39} Staff discovered that some PIPP accounts were properly included in the total balance of receivables but were not excluded from the company's UEX write-offs. Staff removed all identified PIPP accounts from the total receivables and placed them into a separate PIPP receivable account. Staff then recalculated the monthly UEX write-off to arrive at its December 2016 balance. Staff's recalculation resulted in a reduction of $40,541.75 to Pike's ending December 2016 balance. (Pike UEX Staff Report at 3.)

{¶ 40} Staff made recommendations to address its findings. Staff recommended that Pike implement a written credit and collections policy and that the company submit it into the case docket and to Staff within 60 days of this Order. To correct the monthly bad debt write-off, Staff subtracted $40,541.75 in PIPP accounts from the company's uncollectible balance of $591,524.70 to arrive at $550,982.95 as the recommendation for the December 2016 ending balance. Staff also recommended that Pike file an application to adjust the UEX rate within 30 days of this Order. (Pike UEX Staff Report at 3.)

C. *PIPP Audit*

{¶ 41} The PIPP Staff Report highlights that Eastern and Pike did not file applications to adjust their PIPP rates in 2016 and 2017. Instead, they maintained the rates established in *In re Eastern Natural Gas Co.*, Case No. 15-407-GA-PIP and *In re Pike Natural Gas Co.*, Case No. 15-414-GA-PIP. The rates in those cases were set at $0.00 for Eastern and ($0.0823) per Mcf for Pike. (PIPP Staff Report at 3.)

{¶ 42} Staff sought to ensure in its audit that deferred balances on the companies' ledgers included the correct ending balances. This would reflect all appropriate write-offs and payments. For its audit, Staff reviewed billing registers for 2015 and 2016, queries of active customer PIPP payments from January 2015 to December 2016, Excel spreadsheets of monthly activity, arrearage forgiveness worksheets, and randomly selected PIPP customers' billing histories. (PIPP Staff Report at 3.)

{¶ 43} Staff reviewed the companies' monthly billing registers and found that the customers' billed amounts were properly posted to customers' account balances. The billing registers contained customers' installment payment amounts, but customers did not consistently pay the designated amount. This led to the companies over- and understating the payments received from PIPP customers, with a resultant over- and understatement of write-offs. Staff calculated PIPP ending balances using actual payments, not installment payment amounts. (PIPP Staff Report at 3.)

{¶ 44} Through billing system queries, the companies provided active customers' monthly payments and Home Energy Assistance Program (HEAP) funds from October 2015 through December 2016. Queries prior to October 2015 omitted any customer bills that were finalized or became inactive before the queries. To determine the amount paid by final billed customers, Staff requested billing histories of all final billed accounts from January 2015 through September 2015. Staff examined each customer's billing history and summed their payments. (PIPP Staff Report at 3.)

{¶ 45} Staff discovered during its review that the companies assessed a $100 fee to customers they believed would re-establish service. The fee was included as part of the monthly write-off amounts. The fee was intended to acknowledge the amount that a customer would need to pay to reinitiate service. Staff believes that the deposits should not be included in the monthly write-off amounts because no services were provided. Accordingly, Staff examined each final billed account and removed the deposit fees from the companies' monthly write-offs. (PIPP Staff Report at 3-4.)

{¶ 46} In its audit, Staff sought to determine the amount paid by inactive PIPP customers. To do so, Staff examined queries of all payments made by Eastern and Pike customers for the period January 2015 to September 2015. Staff then isolated from the queries inactive PIPP accounts and summed all payments made by those customers during the nine months. (PIPP Staff Report at 4.)

{¶ 47} Another part of Staff's audit involved the examination of recoveries through the companies' respective PIPP riders. Staff reviewed customer billings to determine when PIPP riders went into effect. Staff also verified monthly sales volumes during the course of each company's GCR audit, upon which the companies' rider rates were applied. Staff found no differences in sales volumes for the companies. (PIPP Staff Report at 4.)

{¶ 48} Staff reviewed customer billing registers through a random selection of customers from each company. Using customers' billing histories, Staff compared the monthly billed amount to those contained in the customer billing registers. Staff found no discrepancies. (PIPP Staff Report at 4.)

