

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE REGULATION OF
THE PURCHASED GAS ADJUSTMENT
CLAUSES CONTAINED WITHIN THE RATE
SCHEDULES OF:**

**EASTERN NATURAL GAS COMPANY
PIKE NATURAL GAS COMPANY**

**CASE NO. 21-207-GA-GCR
CASE NO. 21-214-GA-GCR**

**IN THE MATTER OF THE UNCOLLECTIBLE
EXPENSE RIDERS OF:**

**EASTERN NATURAL GAS COMPANY
PIKE NATURAL GAS COMPANY**

**CASE NO. 21-307-GA-UEX
CASE NO. 21-314-GA-UEX**

**IN THE MATTER OF THE PERCENTAGE OF
INCOME PAYMENT PLAN RIDERS OF:**

**EASTERN NATURAL GAS COMPANY
PIKE NATURAL GAS COMPANY**

**CASE NO. 21-407-GA-PIP
CASE NO. 21-414-GA-PIP**

OPINION AND ORDER

Entered in the Journal on September 23, 2021

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) (together, the Companies) are natural gas companies and public utilities as defined in R.C. 4905.03 and R.C. 4905.02, respectively. As such, both are subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to R.C. 4905.302(C), the Commission must promulgate rules to establish a uniform purchased gas adjustment clause to be included in the schedule of natural gas companies subject to our jurisdiction, such as Pike and Eastern. Found in Ohio Adm.Code Chapter 4901:1-14, these rules separate the jurisdictional cost of gas from all other costs incurred by a natural gas company and provide for each company's recovery of these costs. This allows a natural gas company to adjust the rates charged to customers to account for fluctuations in the cost of obtaining the gas it sells to customers.

{¶ 4} R.C. 4905.302 further directs the Commission to establish investigative procedures and proceedings, 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 vis-à-vis those rates. Pursuant to this authority, Ohio Adm.Code 4901:1-14-07 requires that the gas costs for each gas or natural gas company be audited annually unless otherwise ordered by the Commission. Further, Ohio Adm.Code 4901:1-14-08(A) requires the Commission to hold a public hearing at least 60 days after the filing of an audit report. Additionally, Ohio Adm.Code 4901:1-14-08(C) requires that the affected company publish notice of that hearing throughout its service territory at least 15, but no more than 30, days prior to its scheduled date.

{¶ 5} On January 27, 2021, the Commission initiated these proceedings to audit each Company's compliance with the GCR mechanism as delineated in Ohio Adm.Code Chapter 4901:1-14, as well as the Companies' uncollectible expense (UEX) and percentage of income payment plan (PIPP) riders. The January 27, 2021 Entry directed Staff to conduct the required audits, established an audit period for all three audits of January 1, 2019, through December 31, 2020, instructed the GCR audit reports be filed at least 60 days before hearing, and scheduled an evidentiary hearing for August 10, 2021. The Entry also ordered the Companies to publish required legal notices.

{¶ 6} On June 11, 2021, Staff filed joint GCR and PIPP audit reports in the correspondingly designated case dockets; Staff filed separate UEX audit reports for each Company in the properly designated dockets on the same day.

{¶ 7} On July 27, 2021, the Companies filed proof of publication of the required legal notices in each of the GCR case dockets. Eastern published notice in two newspapers, one on July 8, 2021, and one on July 15, 2021. Pike filed proof of publication of the notice in the *Pike County News Watchman* on July 14, 2021.

{¶ 8} On August 3, 2021, the Companies and Staff filed a Stipulation and Recommendation (Stipulation) encompassing all audits ordered and performed in these proceedings.

{¶ 9} The hearing proceeded as scheduled on August 10, 2021. Staff offered into evidence the Stipulation (Jt. Ex. 1), as well as the Companies' GCR audit report (Staff Ex. 1), Eastern's UEX audit report (Staff Ex. 2), Pike's UEX audit report (Staff Ex. 4), and the Companies' PIPP audit report (Staff Ex. 3). All exhibits were admitted to the record (Tr. at 15). Mr. Tony Matthews testified on behalf of Staff and in support of the Stipulation. No member of the public appeared or offered testimony (Tr. at 4).

