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	**CASE NO. 23-207-GA-GCR**
PIKE NATURAL GAS COMPANY	**CASE NO. 23-214-GA-GCR**

IN THE MATTER OF THE UNCOLLECTIBLE EXPENSE RIDERS OF:

EASTERN NATURAL GAS COMPANY	**CASE NO. 23-307-GA-UEX**
PIKE NATURAL GAS COMPANY	**CASE NO. 23-314-GA-UEX**

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

EASTERN NATURAL GAS COMPANY	**CASE NO. 23-407-GA-PIP**
PIKE NATURAL GAS COMPANY	**CASE NO. 23-414-GA-PIP**

OPINION AND ORDER

Entered in the Journal on November 16, 2023

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, Eastern and Pike 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 periodically 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 February 22, 2023, 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 February 22, 2023 Entry directed Staff to conduct the required audits, established an audit period for all three audits of January 1, 2021, through December 31, 2022, instructed the GCR audit reports be filed at least 60 days before hearing, and scheduled an evidentiary hearing for August 15, 2023. The Entry also ordered the Companies to publish required legal notices.

{¶ 6} On June 15, 2023, 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 August 8, 2023, the Companies filed proof of publication of the required legal notices in each of the GCR case dockets.

{¶ 8} On August 11, 2023, 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 15, 2023. 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 16). Mr. Tony Matthews testified on behalf of Staff in support of the Stipulation. No member of the public appeared or offered testimony (Tr. at 6).

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, Symmetry Energy Solutions, LLC (Symmetry). Staff then presents a summary of its recommendations. Specifically, for Eastern, Staff recommends an actual adjustment (AA) of $576 for an under-collection and that Eastern work with Staff to ensure that it is using the gross receipt tax rate in its tariff. For Pike-Hillsboro Division, Staff recommends an AA of $64,605 for an under-collection and a balance adjustment (BA) of $462 for an under-collection. For Pike-Waverly Division, Staff recommends an AA of ($76,525)[1] for an over-collection and a BA of $320,470 for an under-collection. For both Eastern and Pike, Staff also recommends that the Commission order the Companies to implement the Commission-ordered reconciliation adjustment from Case Nos. 21-207-GA-GCR[2] and 21-214-GA-GCR[3] in the Companies' first GCR filings following this Opinion and Order. (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. Three of the regions were formerly part of the National Fuel Gas Supply, from which Eastern still receives the majority of its system requirements; Dominion East Ohio and local production account for the remainder. Eastern provides utility sales service to approximately 6,263 residential, 444 commercial, and four industrial customers. (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 3,425 residential, 607 commercial, and two industrial customers in Highland

---

1 Numbers in parentheses indicate negative amounts.

2 *In re the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedule of Eastern Natural Gas Co.*, Case No. 21-207-GA-GCR (*Eastern's 2021 GCR Case*), Opinion and Order (Sept. 23, 2021).

3 *In re the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedule of Pike Natural Gas Co.*, Case No. 21-214-GA-GCR (*Pike's 2021 GCR Case*), Opinion and Order (Sept. 23, 2021).

and Clinton counties; it receives its gas supply through Columbia Gas Transmission Corporation. Pike-Waverly serves approximately 3,255 residential, 507 commercial, and five industrial customers in Pike, Ross, and Jackson counties; it receives its gas supply through Tennessee Gas Pipeline. (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 5.)

{¶ 14} Regarding supply sources, Staff reports that Symmetry purchased and nominated nearly all of the Companies' supplies, with supplies from Constellation serving four customers 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 Symmetry, which, as the asset manager, is responsible for purchasing supplies and nominating the gas to the Companies' city gates. Symmetry 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 5.)

{¶ 15} Staff noted no errors in sales volumes for either company for the monthly periods under investigation.

{¶ 16} As to Eastern's purchased volumes, Staff states it reviewed invoices from Symmetry, local producers, and Eastern's transport customers and removed the applicable transport customers' volumes to arrive at the jurisdictional purchased volumes. Staff found a minor difference for the month of June 2021 that was the result of the company not converting the volumes from the invoice from dekatherms to Mcfs.[4] This resulted in a decrease of 796 Mcf over the course of the audit period. While this difference does not impact the actual adjustment calculation, Staff does account for it in the unaccounted-for gas calculation. (Staff Ex. 1 at 6.)

