

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

Suburban Natural Gas Company
Case No. 20-316-GA-UEx

Audit of the Uncollectible Expense Mechanisms
for the period January 2018 through December 2019

July 31, 2020

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), the Staff of the PUCO (Staff) has completed the required audit of Suburban Natural Gas Company's (Suburban or Company) Uncollectible Expense Rider (UEX Rider) rates for January 1, 2018 through December 31, 2019. The Staff audited the material as set forth in the Commission Entry in Case No. 20-316-GA-UEX.

Our audit has 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, Suburban 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 Lipthrott
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Suburban Natural Gas Company Uncollectible Expense Rider

Commission Entry

On January 29, 2020, the Commission initiated the financial audit of Suburban's UEX Rider rates in effect for the calendar years 2018 and 2019 (audit period). Staff has conducted its audit of Suburban's UEX Rider and presents its findings and recommendations in this report.

Background

In Case No. 07-689-GA-AIR, Suburban filed an Application to Increase Rates with the Commission seeking, among other matters, approval to establish and implement a UEX Rider. On March 19, 2008, the Commission issued an Opinion and Order authorizing Suburban to establish and implement an initial UEX Rider rate of \$0.07012727 per Mcf, which became effective on April 17, 2008.

Since that time the Company has filed annual updates to adjust the rider rate and the Commission has authorized such subsequent revisions. Suburban's most recent approved application, filed May 31, 2019, and sought approval to increase its rider rate to \$0.01387506 per Mcf.

Staff Review

Staff began the audit by verifying the accuracy of the accounts and calculations filed by Suburban in its Annual Balance Reconciliation (ABR) in Case Nos. 18-316-GA-UEX and 19-316-GA-UEX. Staff's examination found no exceptions.

Staff also conducted a review of Suburban's collection policies. Per Suburban's internal collection practices, if a customer fails to pay their bill within 14 days after the date of mailing, a letter is sent to the customer notifying them that failure to make payment within 30 days can result in their account being turned over to an Outside Collection Agency (OCA). If no payment or payment arrangements are made within 30 days, the account is submitted to the OCA. Any monies subsequently recovered by the OCA or Company are credited to customers' arrearages. Staff's examination found no exceptions.

Next, Staff examined Suburban's 2018 - 2019 Bad Debt Account listing for the period January 1, 2018, through December 31, 2019. The customers included in the Bad Debt Account Listing are those who have not made a payment on their account for at least 90 days. Suburban's records showed that 376 accounts totaling \$64,345.00 were marked as "Bad Debt". That total coincided with the ABR's filed in Suburban's UEX applications listed above. Staff randomly selected the billing histories, of several customers, from the Bad Debt Account Listing to verify that monthly charges and payments were properly applied to their account balances. Staff verified that for each account examined, the Bad Debt Account Listing accurately reflected the amount and date of the final payment along with the final balance included for write-off. Staff found no discrepancies with the Company's Bad Debt Account Listing.

Staff conducted a detailed examination of Suburban's Recoveries - Other account to verify that collection recoveries from Bad Debt Write-Offs were properly recorded. The Recoveries – Other account is a record of payments that were paid directly to Suburban or the OCA from customer accounts that were previously written off. The Recoveries – Other account is also used to determine the ABR balance. Staff's examination confirmed, with no exceptions, that Suburban used the correct accounting procedures when calculating this account.

Staff calculated Suburban's UEX sales volumes with their approved UEX Rider rate for each month of the audit period. Staff found that in August 2019, Suburban did not properly calculate the UEX sales volumes with the approved corresponding monthly UEX rate.

Additionally, the Company advised that it reviewed its filed tariffs and determined that the UEX Rider should be applied to Transportation customers. As a result, beginning in June 2018, the Company began charging some Transportation customers the UEX Rider rate. In a subsequent analysis, the Company discovered additional Transportation customers that were not being charged the UEX Rider. The Company updated its billing system and applied the UEX Rider to all Transportation customers beginning November 2018. In its review, Staff determined that the UEX Rider rate was not applied to Transportation customers during the prior audit period, and June 2018 was the first time Transportation customers were charged the UEX Rider, albeit not all Transportation customers.

Conclusions and Recommendations

Staff also confirmed that the number of accounts and amounts written-off were accurate and monies subsequently collected by the OCA or Company were properly credited to its customers' arrearages.

Staff's investigation included a review of Suburban's rate update filings in the prior and current UEX rider cases, in order to verify appropriate implementation of previously authorized UEX rider rates. In the course of this review, Staff noted that, in Case No. 19-0316-GA-UEX, Suburban failed to file its updated tariff sheet in the docket of the case, as was ordered by the Commission.¹ Staff also noted that Suburban did file its updated tariff sheet from that case in its TRF docket (Case No. 89-8027-GA-TRF) as ordered by the Commission. However, Suburban did not file the tariff until September 27, 2019, which was the month following its actual implementation of the updated rate. Staff recommends that the Company develop a written procedure, which would ensure that Commission orders in its UEX cases are reviewed and followed. Staff further recommends that the Commission order the Company to work with Staff to ensure the adequacy and operating effectiveness of billing-related internal controls.