III. DISCUSSION

A. *Summary of the GCR Audit Report*

1. EXECUTIVE SUMMARY

{¶ 10} In the Executive Summary, Staff describes the audit process as consisting of an initial review and evaluation of historic documents followed by visitations to the Companies' offices for review of the Companies' activities and further evaluation of documents with a focus on purchased gas costs on invoices from the Companies' marketing affiliate and their asset manager, CenterPoint Energy (CenterPoint). Staff then presents a

summary of its recommendations, which are: actual adjustments of (\$9,757)¹ for Eastern and (\$2,565) for Pike-Waverly Division, both due to over-collections, and an actual adjustment of \$12 for Pike-Hillsboro Division due to an under-collection. (Staff Ex. 1 at 3).

2. INTRODUCTION

{¶ 11} In the Introduction, Staff provides background information on the Companies. Staff notes that Eastern's service area is comprised of five non-contiguous regions located in the eastern portions of Ashtabula and Trumbull counties; Eastern provides utility sales service to approximately 6,259 residential, 425 commercial, and five industrial customers. Staff explains that, on March 1, 2018, Eastern filed a joint application with the Village Energy Cooperative Association, Inc. (Village Energy) requesting Commission approval to transfer 100 percent of its assets and customers from Eastern to Village Energy and, in preparation of becoming a cooperative, Eastern stopped filing GCR reports in September of 2019. *In the Matter of the Joint Application of Eastern Natural Gas Company and Village Energy Cooperative Association, Inc. to Substitute Natural Gas Service and Transfer Assets and Customers*, Case No. 18-369-GA-ATR (ATR Case). However, on September 23, 2020, the Commission ordered that the joint application be denied without prejudice. *ATR Case*, Finding and Order (Sep. 23, 2020). Subsequently, Eastern began filing GCR reports on December 9, 2020. Staff represents that, due to the lack of GCR filings representing the months spanning October 2019 through June 2020, it was unable to compare its calculations derived from information verified for the audit report against Eastern's calculations as it normally would; Staff highlights those areas throughout the audit report. (Staff Ex. 1 at 4).

{¶ 12} Pike's system is separated into two service areas, Hillsboro and Waverly. Because the two service areas are not interconnected and are served by different interstate pipelines, Pike files separate GCR rates for each area. Pike-Hillsboro currently serves approximately 3,990 residential, commercial, and industrial customers in Highland and Clinton counties; it receives its gas supply through Columbia Gas Transmission

¹ Numbers in parentheses indicate negative amounts.

Corporation. Pike-Waverly serves approximately 3,744 residential, commercial, and industrial customers in Pike, Ross, and Jackson counties; it receives its gas supply through Tennessee Gas Pipeline. Together, the two systems provide transportation service to five customers. (Staff Ex. 1 at 4.)

3. EXPECTED GAS COST

{¶ 13} The expected gas cost (EGC) mechanism attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. The EGC is calculated by extending 12 months of historical purchased volumes from each supplier by the rate that is expected to be in effect during the upcoming quarter. The cost for each supplier is summed and the total is divided by 12 months of historical sales to develop an EGC rate to be applied to customer bills. In reviewing the Companies' EGC calculations, Staff offers observations regarding supply sources, purchased volumes, and sales volumes. (Staff Ex. 1 at 6.)

{¶ 14} Regarding supply sources, Staff reports that CenterPoint purchased and nominated nearly all of the Companies' supplies, with Constellation and local production rounding out the total. Under terms of an asset management agreement, the Companies released their pipeline capacity—both firm transportation and storage—to CenterPoint, which, as the asset manager, is responsible for purchasing supplies and nominating the gas to the Companies' city gates. CenterPoint bills Eastern and Pike commodity rates based on the New York Mercantile Exchange monthly closing price plus price add-ons that recover their respective pipeline capacity costs (fixed and volumetric) plus management fees. (Staff Ex. 1 at 6.)