{¶ 49} Staff reported that the companies manually track the number of customer payments using an Excel spreadsheet. Staff reviewed the spreadsheet to determine which customers were eligible for arrearage forgiveness credits. If the customer had made nine or more installment payments by August, the customer's name would be placed on a list. The billing department would then calculate the forgiveness credit. The credits would typically appear on October billings. Staff conducted a review of the companies' process by comparing the customers' billing history to the list of customers eligible for forgiveness credits. Staff then examined the customer's billing history to determine the number of payments made, eligibility for a credit, and the amount of the credit. Staff discovered that several customers made more than nine payments but were inconsistent in the amount of their payments. Staff also found that several customers listed as eligible for forgiveness credits did not receive credits because their account balance was below zero when the credit was calculated. Staff was able to replicate the credits calculated by the companies by using September's ending balance times the percentage attributable to the number of payments that the customer made. Staff's credits matched the credits calculated by the companies and applied to customers' account balances. Staff, therefore, concluded that the companies appropriately implemented arrearage forgiveness programs. (PIPP Staff Report at 4.)

**{¶ 50}** Staff found that, for the audit period, Staff's and the companies' calculation of write-offs differed. Staff traced the difference to the companies recording installment payments instead of actual payments and HEAP funds. Staff believes that its calculations lead to a more accurate level of over-recovery for each company's PIPP program. (PIPP Staff Report at 5.)

**{¶ 51}** Staff recommends that the companies restate their January 1, 2017 beginning balances to the December 31, 2016 ending balance calculated by Staff. The ending balance for Eastern would be ($70,185) and ($187,644) for Pike. Staff also recommends that the companies use the total monthly PIPP billed amount in their PIPP calculations. Moreover, Staff suggests that the companies run monthly queries of PIPP customers' payments and subtract these amounts to arrive at a proper account balance. (PIPP Staff Report at 5.)

## IV. STIPULATION OF THE PARTIES

**{¶ 52}** On March 28, 2018, the parties filed a Stipulation that resolves all the UEX, PIPP, and GCR issues in these proceedings. The following is a summary of the Stipulation and is not intended to supersede or replace the Stipulation.

**{¶ 53}** To resolve the GCR issues, the parties agreed and made recommendations concerning the AA, BA, and customer billing.

**{¶ 54}** For AA calculations, the parties agreed on reconciliation adjustments for each company. Eastern will implement a reconciliation adjustment of $27,756 in the customers' favor. Pike will make a reconciliation adjustment in the amount of $107,527 in Pike's favor for its Pike/Hillsboro division GCR rates. For the AA of its Pike/Waverly division GCR rates, Pike will make a reconciliation adjustment of $67,663 in the customers' favor. The reconciliation adjustments should be applied to GCR rates in the first GCR filing following this Opinion and Order. (Jt. Ex. 1 at 4, 6-7.)

{¶ 55} To reconcile discrepancies in the BA, Pike will make a reconciliation adjustment of $32 in Pike's favor for its Pike/Hillsboro division GCR rates. The reconciliation adjustment will be applied in the first GCR filing following this Opinion and Order. (Jt. Ex. 1 at 6-7.)

{¶ 56} Eastern and Pike will have a second person independently verify that the appropriate monthly GCR rates are used prior to any bills going out to customers (Jt. Ex. 1 at 4, 6).

{¶ 57} Staff and the companies agree that the level of UFG is reasonable and well within the requirements of the Commission's rules (Jt. Ex. 1 at 4, 7).

{¶ 58} To resolve the issues concerning the UEX rider, the parties agree that Eastern and Pike shall implement a written credit and collections policy and submit the policy into the case docket and to Staff within 60 days of this Opinion and Order. In accordance with the UEX Staff Reports, Eastern and Pike will adjust their December 2016 ending uncollectible balance to ($242,572.17)[3] and ($170,735.50),[4] respectively. Pursuant to Staff's final recommendation, the companies shall file an application to adjust the UEX rate no later than 30 days after this Opinion and Order. (Jt. Ex. 1 at 9, 10.)

{¶ 59} The parties agree that the companies will restate their January 1, 2017 beginning PIPP balances. Eastern will restate its balance as ($70,185). Pike will restate its

3 At the hearing, Staff testified that the December 2016 ending balance for Eastern was adjusted from Staff's recommendation of ($282,886.39) in the Eastern UEX Staff Report to ($242,572.17) in the Stipulation, in order to reflect the removal of inactive PIPP accounts (Tr. at 9, 11).

