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

Financial Audit of the Gas Cost Recovery Mechanisms for the Effective GCR Periods

Northeast Ohio Natural Gas Corporation

Case No. 22-209-GA-GCR

July 1, 2020 through June 30, 2022

Ohio | Public Utilities Commission

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Certificate of Accountability

The Staff has completed the required audit of Northeast Ohio Natural Gas Corporation (Northeast), , as ordered by the Public Utilities Commission of Ohio (PUCO or Commission) for the Companies' Gas Cost Recovery (GCR) rates for the period of July 1, 2020, through June 30, 2022. The Staff audited for conformity, in all material respects, with the procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices, Administrative Code, and the Commission Entries in Case No. 22-209-GA-GCR.

Our audit has 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, except for those instances noted, the Companies accurately calculated GCR rates for those periods under investigation in accordance with the uniform purchased gas adjustment as set forth in Chapter 4901:1-14, Administrative Code, and related appendices. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.

Adam Burns

Adam Burns
Natural Gas Manager, Accounting and Finance Division
Public Utilities Commission of Ohio

Section I
Executive Summary

Audit Work Program

Staff's investigation consisted of several components. Staff initially submitted a data request to the Company requesting documentation necessary to recalculate the Company's purchased gas costs, purchased volumes, customer billings, sales volumes, and informational items such as number of customers and transportation through-put. Staff reviewed and evaluated the data request responses along with relevant documents from within the Commission in preparation for the audit. Staff conducted investigative interviews with appropriate company personnel and examined related supplier invoices and spreadsheets that were provided to Staff.

Recommendations

At the time of preparing this report, unless otherwise noted, the Company accurately calculated its gas cost recovery rates for the time period discussed in this report. Any noted exceptions between the Staff and the Company's Actual Adjustment (AA) and Balance Adjustment (BA) are not self-correcting through the GCR mechanism. Following is a summary of the Staff's recommendations, which are based on the findings and conclusions presented in this report:

Staff recommends an AA adjustment of ($431) for an over-collection and a BA adjustment of $(473,992) for an over-collection.

Section II
Introduction

Background

Northeast Ohio Natural Gas Corporation (NEO, or the Company) is a local distribution company owned by PHC Utilities, Inc., a wholly owned subsidiary of Hearthstone Utilities Inc. (Hearthstone). NEO is headquartered in Lancaster, Ohio and has over 1,420 miles of natural gas distribution facilities located in Holmes, Wayne, Tuscarawas, Stark, Carroll, Harrison, Guernsey, Fairfield, Hocking, Trumbull, Franklin, Washington, Lake, Geauga, Ashtabula, Cuyahoga, Mahoning, Portage, Summit, Ashland, Columbiana, Coshocton, Crawford, Lorain, Marion, Medina, Richland, Waterford, Wood, and Wyandot Counties. As of June 2022, Northeast served approximately 29,931 residential 3,164 commercial, and 6 industrial customers on its non-contiguous systems through interconnects with two interstate pipelines, two intrastate pipelines, one local distribution company, and local production. Northeast also provides transportation service to 166 customers.

Pursuant to the September 28, 2018, in Case No. 18-1485-GA-ATA, a joint application of Brainard Gas Corp. (Brainard), Orwell Natural Gas Company (Orwell), Spelman Pipeline Holdings, LLC (Spelman), and Northeast Natural Gas Corporation (Northeast) sought approval to merge Brainard, Orwell, and Spelman into NEO as the sole, surviving entity. On January 3, 2019, the Commission approved that application.

Section III
Expected Gas Cost

Staff has reviewed the Company's calculations of the EGC, which is the mechanism that 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 period. 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 this section, Staff comments on supply sources and supply agreements, where applicable.

Supply Sources

NEO has direct connections to interstate pipelines including Columbia Gas Transmission Corporation (TCO) and Tennessee Gas Pipeline (TGP). NEO also receives gas from Dominion East Ohio (DEO), Cobra Pipeline Co., LTD (Cobra), Orwell-Trumbull Pipeline Company, LLC (OTP) and approximately 30 local producers.