Additionally, Staff recommends that the Company notify Staff of any tariff changes, such as the decision to apply the PIPP Rider to Transportation customers.

¹ Paragraph 10 of the Finding and Order issued on July 31, 2019, in Case No. 19-0316-GA-UEX.

Finally, Staff recommends that the Commission order Suburban to adopt Staff's recalculated annual balance reconciliations for 2018 and 2019 as shown on Attachments 1 and 2 and adjust the ending balance as of December 31, 2019 to \$15,003, as shown on line 9; Attachment 2.

SUBURBAN NATURAL GAS
Case No. 20-316-GA-UEx
2018 UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER

	January	February	March	April	May	June	July	August	September	October	November	December
Balance - Beginning of Month	\$ (68,489)	\$ (72,859)	\$ (75,297)	\$ (70,077)	\$ (71,584)	\$ (72,291)	\$ (70,261)	\$ (71,132)	\$ (71,636)	\$ (62,442)	\$ (63,147)	\$ (64,753)
Bad Debts Written Off	\$ -	\$ -	\$ 7,431	\$ -	\$ -	\$ 3,270	\$ -	\$ -	\$ 10,286	\$ -	\$ -	\$ 13,145
Recovery - Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Bad Debt Rider (a)	\$ 1,372	\$ 1,336	\$ 897	\$ 937	\$ 503	\$ 161	\$ 126	\$ 111	\$ 132	\$ 130	\$ 590	\$ 1,096
Recovery - Other (b)	\$ 2,997	\$ 1,103	\$ 1,314	\$ 570	\$ 204	\$ 1,078	\$ 745	\$ 392	\$ 960	\$ 575	\$ 1,016	\$ (11)
Incremental Bad Debt (2)-[(3)+(4)+(5)]	\$ (4,370)	\$ (2,439)	\$ 5,220	\$ (1,507)	\$ (707)	\$ 2,030	\$ (871)	\$ (504)	\$ 9,194	\$ (705)	\$ (1,606)	\$ 12,060
Balance Subtotal (1) + (6)	\$ (72,859)	\$ (75,297)	\$ (70,077)	\$ (71,584)	\$ (72,291)	\$ (70,261)	\$ (71,132)	\$ (71,636)	\$ (62,442)	\$ (63,147)	\$ (64,753)	\$ (52,693)
Carrying Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance - End of Month (7) + (8)	\$ (72,859)	\$ (75,297)	\$ (70,077)	\$ (71,584)	\$ (72,291)	\$ (70,261)	\$ (71,132)	\$ (71,636)	\$ (62,442)	\$ (63,147)	\$ (64,753)	\$ (52,693)

SUBURBAN NATURAL GAS
Case No. 20-316-GA-UEx
2019 UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER

	January	February	March	April	May	June	July	August	September	October	November	December
Balance - Beginning of Month	\$ (52,693)	\$ (53,755)	\$ (41,588)	\$ (29,429)	\$ (22,367)	\$ (18,924)	\$ (14,909)	\$ (14,208)	\$ (13,725)	\$ (1,294)	\$ (1,446)	\$ (206)
Bad Debts Written Off	\$ -	\$ -	\$ 3,395	\$ -	\$ -	\$ 2,604	\$ -	\$ -	\$ 12,039	\$ -	\$ -	\$ 12,176
Recovery - Base Rates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery - Bad Debt Rider (a)	\$ 1,051	\$ (13,027)	\$ (10,050)	\$ (7,439)	\$ (3,809)	\$ (1,972)	\$ (1,176)	\$ (1,169)	\$ (551)	\$ (580)	\$ (1,866)	\$ (3,667)
Recovery - Other (b)	\$ 12	\$ 860	\$ 1,287	\$ 376	\$ 366	\$ 560	\$ 475	\$ 687	\$ 158	\$ 732	\$ 626	\$ 633
Incremental Bad Debt (2)-[(3)+(4)+(5)]	\$ (1,062)	\$ 12,168	\$ 12,158	\$ 7,063	\$ 3,443	\$ 4,016	\$ 701	\$ 482	\$ 12,431	\$ (152)	\$ 1,241	\$ 15,209
Balance Subtotal (1) + (6)	\$ (53,755)	\$ (41,588)	\$ (29,429)	\$ (22,367)	\$ (18,924)	\$ (14,909)	\$ (14,208)	\$ (13,725)	\$ (1,294)	\$ (1,446)	\$ (206)	\$ 15,003
Carrying Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance - End of Month (7) + (8)	\$ (53,755)	\$ (41,588)	\$ (29,429)	\$ (22,367)	\$ (18,924)	\$ (14,909)	\$ (14,208)	\$ (13,725)	\$ (1,294)	\$ (1,446)	\$ (206)	\$ 15,003

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Case No(s). 20-0316-GA-UEX

Summary: Staff Report of Investigation regarding Staff's Audit of the Uncollectible Expense Mechanisms for the period January 2018 through December 2019
electronically filed by Zee Molter on behalf of PUCO Staff