4 At the hearing, Staff testified that the December 2016 ending balance for Pike was adjusted from Staff's recommendation of $550,982.95 in the Pike UEX Staff Report to ($170,735.50) in the Stipulation, in order to reflect the removal of inactive PIPP accounts (Tr. at 12).

balance to ($187,844).[5] Following Staff's recommendation, the companies will use the total monthly PIPP billed amount as the amount to include in column "a" in Tables 3 and 4 of the PIPP Audit Report. Finally, the companies agree to run monthly queries of PIPP customers and assistance payments and subtract these amounts as shown in column "b" of Tables 3 and 4 of the PIPP Audit Report to arrive at the balance to increase or decrease shown in column "c" of those Tables. (Jt. Ex. 1 at 11, 12.)

## V. CONCLUSION

{¶ 60} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding on the Commission, the terms of such an agreement are afforded substantial weight. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St. 3d 123, 125, 592 N.E.2d 1370 (1992), *citing Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This concept is particularly valid where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 61} The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. *See, e.g., In re Cincinnati Gas & Elec. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Western Reserve Telephone Co.*, Case No. 93-230-TP-ALT, Opinion and Order (Mar. 30, 1994); *In re Ohio Edison Co.*, Case 91-698-EL-FOR, et al., Opinion and Order (Dec. 30, 1993); *In re Cleveland Elec. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 30, 1989); *In re Restatement of Accounts and Records*, Case No. 84-1187-EL-UNC, Opinion and Order (Nov. 26, 1985). The ultimate issue for our consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should

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5 In the Stipulation, Staff agrees that the December 31, 2016 ending balance for Pike should be ($187,844) and not ($187,644), in order to reflect the removal of additional deposits (Jt. Ex. 1 at 12).

be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

(1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?

(2) Does the settlement, as a package, benefit ratepayers and the public interest?

(3) Does the settlement package violate any important regulatory principle or practice?

**{¶ 62}** The Ohio Supreme Court has endorsed the Commission's analysis using these criteria to resolve issues in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 629 N.E.2d 423 (1994), *citing Consumers' Counsel* at 126. The Court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission.

**{¶ 63}** During the March 29, 2018 public hearing,[6] Staff offered the testimony of Roger L. Sarver to support the Stipulation. Mr. Sarver confirmed that the Stipulation presented in these cases is the product of serious bargaining among capable, knowledgeable parties; that it benefits ratepayers and is in the public interest; and that it does not violate any important regulatory principle or practice. (Tr. at 12-14.)

**{¶ 64}** Based on our three-pronged standard of review, we find that the first criterion, that the process involved serious bargaining by knowledgeable, capable parties, is clearly met for the Stipulation. The companies and Staff have been involved in many cases before the Commission, including a number of GCR, UEX, and PIPP cases. Staff has

6 The public hearing was initially convened on February 22, 2018. By request of the parties, the hearing was continued to March 29, 2018, to allow the parties time to complete negotiations and a stipulation.

worked with the companies for a decade or more (Tr. at 13). Moreover, these parties have consistently provided helpful information to the Commission in cases regarding GCR and fuel-related policies and practices, UEX cases, PIPP cases, and other Commission proceedings. The Stipulation also meets the second criterion. As a package, the Stipulation advances the public interest by verifying, through financial audits, the revenue collected by the companies from GCR, UEX, and PIPP riders and then matching the expenses that the companies have incurred in providing those services (Tr. at 13). The Stipulation meets the third criterion because it does not violate any important regulatory principle or practice (Tr. at 14). Accordingly, we find that the Stipulation should be adopted and approved.

**{¶ 65}** The Commission notes that the companies have agreed in the Stipulation to implement a written credit and collections policy and submit the policy into the case docket and to Staff within 60 days of this Opinion and Order (Jt. Ex. 1 at 9, 10). However, as noted in the Eastern UEX Staff Report and the Pike UEX Staff Report, the companies have previously agreed to implement a written credit and collections policy in *In re Pike Natural Gas Co.*, Case Nos. 04-1339-GA-UEX, 05-824-GA-AIR, and 15-314-GA-UEX and *In re Eastern Natural Gas Co.*, 04-1779-GA-AIR and 15-307-GA-UEX (Eastern UEX Staff Report at 3, Pike UEX Staff Report at 3). To avoid any further delay in the implementation of a written credit and collections policy for the companies, the Commission directs Staff to monitor the companies' compliance with the terms of the Stipulation. Upon the companies' filing of their credit and collections policy, Staff should then file a letter in the dockets stating its satisfaction with the policy or recommending further action. If the companies fail to comply with the terms of the Stipulation, Staff should bring the matter to the attention of the Commission.