Purchased Volumes and Sales Volumes

During the audit Staff verified that NEO purchased 9,370,073 Mcf of gas from gas suppliers during the audit period. Staff found differences between its purchased volumes and those file by NEO of each month of the audit period, which amounted to a decrease in purchased volumes of 96,903 Mcf's over the entire audit period. Staff verified sales volumes of 8,581,138 Mcf which matched the sales volumes filed by the company. In addition, Staff reviewed the Company's meter reading and billing register summaries for the two-year audit period to ensure that sales volumes were properly calculated and totaled each month for inclusion in the Company's GCR calculation.

Recommendations

Staff has no recommendations.

Section IV
Actual Adjustment

The AA reconciles the monthly cost of purchased gas with the EGC billing rate. It is calculated by dividing the total cost of gas purchases for each month of the three-month reporting quarter by total sales for those respective months. The result is the unit book cost of gas, which is the cost incurred by the company for procuring each Mcf it sold that month. That unit book cost for each month is compared with the EGC rate which was billed for that quarter. The difference between each monthly unit cost and the EGC, whether positive or negative, 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 an AA rate to be included in the GCR for four quarters.

Errors in the AA calculation can result from incorrectly reported purchased gas costs, errors in the stated sales volumes and from the use of the wrong EGC rate.

Staff reviewed the Company's monthly purchased gas costs and volumes by evaluating the monthly summary sheets, invoices that were provided during the audit. Staff then created a calculation to resemble the Company's monthly summary sheets and input the invoiced costs.

Staff calculated the purchased gas costs using invoices from pipelines, suppliers and local producers. Staff accounted for the imbalance volumes/differences on Cobra, Spelman, and TCO pipelines for the purpose of calculating monthly storage costs. Following the Company's methodology, Staff adjusted the purchased volumes and costs based on whether gas was being injected or withdrawn from storage. In the months where gas was injected into storage, those costs were removed from the purchased gas cost, and in the months when gas was withdrawn the costs were added to the purchased gas cost.

During the course of the audit, Staff found differences over the course of the audit period resulting from differences in purchased volumes and costs. Staff made the necessary adjustments to reflect the differences discovered during its investigation. The difference between Staff's calculated AA and the Company's filed AA are shown on Table I.

Recommendations

The errors detailed above are not self-correcting through the GCR mechanism. Staff recommends that the Commission order a reconciliation adjustment of ($431) for an over-collection to be applied to NEO's GCR rates in the first GCR filing following the Opinion and Order in this case.

Table I
Actual Adjustment

	Per Staff	Jun-20	Jul-20	Aug-20	AA	Difference
Quarter End: Aug-20	Supply Cost $		$316,695	$375,399		
	Jur. Sales MCF		104,169	98,620		
	Total Sales MCF		104,169	98,620		
	Book Cost $/ MCF		$3.0402	$3.8065		
	EGC$/MCF		$2.6085	$2.8310		
	Diff. $/MCF		$0.4317	$0.9755		
	Cost Diff. $		$44,970	$96,204	$141,173	
	Per Company					
	Supply Cost $		$316,719	$373,356		
	Jur. Sales MCF		104,169	98,620		
	Total Sales MCF		104,169	98,620		
	Book Cost $/ MCF		$3.0404	$3.7858		
	EGC$/MCF		$2.6085	$2.8310		
	Diff. $/MCF		$0.4319	$0.9548		
	Cost Diff. $		$44,991	$94,162	$139,153	$2,020