{¶ 17} Staff reviewed Pike-Hillsboro's purchased volumes from supplier invoices for its division and found differences in the purchased volumes for May 2021 and December 2021. Combined, the differences result in a decrease in purchased volumes of 1,266 Mcf over the course of the audit period. For Pike-Waverly, Staff examined the invoices from Symmetry, 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 February, March, and December 2021 resulting in an increase of 1,266 Mcf over the course of the audit period. (Staff Ex. 1 at 6.)

{¶ 18} In all, Staff's review resulted in no recommendations regarding EGC (Staff Ex. 1 at 6).

4. Actual Adjustment

{¶ 19} The 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

---

[4] An Mcf is a unit of gas equal to one thousand cubic feet. Ohio Adm.Code 4901:1-14-01(O).

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 Symmetry 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 These differences, which are not self-correcting, represent an increase to Eastern's GCR rates. Thus, Staff recommends that the Commission order a reconciliation adjustment of $576 for an under-collection be applied to Eastern's GCR rates, which should be added in the first GCR filing following an Order in these cases. (Staff Ex. 1 at 7-8.)

{¶ 21} For Pike-Hillsboro, Staff examined invoices from Symmetry and found a difference between the Company and Staff's calculations for December 2021; the difference was due to an error in which Pike-Hillsboro used the purchased gas volumes and costs for the Waverly division in its GCR filing. Staff accounted for these errors in AA calculations using the volumes and costs that Staff verified from invoices. The differences, which are not self-correcting, totaled $63,219 and present an increase to the GCR rate. Thus, Staff recommends that the Commission order a reconciliation adjustment of $64,605 for an under-collection be applied to Pike-Hillsboro's GCR rates, which should be added in the first GCR filing following an Order in these cases. (Staff Ex. 1 at 7-8.)

{¶ 22} For Pike-Waverly, Staff examined the invoices from Symmetry, Constellation, and a local producer. As with Eastern, Staff removed purchases made on behalf of Pike-Waverly's transport customers to arrive at jurisdictional purchased volumes. Staff noted differences in the purchased gas costs for May and December 2021, with the December difference resulting from switching the Hillsboro and Waverly data as noted above. Staff also found an error for January, February, and March 2021 where Pike-Waverly used the previous quarter's EGC rates in its AA calculation. The differences, which are not self-correcting, totaled ($76,525), and present a decrease to the GCR rates. 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 7-8.)

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} In its review of the RA calculations contained in each GCR filing within the months under investigation, Staff was not able to verify that the Commission-ordered RA of ($9,757) from *Eastern's 2021 GCR Case* was implemented into rates. Likewise, Staff was unable to verify that the RA of $12 for Pike-Hillsboro or the RA of ($2,565) for Pike-Wavery from *Pike's 2021 GCR Case* have been implemented into rates. Staff additionally verified that Pike-Hillsboro received a supplier refund during the months under investigation, which refund was implemented in rate in the July 2022 GCR filing in Case No. 22-214-GA-GCR. Due to timing, however, Staff was unable to verify that six months of the RA had been completed as of the end of the audit period. Thus, Staff will review the RA containing the supplier refund in the next GCR audit to verify that the full twelve months was completed. (Staff Ex. 1 at 21.)

{¶ 25} Staff recommends that the Commission order Eastern to implement the ($9,757) RA from *Eastern's 2021 GCR Case* in the first GCR filing following an Order in this proceeding. Staff likewise recommends that the Commission order Pike-Hillsboro and Pike-

Waverly to implement the $12 RA and ($2,565) RA, respectively, from *Pike's 2021 GCR Case* in the first GCR filing following an Order in this proceeding. (Staff Ex. 1 at 21-22.)

6. Balance Adjustment

{¶ 26} The BA mechanism corrects for under- or over-recoveries of previously calculated AAs and RAs. Because the AAs and RAs are derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of the adjustment mechanisms using actual versus historical sales. The sum of the differences for the AA and RA calculations is the total BA, which is placed into the AA calculation. (Staff Ex. 1 at 23.)

{¶ 27} Staff did not find any differences between its calculations and Eastern's and, therefore, has no recommendations regarding Eastern's BA (Staff Ex. 1 at 23).

