

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

**Pike Natural Gas Company**

**Audit of the Uncollectible Expense Mechanisms  
For the Period January 2019 through December 2020**

**Case Number 21-314-GA-UEX**

**June 11, 2021**

## 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 2019 through December 2020. The Staff audited the material as set forth in the Commission Entry in Case No. 21-314-GA-UEX.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. The Staff asserts 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.



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David Lipthrott  
Chief, Accounting and Finance Division  
Public Utilities Commission of Ohio



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Adam Burns  
Accounting and Finance Division  
Public Utilities Commission of Ohio

Enclosure  
cc: Parties of Record

**Pike Natural Gas Company  
Uncollectible Expense Rider  
Case No. 21-314-GA-UEx**

**Commission Entry**

On January 27, 2021, the Commission authorized Staff to conduct an audit of Pike's UEX account for rates effective during the period January 1, 2019 through December 31, 2020. Staff 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 the Finding & Order in Case No. 03-1127-GA-UNC. On June 28, 2006, the Commission issued its Opinion and Order in the case and authorized an initial UEX rider rate of \$0.0787 per Mcf. Since that time, Pike filed annual updates to adjust the rider when appropriate, and the Commission 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.

**Staff's Review**

Prior to the on-site audit, Staff issued a data request for the Company's 2019 and 2020 Annual Balance Reconciliation (ABR), the 2019 and 2020 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.

The Company employs an accounting method known as the aging method to calculate the amount of bad debt the Company encounters each month. This method is used to classify outstanding accounts receivables by the time elapsed after the billing date or by the due date. The longer a customer's account remains uncollected, the greater is its realization risk. The Company's policy is to include in its allowance for doubtful accounts, the full balances of customers in arrears if the customers have an unpaid balance greater than \$20 that is over 90 days old, and the customer has not made a payment in the past 60 days. The Company records its monthly bad debt expense based on the difference between the current- and prior-month balance in the allowance for doubtful accounts.

In order to confirm the monthly bad debt expense, Staff reviewed the Company's accounts receivable aging reports, which breaks down receivables from 1-30 days, 31-60 days, 61-90 days, and over 90 days, as well as identifies customers with balances over 90 days old, but have made a payment within the past 60 days. Based on this review, Staff verified the Company adhered to its policy for recognition of bad debt expense incurred and included in the UEX account each month.

Additionally, Staff reviewed the Company's entries to write off bad debt previously included in the allowance for doubtful accounts and bad debts written off as part of customer bankruptcies. Staff verified that write offs were correctly reflected in the Company's ABR; however, Staff found one write off in the amount of \$256.58 which occurred in August 2020, that the Company had not included in the ABR. Therefore, Staff recommends an adjustment.

Separately, Staff reviewed the monthly amount credited to customers through the UEX rider. Staff found the monthly UEX rider rates and monthly sales volumes were calculated correctly during the audit period.

Finally, Staff confirmed that the Company recognized the adjustment ordered by the Commission in the prior UEX audit such that the December 2018 ending balance was equal to \$399,886.73.<sup>1</sup>

### **Staff's Recommendations**

Staff recommends an adjustment of \$256.58 to account for the August 2020 write off not recognized by the Company in the ABR. Based on this adjustment, Staff calculated the balance to be an over-collection of \$111,511.24 as of December 2020, as shown in Attachments A and B.

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

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<sup>1</sup> See *In the Matter of the Uncollectible Expenses [Rider] of Pike Natural Gas Company*, Case No. 19-314-GA-UEX, et al., Opinion and Order (October 9, 2019).

## Attachment A

**Pike Natural Gas Company**  
**Uncollectible Accounts Expense Rider Reconciliation**  
**Case No. 21-314- GA-UEx**  
**January 1, 2019 Through December 31, 2020**