	Per Staff	Sep-20	Oct-20	Nov-20	AA	Difference
Quarter End: Nov-20	Supply Cost $	$399,648	$701,974	$1,369,760		
	Jur. Sales MCF	106,095	145,202	269,360		
	Total Sales MCF	106,095	145,202	269,360		
	Book Cost $/ MCF	$3.7669	$4.8345	$5.0853		
	EGC$/MCF	$2.9341	$2.7834	$3.4390		
	Diff. $/MCF	$0.8328	$2.0511	$1.6463		
	Cost Diff. $	$88,356	$297,824	$443,447	$829,627	
	Per Company					
	Supply Cost $	$399,647	$701,974	$1,369,761		
	Jur. Sales MCF	106,095	145,202	269,360		
	Total Sales MCF	106,095	145,202	269,360		
	Book Cost $/ MCF	$3.7669	$4.8345	$5.0853		
	EGC$/MCF	$2.9341	$2.7834	$3.4390		
	Diff. $/MCF	$0.8328	$2.0511	$1.6463		
	Cost Diff. $	$88,356	$297,824	$443,447	$829,627	$0

Table I
Actual Adjustment

	Per Staff	Dec-20	Jan-21	Feb-21	AA	Difference
Quarter End: Feb-21	Supply Cost $	$1,966,470	$2,480,859	$3,052,214		
	Jur. Sales MCF	504,201	680,017	783,258		
	Total Sales MCF	504,201	680,017	783,258		
	Book Cost $/ MCF	$3.9002	$3.6482	$3.8968		
	EGC$/MCF	$3.4598	$3.6257	$3.9300		
	Diff. $/MCF	$0.4404	$0.0225	($0.0332)		
	Cost Diff. $	$222,050	$15,300	($26,004)	$211,346	
	Per Company					
	Supply Cost $	$1,969,180	$2,277,250	$2,931,373		
	Jur. Sales MCF	504,201	680,017	783,258		
	Total Sales MCF	504,201	680,017	783,258		
	Book Cost $/ MCF	$3.9055	$3.6542	$3.8917		
	EGC$/MCF	$3.4598	$3.6257	$3.9300		
	Diff. $/MCF	$0.4457	$0.0285	($0.0383)		
	Cost Diff. $	$224,722	$19,380	($29,999)	$214,103	($2,757)

	Per Staff	Mar-21	Apr-21	May-21	AA	Difference
Quarter End: May-21	Supply Cost $	$2,465,608	$869,323	$890,528		
	Jur. Sales MCF	664,838	357,142	288,183		
	Total Sales MCF	664,838	357,142	288,183		
	Book Cost $/ MCF	$3.7086	$2.4341	$3.0901		
	EGC$/MCF	$3.9134	$3.5220	$3.8289		
	Diff. $/MCF	($0.2048)	($1.0879)	($0.7388)		
	Cost Diff. $	($136,159)	($388,535)	($212,910)	($737,604)	
	Per Company					
	Supply Cost $	$2,465,608	$869,323	$890,529		
	Jur. Sales MCF	664,838	357,142	288,183		
	Total Sales MCF	664,838	357,142	288,183		
	Book Cost $/ MCF	$3.7086	$2.4341	$3.0901		
	EGC$/MCF	$3.9134	$3.5220	$3.8289		
	Diff. $/MCF	($0.2048)	($1.0879)	($0.7388)		
	Cost Diff. $	($136,159)	($388,535)	($212,910)	($737,604)	$0

Table I
Actual Adjustment

	Per Staff	Jun-21	Jul-21	Aug-21	AA	Difference
Quarter End: Aug-21	Supply Cost $	$664,508	$589,072	$761,212		
	Jur. Sales MCF	163,449	109,074	109,569		
	Total Sales MCF	163,449	109,074	109,569		
	Book Cost $/ MCF	$4.0655	$5.4007	$6.9473		
	EGC$/MCF	$3.8817	$4.5420	$4.9336		
	Diff. $/MCF	$0.1838	$0.8587	$2.0137		
	Cost Diff. $	$30,042	$93,662	$220,639	$344,343	
	Per Company					
	Supply Cost $	$664,508	$589,073	$761,212		
	Jur. Sales MCF	163,449	109,073	109,569		
	Total Sales MCF	163,449	109,073	109,569		
	Book Cost $/ MCF	$4.0655	$5.4007	$6.9473		
	EGC$/MCF	$3.8817	$4.5420	$4.9336		
	Diff. $/MCF	$0.1838	$0.8587	$2.0137		
	Cost Diff. $	$30,042	$93,661	$220,639	$344,342	$1