**{¶ 66}** Finally, the Commission notes that the PIPP Staff Report states that the companies did not file applications to adjust their PIPP rates in 2016 or 2017 (PIPP Staff Report at 3). We, therefore, direct the companies to file applications to adjust their PIPP rates no later than 30 days after the date of this Opinion and Order.

## VI. Findings of Fact and Conclusions of Law

{¶ 67} Eastern and Pike are natural gas companies within the meaning of R.C. 4905.03, and, as such, are public utilities subject to the supervision and jurisdiction of this Commission.

{¶ 68} R.C. 4905.302, together with Ohio Adm.Code 4901:1-14-07, requires the Commission to review the purchased gas adjustment clause contained within the tariffs of each gas and natural gas company on an annual basis, unless otherwise ordered by the Commission.

{¶ 69} On February 1, 2017, the Commission initiated these proceedings, established the financial audit periods, established the date upon which the financial audit reports must be filed, and directed Staff to conduct the audits required under Ohio Adm.Code 4901:1-14-07. The Commission scheduled a hearing for January 16, 2018, and directed the companies to publish notice of the hearing.

{¶ 70} Pursuant to Staff's motion to extend time to file audit reports, the attorney examiner issued an Entry on November 17, 2017, granting the motion and postponing the hearing.

{¶ 71} On December 15, 2017, Staff filed a GCR audit report, UEX audit reports, and a PIPP audit report for both companies.

{¶ 72} By Entry issued December 21, 2017, the attorney examiner rescheduled the hearing for February 22, 2018.

{¶ 73} On February 20, 2018, the companies filed a joint motion to continue the hearing to allow more time to resolve the issues and to cure a failure to publish legal notice of the hearing.

{¶ 74} On February 21, 2018, the attorney examiner granted the motion to continue the hearing and ordered the companies to publish legal notice of the hearing. The attorney examiner also directed that the February 22, 2018 hearing be convened as scheduled and continued until March 29, 2018.

{¶ 75} The February 22, 2018 hearing proceeded as scheduled, in order to allow public testimony and to address the parties' progress toward settlement. At the hearing, the parties reported that a draft stipulation was undergoing review.

{¶ 76} On March 28, 2018, the parties filed a Stipulation resolving all issues in these proceedings.

{¶ 77} At the March 29, 2018 hearing, the parties submitted the Stipulation that resolves all GCR, UEX, and PIPP issues. The Stipulation is reasonable, meets the criteria used by the Commission to evaluate stipulations, and should be adopted.

{¶ 78} Except as noted in the audit reports, the Stipulation, and this Order, the companies accurately determined their GCR rates for the audit periods and applied the GCR rates to customer bills in accordance with the financial and procedural aspects of Ohio Adm.Code Chapter 4901:1-14. Accordingly, the gas costs passed through the companies' GCR rates for the audit periods were fair, just, and reasonable, except as noted in this decision.

{¶ 79} Eastern and Pike accurately calculated their UEX rider rates during the UEX audit periods, except to the extent noted in the audit reports and this decision.

{¶ 80} The companies accurately calculated their PIPP rider rates during the PIPP audit period, except to the extent noted in the audit report and this decision.

## VII. ORDER

{¶ 81} It is, therefore,

{¶ 82} ORDERED, That the Stipulation of the parties be approved and adopted. It is, further,

{¶ 83} ORDERED, That the auditor selected to conduct the companies' next audits shall evaluate how the companies implement the agreements set forth in the Stipulation and the directives set forth in this Opinion and Order. It is, further,

{¶ 84} ORDERED, That the companies and Staff comply with the Commission's directives as set forth in Paragraphs 65 and 66. It is, further,

{¶ 85} ORDERED, That nothing in this Opinion and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 86} ORDERED, That a copy of this Opinion and Order be served upon each party and interested person of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Asim Z. Haque, Chairman

M. Beth Trombold

Thomas W. Johnson

Lawrence K. Friedeman

Daniel R. Conway

LDJ/sc

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Barcy F. McNeal
Secretary