

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

Eastern Natural Gas Company
23-407-GA-PIP

Pike Natural Gas Company
23-414-GA-PIP

Financial Audit of the Percentage of Income Payment Plan
Mechanisms for the Effective Periods
January 1, 2021 through December 31, 2022

June 15, 2023

Certificate of Accountability

As ordered by the Public Utilities Commission of Ohio (PUCO or Commission), Staff has completed the required audits of the Eastern Natural Gas Company (Eastern) and Pike Natural Gas Company (Pike) (collectively Companies) Percentage of Income Payment Plan (PIPP) rider rates for January 1, 2021, through December 31, 2022. Staff audited the material as set forth in the Commission Entry in Case Nos. 23-407-GA-PIP and 23-414-GA-PIP.

Staff's audit has revealed certain findings, as discussed in this audit report, which should be addressed in this proceeding. Staff notes that at the time of preparing this report, unless otherwise noted, the Companies accurately calculated their percentage of income payment plan rider rates for the period discussed in this report. Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.

A handwritten signature in black ink, reading "Adam Burns". The signature is written in a cursive, flowing style. Below the signature is a horizontal line.

Adam Burns
Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

**Eastern Natural Case Company
Pike Natural Gas Company
Percentage of Income Payment Plan
Case No. 23-407-GA-PIP
Case No. 23-414-GA-PIP**

Commission Entry

On February 22, 2023, the Commission initiated the financial audits of Eastern and Pike's PIPP rider. These audits examined PIPP rates that were in effect for the calendar years 2021 and 2022 (Audit Period). Staff conducted its audit of the Companies' PIPP arrearages and recoveries and presents its findings and recommendations in this report.

Background

On December 2, 1993, in Case No. 88-1115-GA-PIP, the Commission adopted a Stipulation and Recommendation (Stipulation) between regulated gas and electric companies and interested parties. The Stipulation was applicable to gas, electric and combination companies with PIPP riders, and contained provisions associated with the accounting of the PIPP program. One of those provisions allowed for the Companies to initiate not more than annually a proceeding before the Commission to adjust their PIPP riders to "true-up" the recoveries with the costs of offering the program.

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 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.

On June 23, 2010, in Case No. 08-723-AU-ORD, Pike and Eastern were granted a waiver by the Commission to adopt an alternative PIPP forgiveness program and an exemption from the graduate PIPP rules. In order to participate in this program, the Companies' PIPP customers shall (a) be active participants in the PIPP program for the period August 1 to July 31; (b) make at least nine timely payments of at least the required income-based payments in the 12-month period; and (c) make payments totaling at least 75 percent of their annual obligation amount. The Companies' forgiveness calculations recognized that, as the customers made more on time and in full payments, the percentage of arrearage forgiveness increased. The minimum level is 9 out of 12 payments resulting in a 75 percent crediting of arrearages. The maximum forgiveness occurs when a customer makes 12 timely installment payments, resulting in 100 percent of the arrearage being forgiven.

On November 4, 2021, in Case No. 21-414-GA-PIP, Pike filed an application to adjust its PIPP rider rate to \$(0.0553) per Mcf. On May 24, 2022, in Case No. 22-414-GA-PIP, Pike filed an application to adjust its PIPP rate. Pike recommended a PIPP Rider rate of \$(0.1266) per Mcf in that application.

On November 4, 2021, in Case No. 21-407-GA-PIP, Eastern filed an application to resume its PIPP rider. Eastern requested a rate of \$(0.0123) per Mcf. Then on May 24, 2022, in Case No. 22-407-GA-PIP, Eastern filed another application to adjust its PIPP rider rate to \$(0.0113) per Mcf.

Staff Review

Staff's audit was designed to ensure that the deferred balances on the Companies' ledgers included the correct ending balances, which would reflect all appropriate write-offs and payments. On March 17, 2023, Staff initiated its audit of the Companies' PIPP riders by issuing data requests seeking documentation of the monthly write-offs, collections through the rider, and PIPP customers' account balances for 2021 and 2022. The Companies provided billing registers and customer activity reports for 2021 and 2022.

Staff first examined the Companies' billing registers in which queries of PIPP customers were generated monthly, by Company, to identify a 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 did not find any discrepancies.

