

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE AUDIT OF THE
CHOICE/SSO/SCO RECONCILIATION
RIDER OF COLUMBIA GAS OF OHIO, INC.

CASE NO. 18-221-GA-EXR

IN THE MATTER OF THE AUDIT OF THE
UNCOLLECTIBLE EXPENSE RIDER OF
COLUMBIA GAS OF OHIO, INC.

CASE NO. 18-321-GA-UEX

IN THE MATTER OF THE AUDIT OF THE
PERCENTAGE OF INCOME PAYMENT
PLAN RIDER OF COLUMBIA GAS OF
OHIO, INC.

CASE NO. 18-421-GA-PIP

FINDING AND ORDER

Entered in the Journal on December 12, 2018

I. SUMMARY

{¶ 1} The Commission adopts the findings set forth in the audit reports regarding the CHOICE/SSO/SCO reconciliation rider, uncollectible expense rider, and percentage of income payment plan rider of Columbia Gas of Ohio, Inc.

II. DISCUSSION

{¶ 2} Columbia Gas of Ohio, Inc. (Columbia) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to R.C. 4905.302, natural gas companies implement purchased gas adjustment mechanisms, which allow them to adjust the rates they charge customers in accordance with any fluctuation in the cost the company incurs for the gas it sells to customers. R.C. 4905.302 also directs the Commission to audit the companies' gas cost recovery (GCR) rates and to review each company's production and purchasing policies and their effect upon the rates.

{¶ 4} R.C. 4929.04, among other things, authorizes the Commission, upon the application of a natural gas company such as Columbia, to exempt any commodity sales

service or ancillary service from all provisions of R.C. Chapter 4905, including the GCR provisions contained in R.C. 4905.302.

{¶ 5} On December 2, 2009, the Commission authorized Columbia to replace its existing GCR mechanism, initially with a market-based standard service offer (SSO) rate, and subsequently, with a market-based standard choice offer (SCO) rate. *In re Columbia Gas of Ohio, Inc.*, Case No. 08-1344-GA-EXM (*Columbia SSO Case*), Opinion and Order (Dec. 2, 2009); *In re Columbia Gas of Ohio, Inc.*, Case No. 12-2637-GA-EXM, Opinion and Order (Jan. 9, 2013).

{¶ 6} With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR are now to be recovered through the CHOICE/SSO/SCO reconciliation rider (CSRR). The stipulation approved in the *Columbia SSO Case* provided that all aspects of the proposed cost recovery through the CSRR are to be reviewed as part of an annual financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff.

{¶ 7} On December 17, 2003, the Commission approved five gas distribution companies' applications to recover uncollectible expenses (UEX) through riders. *In re Columbia Gas of Ohio, Inc.*, Case No. 03-1127-GA-UNC, Finding and Order (Dec. 17, 2003). A requirement of the Order in that case was that the new UEX riders would be audited in the course of each company's GCR audit. With the elimination of Columbia's GCR, the UEX rider is to be audited in the course of Columbia's audit of the CSRR.

{¶ 8} Furthermore, the Commission has authorized the utility companies, including Columbia, to recover percentage of income payment plan (PIPP) arrearages associated with providing natural gas service through their PIPP riders. *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987).

{¶ 9} By Entry issued March 28, 2018, the Commission initiated the financial audits of Columbia's CSRR, UEX, and PIPP riders. Columbia's auditor, to be selected by Columbia, was directed to docket its audit findings for the CSRR in Case No. 18-221-GA-EXR (*Columbia 2018 CSRR Case*); audit findings for the UEX rider in Case No. 18-321-GA-UEX (*Columbia 2018 UEX Case*); and audit findings for the PIPP rider in Case No. 18-421-GA-PIP (*Columbia 2018 PIPP Case*). The auditor was directed to docket all three audit reports in their respective dockets by October 19, 2018. Interested persons were directed to file comments and reply comments by November 2, 2018, and November 16, 2018, respectively.

{¶ 10} The audit report for the CSRR, for the period April 1, 2017, through March 31, 2018, was filed on October 19, 2018, in the *Columbia 2018 CSRR Case*. The audit was performed by Deloitte & Touche LLP (D&T). The report details the procedures agreed to by Columbia and Staff that were performed by D&T. Three discrepancies were found by D&T during the CSRR audit. First, D&T obtained a schedule of the monthly off-system sales (OSS) and capacity release (CR) margins. D&T then randomly selected three months of data; for each month selected, D&T recalculated the amount of OSS and CR margin to be shared with the customer. Next, D&T compared the total margin to be shared and the general ledger amounts, and noted that the total margin to be shared for June 2017 was \$816,080, as compared to the general ledger amount of \$814,635.

{¶ 11} In its November 2, 2018 comments, Columbia states that the variance in June 2017 resulted from a formula error in the supporting documentation used to calculate the pass back of OSS and CR. According to Columbia, the error was corrected in July 2017 and the amount was properly reflected in Columbia's quarterly CSRR filing effective January 2018.

{¶ 12} Second, for each quarterly CSRR rate filing, D&T discovered several differences between the general ledger and the account activity for each account included in the computation of actual cost adjustment. For the July-September 2017 quarterly filing, account activity for accounts 24220300 and 25407150 included in the computation of actual

cost adjustment was \$331,899 and \$931,283, respectively, as compared to the general ledger activity of \$333,932 and \$929,250 for those accounts. For the October-December 2017 quarterly filing, account activity for accounts 24220300 and 25407150 included in the computation of actual cost adjustment was \$2,448 and \$889,942, respectively, as compared to the general ledger activity of \$416 and \$891,975 for those accounts.