{¶ 15} As to sales volumes, Staff was able to review 24 months of sales volumes for the audit period but, as a result of Eastern not filing GCR reports for the months of April 2019 through June 2020, Staff was not able to compare the verified sales volumes with those that would have been filed with the Commission. Staff verified the sales volumes for the period once Eastern resumed filing GCR reports and found differences for each month of

the period covering the months of July 2020 to December 2020. Staff noted no errors in sales volumes for the monthly periods under investigation for either Pike-Hillsboro or Pike-Waverly. (Staff Ex. 1 at 6.)

{¶ 16} As to Eastern's purchased volumes, Staff states it reviewed invoices from CenterPoint, local producers, and Eastern's transport customers and removed the applicable transport customers' volumes to arrive at the jurisdictional purchased volumes. Staff found differences between the purchased volumes reported by the Company and those calculated by Staff but was unable to compare verified purchased volumes with Eastern's due to the lack of GCR filings for April 2019 through June 2020. Differences found were primarily related to how Staff and Eastern accounted for prior period adjustments and did not impact the actual adjustment calculation, but Staff does account for them in its unaccounted-for gas calculation. (Staff Ex. 1 at 7.)

{¶ 17} Staff reviewed Pike-Hillsboro's purchased volumes from supplier invoices for its division and found that the volumes matched those reported in the Company's periodic filings. For Pike-Waverly, Staff examined the invoices from CenterPoint, Constellation, and a local producer, as well as the volumes associated with Pike-Waverly transport customers. Staff found differences between the purchased volumes reported by the Company and those calculated by Staff for various months over the audit period, mainly in the months of January, February, and March 2019, that were the result of the Company reporting the volumes for those months in dekatherms instead of thousand cubic feet (Mcf/Mcfs). This resulted in a decrease of 6,139 Mcfs over the course of the audit period. (Staff Ex. 1 at 7.)

{¶ 18} In all, Staff's review resulted in no recommendations regarding EGC (Staff Ex. 1 at 7-8).

4. ACTUAL ADJUSTMENT

{¶ 19} The actual adjustment (AA) reconciles the monthly cost of purchased gas with the EGC billing rate. The AA is calculated by dividing the total cost of gas purchases for

each month by the total sales for that month. The calculations are performed quarterly and result in the unit book cost of gas, which is the cost incurred by the company for procuring each Mcf it sold that month. The unit book cost for each month is compared with the EGC rate billed for that quarter, and the difference is multiplied by the respective monthly jurisdictional sales to identify the total of under- or over-recoveries of gas costs. The monthly under- or over-recoveries are summed and divided by the 12-month historic jurisdictional sales to develop the AA rate to be included in the GCR for four quarters. Errors in the AA calculation can result from several factors, such as incorrectly reported purchased gas costs, errors in the stated sales volumes, and use of the wrong EGC rate. (Staff Ex. 1 at 9.)

{¶ 20} For Eastern, Staff states that it examined the invoices from CenterPoint and local producers. To verify the purchased volumes, Staff removed purchases made on behalf of Eastern's transport customers to arrive at jurisdictional purchased volumes. Staff noted differences in the purchased gas costs for all months under audit and was not able to compare its calculations to Eastern's for the quarters ending July 2019 through June 2020. These differences, which are not self-correcting, total (\$9,757) and represent a decrease to Eastern's GCR rates. Thus, Staff recommends that the Commission order a reconciliation adjustment of (\$9,757) for over-collection, which should be added in the first GCR filing following an Order in these cases. (Staff Ex. 1 at 9-10.)

{¶ 21} For Pike-Hillsboro, Staff examined invoices from CenterPoint and found the Company properly recorded the purchased volumes and costs. Staff did, however, find differences in the Company's AA calculations, primarily attributable to rounding errors. The differences, which are not self-correcting, total \$12. Thus, Staff recommends that the Commission order a reconciliation adjustment of \$12 for an under-collection, which should be added in the first GCR filing following an Order in these cases. (Staff Ex. 1 at 9-10.)