2019

		January	February	March	April	May	June	July	August	September	October	November	December
1	Balance - Beginning of Month	(399,886.73)	(380,650.57)	(333,182.41)	(317,978.08)	(290,602.62)	(253,255.34)	(236,228.96)	(231,262.69)	(220,460.58)	(221,003.24)	(504,686.17)	(497,766.99)
2	Net Bad Debt Expense	(11,947.78)	6,591.57	(14,524.97)	2,729.98	28,213.80	11,970.29	1,580.66	7,902.13	(3,897.90)	(287,221.91)	(6,038.66)	275,994.42
3	Collection Agency - Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4	Collection Agency - Recovery	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5	Recovery Bad Debts Rider (a)	(31,183.94)	(40,876.59)	(29,729.30)	(24,645.48)	(9,133.48)	(5,056.09)	(3,385.61)	(2,899.98)	(3,355.24)	(3,538.98)	(12,957.84)	(26,615.12)
6	Recovery - Other (b)												
7	Incremental Bad Debt (2)+(3)-[(4)+(5)+(6)]	19,236.16	47,468.16	15,204.33	27,375.46	37,347.28	17,026.38	4,966.27	10,802.11	(542.66)	-\$283,682.93	6,919.18	302,609.54
8	Balance Subtotal (1+7)	<u>(380,650.57)</u>	<u>(333,182.41)</u>	<u>(317,978.08)</u>	<u>(290,602.62)</u>	<u>(253,255.34)</u>	<u>(236,228.96)</u>	<u>(231,262.69)</u>	<u>(220,460.58)</u>	<u>(221,003.24)</u>	<u>(504,686.17)</u>	<u>(497,766.99)</u>	<u>(195,157.45)</u>
9	Carrying Charges [Not Applicable]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10	Balance End of Month (8+9)	<u>(380,650.57)</u>	<u>(333,182.41)</u>	<u>(317,978.08)</u>	<u>(290,602.62)</u>	<u>(253,255.34)</u>	<u>(236,228.96)</u>	<u>(231,262.69)</u>	<u>(220,460.58)</u>	<u>(221,003.24)</u>	<u>(504,686.17)</u>	<u>(497,766.99)</u>	<u>(195,157.45)</u>

**Attachment B**

**Pike Natural Gas Company  
Uncollectible Accounts Expense Rider Reconciliation  
Case No. 21-314- GA-UEx  
January 1, 2019 Through December 31, 2020**

**2020**

	January	February	March	April	May	June	July	August	September	October	November	December
1 Balance - Beginning of Month	(\$195,157.45)	(\$193,004.16)	(\$168,027.75)	(\$147,106.42)	(\$118,522.34)	(\$114,070.23)	(\$102,817.37)	(\$96,164.67)	(\$108,044.52)	(\$105,054.23)	(\$117,701.31)	(\$104,654.23)
2 Net Bad Debt Expense	(\$14,363.71)	\$7,226.69	\$4,358.80	\$18,854.02	(\$2,570.24)	\$7,259.56	\$5,921.33	(\$12,552.88)	\$2,289.74	(\$13,717.72)	\$9,293.92	(\$13,662.23)
3 Collection Agency - Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4 Collection Agency - Recovery	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5 Recovery Bad Debts Rider (a)	(\$16,517.00)	(\$17,749.72)	(\$16,562.53)	(\$9,730.06)	(\$7,022.35)	(\$3,993.30)	(\$731.37)	(\$673.03)	(\$700.55)	(\$1,070.64)	(\$3,753.16)	(\$6,805.22)
6 Recovery - Other (b)												
7 Incremental Bad Debt (2)+(3)-[(4)+(5)+(6)]	\$2,153.29	\$24,976.41	\$20,921.33	\$28,584.08	\$4,452.11	\$11,252.86	\$6,652.70	(\$11,879.85)	\$2,990.29	(\$12,647.08)	\$13,047.08	(\$6,857.01)
8 Balance Subtotal (1+7)	<u>(\$193,004.16)</u>	<u>(\$168,027.75)</u>	<u>(\$147,106.42)</u>	<u>(\$118,522.34)</u>	<u>(\$114,070.23)</u>	<u>(\$102,817.37)</u>	<u>(\$96,164.67)</u>	<u>(\$108,044.52)</u>	<u>(\$105,054.23)</u>	<u>(\$117,701.31)</u>	<u>(\$104,654.23)</u>	<u>(\$111,511.24)</u>
9 Carrying Charges [Not Applicable]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10 Balance End of Month (8+9)	<u>(\$193,004.16)</u>	<u>(\$168,027.75)</u>	<u>(\$147,106.42)</u>	<u>(\$118,522.34)</u>	<u>(\$114,070.23)</u>	<u>(\$102,817.37)</u>	<u>(\$96,164.67)</u>	<u>(\$108,044.52)</u>	<u>(\$105,054.23)</u>	<u>(\$117,701.31)</u>	<u>(\$104,654.23)</u>	<u>(\$111,511.24)</u>

**This foregoing document was electronically filed with the Public Utilities**

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