{¶ 13} In its November 2, 2018 comments, Columbia states that the \$2,033 variance between each account on the filing and the general ledger is offsetting. Therefore, Columbia states that, although the individual accounts in the quarterly filing do not agree to the general ledger, the total activity reported in the quarterly filing was accurate and agrees to the general ledger. According to Columbia, the difference was corrected during the following quarter, which caused D&T to note an additional variance in the October 2017 quarterly filing for the correction. Columbia contends that the correct actual cost adjustment was reported in each quarterly filing, and no further action is required.

{¶ 14} Third, D&T notes that, for each quarterly CSRR filing, D&T agreed the account activity for each account included in the computation of the Supplier Refund and Reconciliation Adjustment (SRRA) to the general ledger, and found one difference. Specifically, for the July-September 2017 quarterly CSRR filing, the account activity for account 24220300 included in the computation of SRRA was \$724 as compared to the general ledger activity of \$1,857.

{¶ 15} In its November 2, 2018 comments, Columbia states that the \$1,133 difference consisted of a \$1,083 refund that was previously reflected in the April 2017 quarterly filing, and an additional \$50 marketer review fee that was booked to the incorrect amount but has since been corrected.

{¶ 16} No reply comments were filed regarding Columbia's CSRR comments.

{¶ 17} The audit report for the UEX rider, for the period April 1, 2017, through March 31, 2018, was filed on October 19, 2018, by D&T in the *Columbia 2018 UEX Case*. Only one

discrepancy was found, specifically, an overstatement of \$104,609 in bad debts recovered through the rider versus those booked in June 2017.

{¶ 18} In its November 2, 2018 comments, Columbia explains that the discrepancy resulted from inadvertent use of PIPP recoveries for June 2017 instead of actual bad debt recoveries for June 2017. Columbia adds that the discrepancy was identified and corrected in July 2017 with no impact on customers, because the books were corrected and the true-up mechanism will account for any timing differences.

{¶ 19} No reply comments were filed regarding Columbia's UEX comments.

{¶ 20} The audit report for the PIPP rider, for the period April 1, 2017, through March 31, 2018, was filed on October 19, 2018, in the *Columbia 2018 PIPP Case*. One discrepancy was found. D&T randomly selected three months, specifically June 2017, December 2017, and March 2018, and then randomly selected three customer arrearages for each of the three months. Next, D&T agreed the arrearage to the customer's invoice, and noted that one customer's June 2017 arrearage of \$2,459.30 did not agree to the customer's invoiced amount of \$209.57.

{¶ 21} In its November 2, 2018 comments, Columbia states that the particular customer was in the process of recertifying; the higher arrearage included on internal reports was from a pre-program default before 1989. Columbia adds that the arrearage was removed from the report in December 2017; the \$209.57 invoiced to the customer reflected the amount due on the May 2017 statement. According to Columbia, the customer was not on PIPP or any other payment plan at the time of the May statement. The customer re-enrolled in PIPP later during May, and Columbia concludes that no further action is required.

{¶ 22} No reply comments were filed regarding Columbia's PIPP comments.

{¶ 23} The Commission has reviewed the reports filed in these dockets by D&T, as well as Columbia's comments. The Commission concludes that D&T found no material

discrepancies in Columbia's calculation of the CSRR, UEX, and PIPP riders that were not resolved by Columbia. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *Columbia 2018 CSRR Case*, *Columbia 2018 UEX Case*, and *Columbia 2018 PIPP Case* should be adopted.

III. ORDER

{¶ 24} It is, therefore,

{¶ 25} ORDERED, That the findings of D&T set forth in the audit reports docketed in these cases be adopted. It is, further,

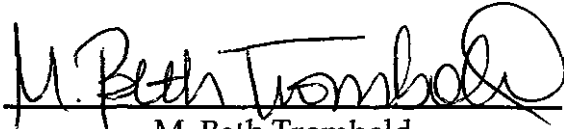
{¶ 26} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 27} ORDERED, That a copy of this Finding and Order be served upon Columbia and upon all other persons of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO



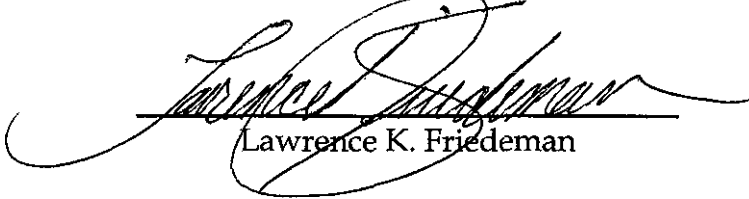
Asim Z. Haque, Chairman



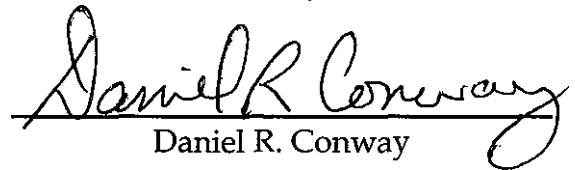
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Thomas W. Johnson



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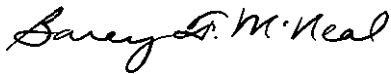


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Barcy F. McNeal
Secretary