{¶ 28} Staff did find differences for both the Hillsboro and Waverly divisions of Pike. For Pike-Hillsboro, the difference was found in the period ending March 2021 and resulted in a total BA of $462 for an under-collection over the course of the audit period. For Pike-Waverly, Staff discovered differences in the periods ending June 2021 and September 2021 where the Company used a difference adjustment amount to calculate its BA than did Staff. The differences resulted in a total BA of $320,470 for an under-collection over the course of the audit period. Staff recommends that a reconciliation adjustment in the corresponding amounts be applied to the Company's GCR rates in the first GCR filing following an Order in this proceeding. (Staff Ex. 1 at 23-24.)

7. Customer Billing

{¶ 29} Staff randomly sampled customer bills for the Companies to verify that GCR rates, as well as the customer service base rate charges and taxes, were properly applied. Staff found that both Pike-Hillsboro and Pike-Waverly accurately billed customers the monthly GCR rates filed with the Commission for all months under investigation. As such, Staff has no recommendations regarding customer billing for Pike. (Staff Ex. 33-34.)

{¶ 30} As to Eastern, Staff notes that, in *Eastern's 2021 GCR Case*, the Commission ordered the Company to use the tariffed rate and for Staff to verify that the tariffed gross receipt tax (GRT) rate was used in customer billing during this audit. During this audit, Staff reviewed and found differences between its calculations and Eastern's billings for each month sampled. Staff relates that the differences, which Staff incorporated into its AA calculation, still appear to be the result of Eastern using a different GRT rate than the tariff rate that was charged to customers during the audit. Staff states that, before the next GCR audit, Staff will work with Eastern to ensure that the correct tariff rates are being used for the GRT and will again review customer bills in the next audit to verify that the correct rates are being billed to customers. In short, Staff recommends that Eastern work with Staff to ensure that the Company is billing the GCR customers the correct tariffed rates prior to any bills being issued to customers. (Staff Ex. 1 at 33.)

8. Unaccounted-for Gas

{¶ 31} 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 36.)

B. ***Summary of the UEX Audit Reports***

1. Bad Debt Expense and Write-offs

{¶ 32} Pursuant to the Commission's authorization, Staff conducted an audit of the Companies' respective UEX accounts for rates effective during the period January 1, 2021, through December 31, 2022. Prior to its on-site audit, Staff issued a data request for the Companies' 2021 and 2022 Annual Balance Reconciliation (ABR), the 2021 and 2022 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.

{¶ 33} To confirm the monthly bad debt expense, Staff reviewed accounts receivable aging reports, which are used to identify accounts included in the allowance for doubtful accounts and quantifies the balance. Staff confirmed that the ending balance of the allowance for doubtful accounts for each month of the audit period and verified the accuracy of the monthly bad debt expense included in the UEX balance of each month.

{¶ 34} Additionally, the Companies provided their annual Bad Debt Reports (BDW Reports), which detail accounts written-off, as well as support for bankruptcy-related write offs, which are tracked separately from the BDW Reports. Staff reviewed the documentation supporting the write-offs to ensure the write-offs adhered to each Company's bad debt policy and the written-off accounts were either placed with each Company's collection agency or were associated with a bankruptcy or deceased account. Staff also reviewed the confirmations provided to the Companies by the collection agencies to verify the Bad Debt Accounts eligible for collection were placed with the collection agency. (Staff Ex. 2; Staff Ex. 3.)

{¶ 35} During the review of Pike's records, Staff found three instances in which an account was written off not a result of bankruptcy or death, but also not placed with a collection agency. Pike advised that the three Bad Debt Accounts were not sent to the collection agency due to the age of the accounts. Staff thus reviewed the last payment dates of the three accounts and verified that the last payment dates were many years ago, with some having a last payment date in 2014. Given the age of the accounts, Staff does not recommend any adjustment to remove the write-offs from the UEX balance. Staff notes, however, that Pike's bad debt policy does not contain any guidelines for writing off accounts based on age and explains that, without a formal process, write-offs of older accounts appear to be performed on an ad hoc basis. Therefore, Staff recommends that Pike develop specific procedures and guidelines within its bad debt policy to address the write-off of older accounts not eligible to be placed with a collection agency. (Staff Ex. 3.)

{¶ 36} During the review of both Companies' BDW Reports, Staff found that the Companies do not separately identify write-offs associated with deceased accounts. Because such write-offs are not placed with a collection agency, Staff recommends that the Companies track write-offs of deceased accounts separately from write-offs that are placed with the collection agency in order to verify that all eligible write-offs are properly transferred to the collection agency. (Staff Ex. 2 at 4; Staff Ex. 3 at 4-5.)

