

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

Glenwood Energy of Oxford, Inc.

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

Case Number 21-310-GA-UEX

November 19, 2021

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), Staff has completed the required audit of the Glenwood Energy of Oxford, Inc.'s (Glenwood or Company) uncollectible expense (UEX) rider rates for January 2019 through December 2020 (Audit Period). Staff audited the material as set forth in the Commission Entry in Case No. 21-310-GA-UEX.

Our audits have revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. Staff asserts that at the time of preparing this report, unless otherwise noted, Glenwood accurately calculated its UEX rider rates for the Audit Period. Staff has performed its investigation and respectfully submits its findings and recommendations.



David Lipthrott
Chief, Accounting and Finance Division
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Adam Burns
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Glenwood Energy of Oxford, Inc.
Uncollectible Expense Rider
Case No. 21-310-GA-UEX

Commission Entry

On January 30, 2019, the Commission authorized Staff to conduct an audit of Glenwood 's UEX account for the rates effective during the Audit Period. Staff has 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.

In 2009, the Commission initiated an investigation to establish certain benchmarks as well as the development of best practices to be employed by natural gas companies to minimize uncollectible expenses. A report was filed on May 3, 2010, that presented findings and recommendations to enhance utility companies' collection practices for UEX and Percentage of Income Payment Plan (PIPP). As a result, the Commission ordered that natural gas companies with UEX and PIPP riders file annual applications that reflect the level of arrearage (write-offs) and collections.

Glenwood was authorized in Case No. 09-439-GA-AIR to establish a rider recovery mechanism consistent with the Finding & Order in Case No. 03-1127-GA-UNC. On September 30, 2009, the Commission issued its Opinion and Order in that case and authorized an initial UEX rider rate of \$0.08 per Mcf. Since that time Glenwood has filed updates to adjust the rider when appropriate, and the Commission has authorized such subsequent revisions.

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; a copy of the Company's Bad Debt Report; 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.

Staff examined Glenwood's ABR, which showed the amount of bad debts written off as \$43,447.55 and \$19,707.55 for 2019 and 2020, respectively. To confirm these amounts, Staff recalculated the annual write-offs using the Transaction Posting Register, which provided detail on the bad debt written off each period, and compared the amounts to the Bad Debt Report and ABR. During this review, Staff found several PIPP customer account balances were incorrectly placed into the UEX account during the audit period. Specifically, \$323.88 in April 2019, \$580.52 in July 2019, and \$4,994.79 in December 2019. Staff removed these PIPP customer-related write-offs from the UEX account. Additionally, Staff found a typographical error in the December 2019

write-offs shown in the ABR, which overstated the amount written off by \$2.00. In total, Staff recommends an adjustment to reduce the 2019 write-offs by \$5,901.19.

In reviewing the bad debt write-offs, Staff randomly selected 40 customer accounts to determine the accuracy of the amounts written off and applied to the UEX account. In addition, Staff examined the timing of the write-offs to ensure the write-offs adhered to the Company's bad debt policy. Staff found no exceptions.

Next, Staff examined the Company's Monthly Customer Activity Reports to verify the reported Recovery-Other amounts in the ABR. Using these reports, Staff recalculated the total payments made directly to the Company. Staff determined the Company correctly included in the ABR all direct payments made to the Company. Staff notes that the Company does not use an outside collection agency, thus there were no collection agency recoveries during the audit period.

Finally, Staff reviewed the carrying charges applied to the monthly balance of the UEX account. Staff verified the carrying charges rate of nine percent. Staff's adjustments described above result in a change to the incremental carrying costs accrued during the Audit Period. In total, Staff's adjustments reduce the carrying charges by \$623.93.

Staff found the monthly UEX rider rates and monthly sales volumes were reported correctly during the Audit Period and that the amount recovered through the UEX rider is correct.

In the previous UEX audit (Case No. 19-310-GA-UEX), Attachment B of the Staff Report (2018 Attachment B) calculated an ending balance of \$41,579.88, which represents an under-collection; however, the text of the Staff Report mistakenly recommended the ending balance be (\$41,579.88), which represents an over-collection. Subsequently, the Stipulation incorporated the language from the text which ultimately led to the Commission Order adopting the ending balance erroneously described as an over-collection. Staff notes in the current audit, the Company correctly used as the beginning balance of 2019, the under-collected ending balance of \$41,579.88 from 2018 Attachment B. In addition, the Company's UEX rider rate remained unchanged for the duration of both audit periods (2017 – 2020). Therefore, since the Company used the correct beginning balance and did not adjust the UEX rider rate, no adjustment is necessary to the current audit period to rectify the error from the prior UEX audit.

Staff notes that the Company did not file an application to adjust its UEX rate as ordered by the Commission in the previous UEX audit.¹

Staff's Recommendations

Incorporating all of Staff's recommended adjustments, Staff recommends that the Company reduce its December 2020 ending balance by \$6,525.12, to an under-collected balance of \$78,918.43. Staff's calculations are shown on Attachments A and B.

Additionally, since Glenwood has not updated its UEX rate since 2015, and the under-recovered UEX balance is continuing to increase, Staff recommends Glenwood file an application to adjust its UEX rider rate within 30 days of the Commission's Order in this proceeding or in the

¹ *In the Matter of the Uncollectible Expense Rider of Glenwood Energy of Oxford, Inc. and Related Matters*, Case Nos. 19-310-GA-UEX, et al., Opinion and Order (April 8, 2020).

alternative, the Commission require Glenwood to cease accruing carrying charges on the under-recovered balance until such time that the UEX rate is updated.