{¶ 22} For Pike-Waverly, Staff examined the invoices from CenterPoint, Constellation, and a local producer, Geopetro, LLC. As with Eastern, Staff removed

purchases made on behalf of Pike-Waverly's transport customers to arrive at jurisdictional purchased volumes, and Staff noted differences in the purchased gas costs for all months under audit. These differences, which are not self-correcting and were accounted for in Staff's AA calculations, totaled (\$2,565). Thus, Staff recommends an over-collection reconciliation adjustment in that amount, which should be added to the first GCR filing following an Order in these cases. (Staff Ex. 1 at 9-10.)

5. REFUND AND RECONCILIATION ADJUSTMENT

{¶ 23} The refund and reconciliation adjustment (RA) is used to pass through the jurisdictional portion of refunds received from gas suppliers and adjustments ordered by the Commission. An annual interest rate of ten percent is applied to the net jurisdictional amount of the RA, which is then divided by 12 months of historic sales volumes to develop a unit rate to be included in the GCR calculation for four quarters. (Staff Ex. 1 at 23.)

{¶ 24} Staff found that Eastern received no refunds from its pipeline or suppliers during the audit months. Staff verified that the Commission-ordered RA from Case No. 17-207-GA-GCR was completed and passed back to customers in September 2019. Staff further verified, through the *ATR Case*, that the Commission-ordered RA of (\$25,524) from Case No. 19-207-GA-GCR was received by customers via bill credit on the October 2019 bill. (Staff Ex. 1 at 23.)

{¶ 25} Likewise, Staff reviewed the RA calculations contained in each GCR filing within the months under investigation and verified that neither Pike division received refunds from their pipelines or suppliers during the audit months. Staff verified that the RA adjustments ordered in Case No. 17-214-GA-GCR were completed by the Company as of September 2019 and that the Commission-ordered RA from Case No. 19-214-GA-GCR was properly included in rates through December 2020 and passed through to customers. (Staff Ex. 1 at 23.)

{¶ 26} Ultimately, Staff has no recommendations for the Companies regarding the RA (Staff Ex. 1 at 23).

6. BALANCE ADJUSTMENT

{¶ 27} The balance adjustment (BA) mechanism corrects for under- or over-recoveries of previously calculated AAs and RAs. For Eastern, Staff states that, because all adjustments were completed as a requirement for Eastern to go to a cooperative, there are no BAs in this audit. For Pike-Waverly and Pike-Hillsboro, Staff did not find any differences between its calculations and those of the Company. Thus, Staff has no BA recommendations for the Companies. (Staff Ex. 1 at 24.)

7. CUSTOMER BILLING

{¶ 28} Staff recalculated customers' bills to verify that the GCR rates, as well as customer service base rate charges and taxes, were properly applied to jurisdictional customer bills during the months under investigation. For this part of the audit, Staff randomly sampled customer bills for each of the Companies. (Staff Ex. 1 at 25.)

{¶ 29} Although Staff found no differences between its bill calculations and Eastern's billings for the period before Eastern started to move to a cooperative (January 2019 through August 2019), it did find differences for the period when the Company began to transition (September 2019 through December 2020). Staff notes that the differences appear to be the result of Eastern using a different gross receipts tax rate than the tariff rate; Staff has incorporated these differences into its AA calculation. Staff states that it will again inspect Eastern's customer billing to verify that the rates charged to customers accurately reflect applicable tariff rates on file with the Commission as part of the next GCR audit. (Staff Ex. 1 at 25.)

{¶ 30} Staff found that Pike accurately billed its customers per the monthly GCR rates filed with the Commission for all months under audit except for the October and November 2019 billings. Here, Staff found that the differences were the result of a billing

error where Pike properly passed back a Demand Side Management rider credit to Hillsboro and Waverly customers in September 2019, but mistakenly passed that credit back to customers again on the October 2019 billing. Pike realized and corrected the error in the November 2019 billing rates to customers for both divisions. Staff has incorporated this billing error into its AA calculation. (Staff Ex. 1 at 25.)