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	Per Staff	Sep-21	Oct-21	Nov-21	AA	Difference
Quarter End: Nov-21	Supply Cost $	$685,769	$1,003,169	$2,679,351		
	Jur. Sales MCF	111,160	126,580	269,700		
	Total Sales MCF	111,160	126,580	269,700		
	Book Cost $/ MCF	$6.1692	$7.9252	$9.9346		
	EGC$/MCF	$5.4704	$5.6725	$6.1674		
	Diff. $/MCF	$0.6988	$2.2527	$3.7672		
	Cost Diff. $	$77,679	$285,148	$1,016,013	$1,378,839	
	Per Company					
	Supply Cost $	$685,769	$1,003,129	$2,672,240		
	Jur. Sales MCF	111,160	126,580	269,699		
	Total Sales MCF	111,160	126,580	269,699		
	Book Cost $/ MCF	$6.1692	$7.9248	$9.9082		
	EGC$/MCF	$5.4704	$5.6725	$6.1674		
	Diff. $/MCF	$0.6988	$2.2523	$3.7408		
	Cost Diff. $	$77,679	$285,097	$1,008,892	$1,371,668	$7,171

Table I
Actual Adjustment

	Per Staff	Dec-21	Jan-22	Feb-22	AA	Difference
Quarter End: Feb-22	Supply Cost $	$3,481,455	$3,823,896	$4,796,247		
	Jur. Sales MCF	563,570	677,680	871,066		
	Total Sales MCF	563,570	677,680	871,066		
	Book Cost $/ MCF	$6.1775	$5.6426	$5.5062		
	EGC$/MCF	$5.6918	$4.9806	$7.0228		
	Diff. $/MCF	$0.4857	$0.6620	($1.5166)		
	Cost Diff. $	$273,726	$448,624	($1,321,059)	($598,709)	
	Per Company					
	Supply Cost $	$3,482,756	$3,823,610	$4,842,768		
	Jur. Sales MCF	563,570	677,680	871,066		
	Total Sales MCF	563,570	677,680	871,066		
	Book Cost $/ MCF	$6.1798	$5.6422	$5.5596		
	EGC$/MCF	$5.6918	$4.9806	$7.0228		
	Diff. $/MCF	$0.4880	$0.6616	($1.4632)		
	Cost Diff. $	$275,022	$448,353	($1,274,544)	($551,169)	($47,540)

	Per Staff	Mar-22	Apr-22	May-22	AA	Difference
Quarter End: May-22	Supply Cost $	$2,394,569	$2,668,520	$1,923,001		
	Jur. Sales MCF	669,103	479,616	280,046		
	Total Sales MCF	669,103	479,616	280,046		
	Book Cost $/ MCF	$3.5788	$5.5639	$6.8667		
	EGC$/MCF	$5.2584	$6.2809	$7.7438		
	Diff. $/MCF	($1.6796)	($0.7170)	($0.8771)		
	Cost Diff. $	($1,123,825)	($343,885)	($245,628)	($1,713,338)	
	Per Company					
	Supply Cost $	$2,395,312	$2,667,955	$1,881,084		
	Jur. Sales MCF	669,103	479,616	280,046		
	Total Sales MCF	669,103	479,616	280,046		
	Book Cost $/ MCF	$3.5799	$5.5627	$6.7171		
	EGC$/MCF	$5.2584	$6.2809	$7.7438		
	Diff. $/MCF	($1.6785)	($0.7182)	($1.0267)		
	Cost Diff. $	($1,123,089)	($344,460)	($287,523)	($1,755,072)	$41,734