Staff examined customer activity reports which contained customers' monthly payments and Home Energy Assistance Program (HEAP)¹ funds. Staff randomly sampled customers and requested their account histories for 2021 and 2022. Staff compared the customer's account histories to the billing registers and customer activity reports to ensure customers' accounts reflected the activity of the billing registers and activity reports. Staff found one minor discrepancy in August 2021 relating to Pike actual customer payments. Staff's recommended ending PIPP deferral balance for Pike accounts for this difference in the amount of \$45.

Staff examined the recoveries through the Companies' respective PIPP riders by reviewing customer billings and the code summaries, which is a monthly query of the amount of revenue collected by type of charge, to determine when PIPP riders went into effect and the amount of revenue collected monthly. Additionally, Staff verified monthly sales volumes during each Companies' gas cost recovery audit, upon which the Companies' rider rates were applied. Staff found that Eastern had inadvertently billed Eastern customers \$ 0.00123 instead of \$(0.00123) for February 2022. Staff further found that the Company incorrectly accounted for rider recoveries in Eastern's Deferred PIPP Balance starting in February 2022 through the end of the audit period, December 2022. Positive PIPP rider recovery amounts need to be recorded in Account 186-100 as a negative amount and the negative PIPP rider recovery amounts need to be recorded in Account 186-100 as a positive amount. The Company did not correctly record these amounts when crediting or charging Account 186-100. This error impacts Eastern's Deferred PIPP balance in the amount of \$9,086.87.

For purposes of determining eligibility for PIPP arrearage credits, the Companies manually track the number of customer payments utilizing an Excel spreadsheet. Staff reviewed the Companies' spreadsheets for purposes of verifying which customers were deemed eligible for arrearage forgiveness credits. In the event, as of August, the customer had made nine or more installment payments, the customer's name would be placed on a list for the billing department to calculate a forgiveness credit, with the credits typically appearing annually on September's billings.

To confirm the arrearage credits were correctly applied, Staff sampled the Companies' Active PIPP Accounts Report and compared it to the Customers Activity Reports to determine customer eligibility

¹ The Home Energy Assistance Program is a federally funded program that provides eligible Ohioans assistance with their home energy bills. This one-time benefit is applied directly to the customer's utility bill and is eligible to Ohioans with a household income at or below 175 percent of the federal poverty guidelines.

for forgiveness credits. Staff then examined the customers' billing history to determine the number of payments made, whether the customer was eligible for a credit, and the amount of the credit.

Staff replicated the credits calculated by the Companies by multiplying September's ending balance by the percentage attributable to the number of payments the customer made. Staff's credits matched the credits that were calculated by the Companies and applied to the customers' account balances. Staff found a couple of occurrences during its review where customers were not credited for installment payments made. This issue was not common, and Staff found the Company generally correctly applied and calculated the arrearage forgiveness credits.

Staff Findings and Recommendation

Pike Natural Gas Company Recommendation

Staff completed its audit of Pike's 2021 and 2022 PIPP applications and finds the Company has properly accounted for charge-offs and recoveries for 2021 and 2022, except for one minor adjustment relating to customer payments. Staff recommends an adjustment to customer payments in the amount of \$45 and recommends that Pike's December 31, 2022, PIPP ending balance be \$(88,549.46) as shown in Table 1 below.

Eastern Natural Gas Company Recommendation

Staff completed its audit of Eastern's 2021 and 2022 PIPP applications and recommends Eastern's December 31, 2022, PIPP ending balance should be \$(6,021.81) as shown in Table 2 below. Staff's recommended PIPP ending balance has accounted for errors associated with recording credit and charges to rider recoveries in account 186-100.