{¶ 31} Staff recommends that the Companies verify that the appropriate tariff rates are used prior to any bills being issued to customers (Staff Ex. 1 at 25).

8. UNACCOUNTED-FOR GAS

{¶ 32} Unaccounted-for gas (UFG) is the difference between gas purchases and sales; it is calculated on a 12-month basis, ending in one of the low-usage summer months to minimize the effects of unbilled volumes on the calculation. Pursuant to Ohio Adm.Code 4901:1-14-08, the Commission may adjust any gas company's future GCR rates for UFG above a reasonable level, which is presumed to be no more than five percent for an audit period. Staff states that each Company's UFG levels are within acceptable levels. Accordingly, Staff has no recommendations regarding UFG. (Staff Ex. 1 at 26-27.)

B. Summary of the UEX Audit Reports

{¶ 33} Pursuant to the Commission's authorization, Staff conducted an audit of the Companies' respective UEX accounts for rates effective during the period January 1, 2019, through December 31, 2020. Prior to its on-site audit, Staff issued a data request for the Companies' 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 each Company had placed for recovery through the ABR, each 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 each Company. (Staff Ex. 2; Staff Ex. 4.)

{¶ 34} For Eastern, Staff reports that all requested items were received, but that Eastern did not use a collection agency; therefore, no such invoices were needed for Eastern's UEX audit. Additionally, while Eastern advised that it would follow-up and provide an updated copy of its bad debt write-off policies and procedures, Staff had not received a copy of the same as of the date of the audit report. The Company also informed Staff that it stopped recording bad debt expense in July 2019, as it had anticipated becoming a cooperative; the Company set the UEX rider rate to zero beginning in September 2019. (Staff Ex. 2.)

{¶ 35} For this review, the Company provided accounts receivable aging reports from July 2019 through December 2020 to potentially allow Staff to impute the bad debt expense during that period; however, because customer payment dates for purposes of identifying customers who made a payment in the past 60 days were based on the date the reports were generated, Staff could not rely on these reports. Ultimately, Staff was unable to confirm the bad debt expense on a monthly basis between July 2019 and December 2020. Staff also reviewed the monthly amount credited to customers through the UEX rider and found the monthly rider rates and monthly sales volumes were calculated correctly during the audit period. Staff notes that the Company continued the UEX rider rates through August 2019. (Staff Ex. 2.)

{¶ 36} Staff reports that, as a consequence of the Company's decision to not recognize bad debt expense after June 2019 and the inability to rely on the post-June reports, Staff cannot provide a reasonable assurance regarding the imputed bad debt expense during the period July 2019 through 2020. And, given that the monthly bad debt expense incurred is what is included in the UEX balance, the lack of a bad debt expense, whether actually incurred or imputed by Staff, results in the incremental bad debt included in the UEX balance to be unknown or non-existent. Therefore, Staff recommends that the UEX balance be based on the balance as of June 2019 and include recognition of amounts refunded through the UEX rider for July and August. Staff states that the primary reason for not recognizing post-June 2019 bad debt expense is that the Company did not recognize any.

Finally, Staff confirmed that Eastern recognized an adjustment to the UEX balance of \$67,095.37 as ordered by the Commission in Case No. 19-307-GA-UEX. (Staff Ex. 2.)

{¶ 37} For Eastern, Staff recommends the balance of UEX be based on the balance as of June 2019 plus amounts refunded through the UEX rider in July and August 2019. With this adjustment, Staff's calculated balance is an over-collection of \$444,657.73. Staff further recommends that Eastern file an application to adjust its UEX rider rate within 30 days of the Commission's Order in these cases. Moreover, Staff recommends that the Commission order the Company to resume recognition of bad debt expenses and to work with Staff prior to the Company's next UEX audit to ensure that reports are reliable and the UEX is being tracked accurately on a monthly basis. (Staff Ex. 2.)