Table I
Actual Adjustment

	Per Staff	Jun-22	Jul-22	Aug-22	AA	Difference
Quarter	**Supply Cost $**	$1,160,156	$0	$0		
End:	**Jur. Sales MCF**	149,441	0	0		
Aug-22	**Total Sales MCF**	149,441	0	0		
	Book Cost $/ MCF	$7.7633	#DIV/0!	#DIV/0!		
	EGC$/MCF	$8.6492	$0.0000	$0.0000		
	Diff. $/MCF	($0.8859)	#DIV/0!	#DIV/0!		
	Cost Diff. $	($132,390)	#DIV/0!	#DIV/0!	($132,390)	
	Per Company					
	Supply Cost $	$1,161,216				
	Jur. Sales MCF	149,441				
	Total Sales MCF	149,441	0	0		
	Book Cost $/ MCF	$7.7704				
	EGC$/MCF	$8.6492				
	Diff. $/MCF	($0.8788)				
,	**Cost Diff. $**	($131,329)			($131,329)	($1,061)
					Total AA	($431)

Section V
Refund and Reconciliation Adjustment

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. Annual interest of 10 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.

On May 19, 2021, in Case No. 20-209-GA-GCR, the Commission ordered the Company NEO to implement an RA of $400,700 plus interest into rates. During this audit, Staff verified NEO implemented the rates in the Company's June 2021 GCR filing and that the company completed the RA prior to end conclusion of the audit period.

Recommendations

Staff has no recommendations.

Section VI
Balance Adjustment

The BA mechanism corrects for under- or over- recoveries of previously calculated AA and RA adjustments. The BA is calculated by subtracting the product of the respective AA, and RA rate and the sales to which those rates were applied from the dollar amounts of the respective AA and RA previously included in the GCR and used to generate those adjustment rates. Since those adjustment rates were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus historical sales. The sum of the differences for the AA and RA calculations is the total BA for the quarter, which is then combined with the quarterly AA adjustment and divided by 12 months of historical sales to obtain a new AA rate to be included in the GCR. Errors detected in the BA are generally the result of incorrectly reported sales volumes, but also may be due to selecting an incorrect rate from previous AA and RA calculations.

During the audit, Staff discovered differences between NEO's BA calculation and Staff's calculation. Pursuant to Table II below, the differences were discovered were in periods ending May 2021, May 2022 and August 2022, and resulted in a total BA of ($473,992) over the course of the audit period. Difference between Staff's calculated BA and Company's filed BA are shown on Table II.

Recommendations

The differences between the Staff and the Company's calculations of the BA are not self-correcting through the GCR mechanism. Staff recommends the reconciliation adjustments of ($473,992) for an over-collection be applied to NEO's GCR rate. Staff recommends that this adjustment be applied in the first GCR filing to follow the Opinion and Order in this case.

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	**Adjustment $**	$181,405	$0	$0		
	Rate $/MCF	$0.0433		$0.0000		
Nov-20	**Sales MCF**	4,016,139	4,016,139	4,016,139		
	Recovery $	$173,899	$0	$0		
	Balance $	$7,506	$0	$0	$7,506	
	Per Company					
	Adjustment $	$181,406	$0	$0		
	Rate $/MCF	$0.0433	$0.0000	$0.0000		
	Sales MCF	4,016,147	0	0		
	Recovery $	$173,899	$0	$0		
	Balance $	$7,507	$0	$0	$7,507	($1)

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	**Adjustment $**	$776,465	$0	$0		
	Rate $/MCF	$0.1872	$0.0000			
Feb-21	**Sales MCF**	4,188,542	0	0		
	Recovery $	$784,095	$0	$0		
	Balance $	($7,630)	$0	$0	($7,630)	
	Per Company					
	Adjustment $	$776,466	$0	$0		
	Rate $/MCF	$0.1872	$0.0000	$0.0000		
	Sales MCF	4,188,552	0	3,116,760		
	Recovery $	$784,097	$0	$0		
	Balance $	($7,631)	$0	$0	($7,631)	$1