Table 1
Pike Natural Gas Company
Percentage of Income Payment Plan

Date	Customer Billed 186-000 (A)	Actual Customer Payments & HEAP (B)	185-000 Balance (C) = Previous Balance + (A) - (B)	Rider recovery 186-100 (D)	186-100 Balance (E) = (D) + Previous Balance	Deferred PIPP Balance (E) = (C) + (E)
Dec-20	\$ 8,137.55	\$ 11,407.27	\$ 1,771,464.78	\$ (672.77)	\$ (1,834,552.78)	\$ (63,088.00)
Jan-21	\$ 10,674.72	\$ 6,112.76	\$ 1,776,026.74	\$ (936.29)	\$ (1,835,489.07)	\$ (59,462.33)
Feb-21	\$ 12,814.89	\$ 14,656.26	\$ 1,774,185.37	\$ (1,103.50)	\$ (1,836,592.57)	\$ (62,407.20)
Mar-21	\$ 8,860.81	\$ 8,122.57	\$ 1,774,923.61	\$ (717.83)	\$ (1,837,310.40)	\$ (62,386.79)
Apr-21	\$ 5,094.90	\$ 5,725.86	\$ 1,774,292.65	\$ (361.88)	\$ (1,837,672.28)	\$ (63,379.63)
May-21	\$ 3,878.35	\$ 4,942.89	\$ 1,773,228.11	\$ (238.54)	\$ (1,837,910.82)	\$ (64,682.71)
Jun-21	\$ 2,141.67	\$ 5,148.00	\$ 1,770,221.78	\$ (89.83)	\$ (1,838,000.65)	\$ (67,778.87)
Jul-21	\$ 2,054.19	\$ 5,388.54	\$ 1,766,887.43	\$ (72.05)	\$ (1,838,072.70)	\$ (71,185.27)
Aug-21	\$ 1,947.77	\$ 3,559.58	\$ 1,765,275.62	\$ (62.61)	\$ (1,838,135.31)	\$ (72,859.69)
Sep-21	\$ 1,952.78	\$ 3,961.04	\$ 1,763,267.36	\$ (80.44)	\$ (1,838,215.75)	\$ (74,948.39)
Oct-21	\$ 2,512.12	\$ 3,319.02	\$ 1,762,460.46	\$ (201.88)	\$ (1,838,417.63)	\$ (75,957.17)
Nov-21	\$ 6,421.63	\$ 3,416.22	\$ 1,765,465.87	\$ (491.37)	\$ (1,838,909.00)	\$ (73,443.13)
Dec-21	\$ 9,160.52	\$ 4,002.70	\$ 1,770,623.69	\$ (687.75)	\$ (1,839,596.75)	\$ (68,973.06)
Jan-22	\$ 12,048.43	\$ 4,347.50	\$ 1,778,324.62	\$ (961.03)	\$ (1,840,557.78)	\$ (62,233.16)
Feb-22	\$ 11,542.03	\$ 42,786.46	\$ 1,747,080.19	\$ (879.19)	\$ (1,841,436.97)	\$ (94,356.78)
Mar-22	\$ 13,250.56	\$ 34,531.09	\$ 1,725,799.66	\$ 6,600.22	\$ (1,834,836.75)	\$ (109,037.09)
Apr-22	\$ 7,354.08	\$ 18,324.24	\$ 1,714,829.50	\$ 4,376.27	\$ (1,830,460.48)	\$ (115,630.98)
May-22	\$ 3,964.22	\$ 12,546.51	\$ 1,706,247.21	\$ 1,440.90	\$ (1,829,019.58)	\$ (122,772.37)
Jun-22	\$ 2,490.95	\$ 10,145.04	\$ 1,698,593.12	\$ 809.20	\$ (1,828,210.38)	\$ (129,617.26)
Jul-22	\$ 2,336.86	\$ 5,396.62	\$ 1,695,533.36	\$ 1,452.01	\$ (1,826,758.37)	\$ (131,225.01)
Aug-22	\$ 2,227.15	\$ 3,810.01	\$ 1,693,950.50	\$ 1,789.00	\$ (1,824,969.37)	\$ (131,018.87)
Sep-22	\$ 2,499.63	\$ 8,445.00	\$ 1,688,005.13	\$ 1,833.15	\$ (1,823,136.22)	\$ (135,131.09)
Oct-22	\$ 6,593.18	\$ 11,633.58	\$ 1,682,964.73	\$ 6,845.77	\$ (1,816,290.45)	\$ (133,325.72)
Nov-22	\$ 8,488.58	\$ 3,419.21	\$ 1,688,034.10	\$ 12,385.26	\$ (1,803,905.19)	\$ (115,871.09)
Dec-22	\$ 13,785.57	\$ 8,445.00	\$ 1,693,374.67	\$ 21,981.06	\$ (1,781,924.13)	\$ (88,549.46)