{¶ 38} Pike's UEX audit was more straightforward. To confirm the monthly bad debt expense, Staff reviewed the Company's accounts receivable aging reports and verified that 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 and verified that write-offs were correctly reflected in the Company's ABR. Staff did, however, find one write-off in the amount of \$256.58 that occurred in August 2020 but was not included in the ABR; Staff thus recommends an adjustment. Separately, Staff reviewed the monthly amounts credited to customers through the UEX rider and found the monthly 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 (Case No. 19-314-GA-UEX) such that the December 2018 ending balance was equal to \$399,886.73. (Staff Ex. 4.)

{¶ 39} Ultimately, 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 calculates the balance to be an over-collection of \$111,511.24 as of December 2020. Staff recommends that Pike file an application to adjust its UEX rider rate within 30 days of the Commission's Order in these proceedings. (Staff Ex. 4.)

C. Summary of the PIPP Audit Report

{¶ 40} The Commission's January 27, 2021 Entry also initiated financial audits of the Companies' PIPP riders for calendar years 2019 and 2020. Staff reports that Pike filed an application to adjust its PIPP rider rate on April 30, 2020, proposing a rate of \$0.0052 per Mcf beginning on a bills-rendered basis on June 15, 2020. *In re Pike Natural Gas Company*, Case No. 20-414-GA-PIP. Staff further reports that Eastern is no longer billing a PIPP rate as of 2019, again as part of its anticipation of transitioning to a natural gas cooperative. (Staff Ex. 3.)

{¶ 41} Staff explains that its audits were designed to ensure that the deferred balances on the Companies' ledgers include the correct ending balances, which would reflect all appropriate PIPP write-offs and payments. Staff initiated its audit of the Companies' PIPP riders by requesting documents of the monthly write-offs, collections through the rider, and PIPP customers' account balances for 2019 and 2020. In response, the Companies provided billing registers and customer activity reports for the corresponding years. (Staff Ex. 3.)

{¶ 42} First, Staff examined the Companies' billing registers to identify a PIPP customer's consumption, billed amount, and installment amount. The Companies would sum the PIPP customers' billed amounts and record the total as a write-off on the respective Company's work sheets. Staff found that its write-offs matched those of the Companies except for the month of September 2019 for Pike. In that month, Pike included a PIPP forgiveness arrearage of \$27,961.10, an adjustment that was not made in prior periods and was not included in the Company's PIPP rate application filed on October 17, 2019, in Case No. 19-414-GA-PIP. (Staff Ex. 3.)

{¶ 43} Staff next examined customer activity reports which contained customers' monthly payments and Home Energy Assistance Program funds. Staff randomly selected customers and requested their account histories for 2019 and 2020 in order to compare account histories to the billing registers and customer activity reports to ensure accuracy.

Staff did not find any discrepancies. Staff further examined the recoveries through the Companies' respective PIPP riders by reviewing customer billings to determine when the PIPP riders went into effect and the amount of revenue collected on a monthly basis. Staff additionally verified monthly sales volumes during the course of the respective GCR audits, upon which the Companies' rider rates were applied. Again, Staff found no discrepancies. Lastly, Staff analyzed the Companies' treatment of their respective PIPP arrearage forgiveness programs and found that the Companies implemented the programs appropriately. (Staff Ex. 3.)

{¶ 44} Regarding Pike's PIPP audit, Staff notes that the Company's current tariff has not been updated to reflect the PIPP rate being billed to customers as of June 1, 2020. Staff recommends that Pike work with the Commission and Staff to update the tariffs filed to reflect the current billed rate. Staff further recommends the Commission order that Pike's deferred PIPP ending balance for December 2020 be (\$63,088), a difference of \$27,691.10 due to the above-noted inclusion of arrearage forgiveness for September 2019. (Staff Ex. 3.)