ATTACHMENT A

**Glenwood Energy of Oxford
Uncollectible Accounts Expense Rider
2019 Annual Balance Reconciliation**

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Totals</u>
(1) Balance - Beginning of Month	\$ 41,579.88	\$ 39,255.87	\$ 38,079.30	\$ 36,463.60	\$ 39,575.71	\$ 39,430.14	\$ 45,092.66	\$ 51,171.75	\$ 52,305.95	\$ 51,084.21	\$ 50,690.96	\$ 49,497.79	\$ 41,579.88
(2) Bad Debts Written Off	-	870.22	-	3,915.92	-	5,590.28	5,925.81	1,122.22	-	-	-	20,121.91	37,546.36
(3) Recovery - Bad Debt Rider (a)	2,290.24	2,246.20	1,894.19	844.79	440.74	243.53	206.36	224.99	256.39	491.14	1,501.94	2,007.89	12,648.41
(4) Recovery - Other (b)	335.77	89.51	-	243.11	-	-	-	149.63	1,351.61	282.34	65.53	52.05	2,569.55
(5) Incremental Bad Debt (2)-[(3)+(4)]	(2,626.01)	(1,465.49)	(1,894.19)	2,828.02	(440.74)	5,346.75	5,719.45	747.60	(1,608.00)	(773.48)	(1,567.47)	18,061.97	22,328.40
(6) Balance Subtotal (1)+(5)	38,953.87	37,790.38	36,185.11	39,291.63	39,134.97	44,776.88	50,812.11	51,919.35	50,697.94	50,310.72	49,123.48	67,559.76	63,908.28
(7) Carrying Charges {[(1)+(6)]/2}x(d)	302.00	288.92	278.49	284.08	295.17	315.78	359.64	386.59	386.26	380.23	374.30	438.97	4,090.44
(8) Balance - End of Month (6)+(7)	<u>\$ 39,255.87</u>	<u>\$ 38,079.30</u>	<u>\$ 36,463.60</u>	<u>\$ 39,575.71</u>	<u>\$ 39,430.14</u>	<u>\$ 45,092.66</u>	<u>\$ 51,171.75</u>	<u>\$ 52,305.95</u>	<u>\$ 51,084.21</u>	<u>\$ 50,690.96</u>	<u>\$ 49,497.79</u>	<u>\$ 67,998.72</u>	\$ 67,998.72

(a) Calculated: actual consumption times authorized rider rate of \$0.0304 per Mcf

(b) Consists of customer payments, net-collection agency revenue, and other collections

(c) Annual carrying charge rate = 9%

(d) Monthly carrying charge rate = 0.75%

ATTACHMENT B

**Glenwood Energy of Oxford
Uncollectible Accounts Expense Rider
2020 Annual Balance Reconciliation**

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Totals</u>
(1) Balance - Beginning of Month	\$ 67,998.72	\$ 65,071.85	\$ 63,492.60	\$ 65,738.80	\$ 65,280.94	\$ 65,115.23	\$ 65,298.15	\$ 68,177.92	\$ 68,282.20	\$ 68,580.59	\$ 67,259.47	\$ 66,623.48	\$ 67,998.72
(2) Bad Debts Written Off	-	-	3,158.39	-	-	-	2,774.49	-	254.69			13,519.98	19,707.55
(3) Recovery - Bad Debt Rider (a)	1,937.97	2,059.57	1,395.00	947.36	494.88	254.05	237.70	252.05	291.93	588.70	1,136.17	1,715.99	11,311.35
(4) Recovery - Other (b)	1,486.05	-	-	-	157.98	50.25	155.69	153.49	175.68	1,239.93	-	52.79	3,471.86
(5) Incremental Bad Debt (2)-[(3)+(4)]	(3,424.02)	(2,059.57)	1,763.39	(947.36)	(652.86)	(304.30)	2,381.10	(405.54)	(212.92)	(1,828.63)	(1,136.17)	11,751.20	4,924.34
(6) Balance Subtotal (1)+(5)	64,574.70	63,012.28	65,256.00	64,791.45	64,628.07	64,810.93	67,679.26	67,772.38	68,069.28	66,751.97	66,123.30	78,374.68	72,923.06
(7) Carrying Charges {(1)+(6)}/2x(d)	497.15	480.32	482.81	489.49	487.16	487.22	498.67	509.81	511.32	507.50	500.19	543.74	5,995.37
(8) Balance - End of Month (6)+(7)	\$ 65,071.85	\$ 63,492.60	\$ 65,738.80	\$ 65,280.94	\$ 65,115.23	\$ 65,298.15	\$ 68,177.92	\$ 68,282.20	\$ 68,580.59	\$ 67,259.47	\$ 66,623.48	\$ 78,918.43	\$ 78,918.43

(a) Calculated: actual consumption times authorized rider rate of \$0.0304 per Mcf

(b) Consists of customer payments, net-collection agency revenue, and other collections

(c) Annual carrying charge rate = 9%

(d) Monthly carrying charge rate = 0.75%

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Summary: Staff Report of Investigation regarding the Audit of the Uncollectible
Expense Mechanisms For the Periods January 2019 through December 2020
electronically filed by Zee Molter on behalf of PUCO Staff