Table 2
Eastern Natural Gas Company
Percentage of Income Payment Plan

Date	Customer Billed 186-000 (A)	Actual Customer Payments & HEAP (B)	185-000 Balance (C) = Previous Balance + (A) - (B)	Rider recovery 186-100 (D)	186-100 Balance (E) = (D) + Previous Balance	Deferred PIPP Balance (E) = (C) + (E)
Dec-20	Company Eliminated all PIPP Balances					
Jan-21	\$ 11,416.40	\$ 6,312.41	\$ 5,103.99	\$ -	\$ -	\$ 5,103.99
Feb-21	\$ 12,905.33	\$ 16,427.14	\$ 1,582.18	\$ -	\$ -	\$ 1,582.18
Mar-21	\$ 10,447.90	\$ 14,927.75	\$ (2,897.67)	\$ -	\$ -	\$ (2,897.67)
Apr-21	\$ 8,250.69	\$ 1,548.00	\$ 3,805.02	\$ -	\$ -	\$ 3,805.02
May-21	\$ 5,240.24	\$ 6,078.95	\$ 2,966.31	\$ -	\$ -	\$ 2,966.31
Jun-21	\$ 3,394.06	\$ 6,964.73	\$ (604.36)	\$ -	\$ -	\$ (604.36)
Jul-21	\$ 2,857.96	\$ 5,727.27	\$ (3,473.67)	\$ -	\$ -	\$ (3,473.67)
Aug-21	\$ 2,436.93	\$ 4,830.40	\$ (5,867.14)	\$ -	\$ -	\$ (5,867.14)
Sep-21	\$ 2,811.70	\$ 3,668.02	\$ (6,723.46)	\$ -	\$ -	\$ (6,723.46)
Oct-21	\$ 3,514.19	\$ 4,339.02	\$ (7,548.29)	\$ -	\$ -	\$ (7,548.29)
Nov-21	\$ 10,248.66	\$ 4,434.68	\$ (1,734.31)	\$ -	\$ -	\$ (1,734.31)
Dec-21	\$ 13,915.75	\$ 3,949.92	\$ 8,231.52	\$ -	\$ -	\$ 8,231.52
Jan-22	\$ 16,506.99	\$ 4,173.03	\$ 20,565.48	\$ -	\$ -	\$ 20,565.48
Feb-22	\$ 16,287.26	\$ 20,964.64	\$ 15,888.10	\$ (1,868.14)	\$ (1,868.14)	\$ 14,019.96
Mar-22	\$ 20,078.55	\$ 22,885.38	\$ 13,081.27	\$ 1,401.17	\$ (466.97)	\$ 12,614.30
Apr-22	\$ 12,479.78	\$ 23,423.06	\$ 2,137.99	\$ 924.10	\$ 457.13	\$ 2,595.12
May-22	\$ 7,561.41	\$ 18,890.97	\$ (9,191.57)	\$ 425.91	\$ 883.04	\$ (8,308.53)
Jun-22	\$ 4,497.01	\$ 13,355.33	\$ (18,049.89)	\$ 183.94	\$ 1,066.98	\$ (16,982.91)
Jul-22	\$ 3,528.93	\$ 8,798.84	\$ (23,319.80)	\$ 137.13	\$ 1,204.11	\$ (22,115.69)
Aug-22	\$ 3,402.68	\$ 7,602.89	\$ (27,520.01)	\$ 142.66	\$ 1,346.77	\$ (26,173.24)
Sep-22	\$ 4,158.38	\$ 7,409.02	\$ (30,770.65)	\$ 176.71	\$ 1,523.48	\$ (29,247.17)
Oct-22	\$ 9,329.05	\$ 13,623.86	\$ (35,065.46)	\$ 485.19	\$ 2,008.67	\$ (33,056.79)
Nov-22	\$ 12,748.28	\$ 4,122.67	\$ (26,439.85)	\$ 1,030.52	\$ 3,039.19	\$ (23,400.66)
Dec-22	\$ 21,942.13	\$ 6,067.52	\$ (10,565.24)	\$ 1,504.24	\$ 4,543.43	\$ (6,021.81)

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Case No(s). 23-0407-GA-PIP, 23-0414-GA-PIP

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