{¶ 45} Regarding Eastern's PIPP audit, Staff notes that, in September 2019, Eastern instituted a PIPP rider rate of \$0.00 per Mcf and credited to customers an over-collection associated with the Company's deferred PIPP balance. Staff further notes that it found Eastern's current tariff has not been updated to reflect the current PIPP rate billed to customers. As with Pike, Staff recommends that Eastern work with the Commission and Staff to update its tariffs. Additionally, Staff recommends the Commission order that Eastern's deferred PIPP ending balance for December 2020 be (\$2,470). (Staff Ex. 3.)

IV. STIPULATION OF THE PARTIES

{¶ 46} On August 3, 2021, the parties filed a Stipulation that, if adopted, would resolve all issues in these cases. The following is a summary of the Stipulation and is not intended to supersede or replace the Stipulation.

GCR Financial Audit

1. For Eastern, the parties agree to Staff's recommendation of an AA of (\$9,757) for an over-collection.
2. For Pike-Hillsboro, the parties agree to Staff's recommendation of an AA of \$12 for an under-collection.
3. For Pike-Waverly, the parties agree to Staff's recommendation of an AA of (\$2,565) for an over-collection.
4. The parties agree that Eastern and Pike will verify that the appropriate tariff rates are used prior to any bills being issued to customers.
5. The parties agree that the Companies' UFG rates were within acceptable levels.

(Joint Ex. 1 at 4.)

UEX Audits

1. Staff found Eastern's rider rate and monthly sales volumes were calculated correctly through December 2020. The Company applied a balance adjustment as recommended in Case No. 19-307-GA-UEX; however, the UEX audit report did not account for the provision of the Commission's order that established the June 2019 ending balance as an over-collection of \$598,331.45, and the Company's requirement to refund this amount to customers. Therefore, subsequent to the filing of the UEX audit report, Staff confirmed that Eastern properly refunded to customers the amount ordered by the Commission.
2. Eastern agrees that its January 1, 2021 beginning UEX balance should be adjusted to the December 31, 2020 under-collected ending balance of \$34,635.96, which incorporates the June 2019 ending balance and subsequent refund ordered by the Commission; the amounts credited through the rider during July

and August of 2019; and the inclusion of bad debt expense incurred by the Company from July 2019 through December 2020.

3. Eastern agrees to file an application to adjust its UEX rider rate within 30 days of the Commission's Order in this matter.
4. Eastern agrees to resume recognition of bad debt expenses and to work with Staff before the Company's next UEX audit to ensure the aging reports are reliable and the UEX is being tracked accurately on a monthly basis.
5. Staff found Pike's rider rate and monthly sales volumes were calculated correctly through December 2020 and the Company correctly applied a balance adjustment as ordered in Case No. 19-314-GA-UEX.
6. Pike agrees that its January 1, 2021 beginning UEX balance should be adjusted to the December 31, 2020 over-collected ending balance of \$86,962.41, which incorporated updated bad debt information received after the filing of the UEX audit report.
7. Pike agrees to file an application to adjust its UEX rider rate within 30 days of the Commission's Order in these cases.

(Joint Ex. 1 at 5-6.)

PIPP Audits

1. Eastern agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. Specifically, Eastern agrees that its January 1, 2021 beginning deferred PIPP balance should be adjusted to the December 31, 2020 ending balance of (\$2,470).
2. Pike agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. Specifically, Pike agrees that its January 1, 2021 beginning

deferred PIPP balance should be adjusted to the December 31, 2020 ending balance of (\$63,088). Additionally, Pike agrees to work with Staff to update the tariffs filed to reflect the current rate being billed to customers.

(Joint Ex. 1 at 6.)

V. CONCLUSION

{¶ 47} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding upon us, the Commission may afford substantial weight to the terms of such an agreement. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 126, 592 N.E.2d 1370 (1992). This is especially true where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 48} 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 No. 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. 31, 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 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?