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End: May-21	**Adjustment $**	$801,107	$0	$0		
	Rate $/MCF	$0.2982	$0.0000			
	Sales MCF	4,167,417	0	0		
	Recovery $	$1,242,724	$0	$0		
	Balance $	($441,617)	$0	$0	($441,617)	
	Per Company					
	Adjustment $	$1,187,791	$0	$0		
	Rate $/MCF	$0.2982	$0.0000	$0.0000		
	Sales MCF	4,167,427	0	0		
	Recovery $	$1,242,727	$0	$0		
	Balance $	($54,936)	$0	$0	($54,936)	($386,681)

	Per Staff	AA	RA	BA	Total BA	Difference
Year End: Aug-21	**Adjustment $**	($1,720,391)	$0	$0		
	Rate $/MCF	($0.4329)	$0.0000			
	Sales MCF	4,180,387	4,180,387	4,180,387		
	Recovery $	($1,809,690)	$0	$0		
	Balance $	$89,299	$0	$0	$89,299	
	Per Company					
	Adjustment $	($1,720,390)	$0	$0		
	Rate $/MCF	($0.4329)	$0.0000	$0.0000		
	Sales MCF	4,180,387	4,180,387	0		
	Recovery $	($1,809,689)	$0	$0		
	Balance $	$89,299	$0	$0	$89,299	($0)

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	**Adjustment $**	$181,405	$0	$0		
	Rate $/MCF	$0.0433		$0.0000		
Nov-20	**Sales MCF**	4,016,139	4,016,139	4,016,139		
	Recovery $	$173,899	$0	$0		
	Balance $	$7,506	$0	$0	$7,506	
	Per Company					
	Adjustment $	$181,406	$0	$0		
	Rate $/MCF	$0.0433	$0.0000	$0.0000		
	Sales MCF	4,016,147	0	0		
	Recovery $	$173,899	$0	$0		
	Balance $	$7,507	$0	$0	$7,507	($1)

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	**Adjustment $**	$776,465	$0	$0		
	Rate $/MCF	$0.1872	$0.0000			
Feb-21	**Sales MCF**	4,188,542	0	0		
	Recovery $	$784,095	$0	$0		
	Balance $	($7,630)	$0	$0	($7,630)	
	Per Company					
	Adjustment $	$776,466	$0	$0		
	Rate $/MCF	$0.1872	$0.0000	$0.0000		
	Sales MCF	4,188,552	0	3,116,760		
	Recovery $	$784,097	$0	$0		
	Balance $	($7,631)	$0	$0	($7,631)	$1

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	$801,107	$0	$0		
	Rate $/MCF	$0.2982	$0.0000			
May-21	Sales MCF	4,167,417	0	0		
	Recovery $	$1,242,724	$0	$0		
	Balance $	($441,617)	$0	$0	($441,617)	
	Per Company					
	Adjustment $	$1,187,791	$0	$0		
	Rate $/MCF	$0.2982	$0.0000	$0.0000		
	Sales MCF	4,167,427	0	0		
	Recovery $	$1,242,727	$0	$0		
	Balance $	($54,936)	$0	$0	($54,936)	($386,681)

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	Adjustment $	($1,720,391)	$0	$0		
	Rate $/MCF	($0.4329)	$0.0000			
Aug-21	Sales MCF	4,180,387	4,180,387	4,180,387		
	Recovery $	($1,809,690)	$0	$0		
	Balance $	$89,299	$0	$0	$89,299	
	Per Company					
	Adjustment $	($1,720,390)	$0	$0		
	Rate $/MCF	($0.4329)	$0.0000	$0.0000		
	Sales MCF	4,180,387	4,180,387	0		
	Recovery $	($1,809,689)	$0	$0		
	Balance $	$89,299	$0	$0	$89,299	($0)