The Supreme Court of Ohio has endorsed the Commission's use of these criteria to resolve cases 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, 561, 629 N.E.2d 423 (1994), citing *Consumers' Counsel* at 126.

{¶ 49} The Commission finds that the record contains evidence demonstrating that the Stipulation presented in these cases satisfies all three criteria. At the August 10, 2021 hearing, Mr. Matthews testified that he has been employed with the Commission for 16 years, ten of which have been dedicated to the type of work that includes GCR, UEX, and PIPP financial audits (Tr. at 7). Mr. Matthews was part of the team that conducted the audits in this matter and was involved in the negotiations between Staff and the Companies; Mr. Matthews stated that the Stipulation represents the product of serious bargaining among capable and knowledgeable parties (Tr. at 7-8). Mr. Matthews also agreed that the Stipulation does not violate any important regulatory principles or practices (Tr. at 8-9). Additionally, Mr. Matthews testified that the Stipulation provides benefits to ratepayers and the public interest. For example, the Stipulation expresses the outcome of audits performed to verify the costs incurred by the Companies to provide natural gas service and to verify that those costs are properly included in rates billed to customers. Mr. Matthews noted that, with the adjustments agreed to in the Stipulation, customers are only paying what they should be paying for. (Tr. at 9.) At the same time, this means that the Companies are also recovering associated costs without the burden of additional litigation.

{¶ 50} Accordingly, we conclude that the Stipulation represents a reasonable resolution to the issues presented in these combined cases and, thus, should be adopted in its entirety.

VI. FINDINGS OF Fact AND CONCLUSIONS OF LAW

{¶ 51} Eastern and Pike are natural gas companies and public utilities as defined in R.C. 4905.03 and 4905.02, respectively. As such, the Companies are subject to the Commission's jurisdiction.

{¶ 52} Pursuant to R.C. 4905.302, Ohio Adm.Code 4901:1-14-07, and Ohio Adm.Code 4901:1-14-08, the Commission initiated, on January 27, 2021, Case Nos. 21-207-GA-GCR and 21-214-GA-GCR to review the Companies' GCR rates.

{¶ 53} By the same January 27, 2021 Entry, the Commission also initiated audits of the Companies' UEX and PIPP riders.

{¶ 54} On June 11, 2021, Staff filed its GCR, UEX, and PIPP audit reports.

{¶ 55} On August 3, 2021, the Companies and Staff filed a Stipulation resolving all audits ordered and performed in these proceedings.

{¶ 56} On August 10, 2021, an evidentiary hearing was conducted. At the hearing, Staff presented the Stipulation, the audit reports, and the testimony of Mr. Tony Matthews for the Commission's consideration. No public witnesses testified.

{¶ 57} The Stipulation meets the criteria used by the Commission to evaluate such agreements, represents a just and reasonable resolution of all issues in these proceedings, and should be adopted.

{¶ 58} With the exceptions noted in the GCR audit report, the Companies' GCR rates for the audit period were determined to be in compliance with financial and procedural aspects of Ohio Adm.Code Chapter 4901:1-14. Thus, subject to the same noted exceptions, the gas costs passed through the Companies' GCR rates for the audit period were fair, just, and reasonable.

{¶ 59} Eastern and Pike accurately calculated their UEX rider rates during the UEX audit periods, except as noted in the audit reports and this Opinion and Order.

{¶ 60} The Companies accurately calculated their PIPP rider rates during the PIPP audit period, except to the extent noted in the audit report and this Opinion and Order.

VII. ORDER

{¶ 61} It is, therefore,

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

{¶ 63} ORDERED, That the Companies take all steps necessary to carry out the terms of the Stipulation and this Opinion and Order. It is, further,

{¶ 64} ORDERED, That a copy of this Opinion and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

Jenifer French, Chair

M. Beth Trombold

Lawrence K. Friedeman

Daniel R. Conway

Dennis P. Deters

PAS/hac

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Summary: Opinion & Order approving and adopting 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. electronically filed by Kelli C. King on behalf of The Public Utilities Commission of Ohio