Table II
Balance Adjustment

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	**Adjustment $**	$208,686	$0	$0		
	Rate $/MCF	$0.0521	$0.0000			
Nov-21	**Sales MCF**	4,167,171	4,167,171	4,167,171		
	Recovery $	$217,110	$0	$0		
	Balance $	($8,424)	$0	$0	($8,424)	
	Per Company					
	Adjustment $	$208,686	$0	$0		
	Rate $/MCF	$0.0521	$0.0000	$0.0000		
	Sales MCF	4,167,170	0	0		
	Recovery $	$217,110	$0	$0		
	Balance $	($8,424)	$0	$0	($8,424)	$0

	Per Staff	AA	RA	BA	Total BA	Difference
Year End:	**Adjustment $**	$837,134		$0		
	Rate $/MCF	$0.2084	$0.0000	$0.0000		
Feb-22	**Sales MCF**	4,312,012	4,312,012	4,312,012		
	Recovery $	$898,623	$0	$0		
	Balance $	($61,489)	$0	$0	($61,489)	
	Per Company					
	Adjustment $	$837,133	$0	$0		
	Rate $/MCF	$0.2084	$0.0000	$0.0000		
	Sales MCF	4,312,011	0	0		
	Recovery $	$898,623	$0	$0		
	Balance $	($61,490)	$0	$0	($61,490)	$1

Table II
Balance Adjustment

		AA	RA	BA	Total BA	Difference
	Per Staff					
Year End:	**Adjustment $**	$206,472	$422,739	$0		
	Rate $/MCF	$0.0493	$0.1009	$0.0000		
May-22	**Sales MCF**	4,430,613	4,430,613	4,430,613		
	Recovery $	$218,429	$447,049	$0		
	Balance $	($11,957)	($24,310)	$0	($36,268)	
	Per Company					
	Adjustment $	$206,473	$0	$0		
	Rate $/MCF	$0.0493	$0.0000	$0.0000		
	Sales MCF	4,430,612	0	0		
	Recovery $	$218,429	$0	$0		
	Balance $	($11,956)	$0	$0	($11,956)	($24,312)

		AA	RA	BA	Total BA	Difference
	Per Staff					
Year End:	**Adjustment $**	($792,540)	$0	$0		
	Rate $/MCF	($0.1902)	$0.0000			
Aug-22	**Sales MCF**	4,418,256	4,418,256	4,418,256		
	Recovery $	($840,353)	$0	$0		
	Balance $	$47,813	$0	$0	$47,813	
	Per Company					
	Adjustment $	($729,539)	$0	$0		
	Rate $/MCF	($0.1902)	$0.0000	$0.0000		
	Sales MCF	4,418,256	4,418,256	0		
	Recovery $	($840,352)	$0	$0		
	Balance $	$110,813	$0	$0	$110,813	($63,000)
					Total BA	($473,992)

Section VII
Unaccounted-For Gas

UFG is the difference between gas purchased and sale volumes. 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. Chapter 4901:1-14-08(F)(3), Ohio Administrative Code, codified that the Commission may adjust the Company's future GCR rates by means of a reconciliation adjustment as a result of UFG above a reasonable level of no more than five percent for an audit period.

Staff finds that NEO's UFG levels are within the five-percent range allowable under the GCR rules. The results of Staff's calculations are shown in the tables below.

Table III
System Average UFG Rates
(unless otherwise indicated, values in MCF)

24 Months Ended	Receipts	Deliveries	UFG	UFG (%)
June 2022	8,773,082	8,581,138	191,944	2.19%

Recommendations

Staff has no recommendations for this area.

Section VIII
Customer Billing

An important component in the GCR process is the proper application of GCR rates to customer's bill. Staff randomly selected samples of customer billings from each month of the audit period to verify the accuracy of the GCR and base rates, along with the customer charges applied to each account. Staff did not identify any errors in customer billing.

Recommendation

Staff has no recommendations in this Section.