2. UEX RIDER RECOVERIES AND OTHER RECOVERIES

{¶ 37} Staff relates that its review of both Pike's and Eastern's billing data revealed that the monthly UEX rider credits included in the ABR correctly reflected the underlying billing data. Additionally, Staff notes that the Companies' provided copies of annual BDR Reports, which detail recoveries of Bad Debt Accounts (Other Recoveries) made by the collection agency, less amounts retained by the agency as the collection expense, and any payments made directly to the Companies.[5] The Company also provided copies of their annual BDA Reports, which detail collection agency expenses.[6] Staff reviewed the BDR and BDA Reports, respectively, to confirm the monthly amount of Other Recoveries were correctly included in the ABR and verify the collection agency expenses were accurate. (Staff Ex. 2 at 5; Staff Ex. 3 at 5.)

3. CALCULATION OF UEX BALANCE IN THE ABR – PIKE

{¶ 38} As to Pike only, Staff identified bad debt adjustment entries of $1,886 and $346 in February 2021 and December 2022, respectively, during review of the Company's ABR. Pike explained that the entries were made when a customer previously included in Bad Debt Accounts reactivated their account and the Company transferred that customer's prior bad debt to the new account. While Pike included these entries as additions to bad debt expense in its ABR calculations, Staff recommends that they be removed, as they represent bad debt expenses already recognized and accounted for in prior UEX periods. Staff thus asserts that the inclusion of bad debt expenses would result in a double recovery. Staff reviewed the payment history for these customers and verified each of the customers paid off their prior bad debt balance within the month of having their accounts reactivated. All payments were correctly included in Other Recoveries, except for one payment of $49.23 made December 2022, which amount Staff recommends be reflected in the ABR within Other Recoveries for December 2022. (Staff Ex. 3 at 5-6.)

{¶ 39} Finally, Staff reviewed an adjustment Pike included in its ABR that Staff had recommended in 22-314-GA-UEX.[7] There, Staff recommended an adjustment of $2,773

---

[5] BDR is the journal code used by each Company for Bad Debt Recovery.

[6] BDA is the journal code used by each Company for Bad Debt – Agency.

[7] *In re the Uncollectible Expense Rider of Pike Natural Gas Co.*, Case No. 22-314-GA-GCR (*2022 UEX Case*), Finding and Order (Aug. 10, 2022).

because the February 2022 UEX rate appeared to be inconsistent. As part of the current audit, however, Staff determined that the UEX rider rate was not implemented in the Company's billing systems until March 2022, meaning the adjustment in the *2022 UEX Case* was not necessary. Ultimately, Staff determined that the issue was caused by Pike not updating its billing system in a timely manner to charge the correct UEX rate in the month the new rate became effective. With the prior adjustment no longer being necessary, Staff recommends it be removed from the ABR balance in February 2022. Staff additionally recommends that the Company take steps to ensure the UEX rate updates are implemented in its billing system on a timely basis. (Staff Ex. 3 at 6.)

4. STAFF RECOMMENDATIONS

{¶ 40} For Eastern, Staff recommends the December 2022 ending UEX balance be an under-collection of $44,463 (Staff Ex. 2 at 5).

{¶ 41} For Pike, Staff recommends the removal of the bad debt adjustment entries of $1,886 and $346 from February 2021 and December 2022, respectively. Staff additionally recommends inclusion of the $49 payment made by a customer to pay off their prior bad debt balance in Other Recoveries for December 2022. Finally, Staff recommends the elimination of the adjustment of $2,773 for February 2022, previously recommended in the *2022 UEX Case*. Given these adjustments, Staff recommends the December 2022 ending UEX balance being an under-collection of $13,134.57. (Staff Ex. 3 at 6.)

{¶ 42} As to both Eastern and Pike, Staff recommends that the Companies update their respective bad debt policies and procedures to address issues and concerns identified during Staff's review. Specifically, Staff recommends that the Companies develop formal policies and procedures for writing off older bad debt accounts deemed to be ineligible for placement with the collection agency and take steps to track write-offs associated with deceased accounts to differentiate these write offs from other types of write offs. To the extent that the Companies' accounting systems may not allow for a specific "write-off of deceased account" journal entry code, the Companies should track and keep a listing of the deceased account write offs in a separate file that can be provided to staff during future UEX audits. Staff also recommends the Companie takes steps to ensure future UEX rider rate updates are implemented in their billing systems in a timely manner and that each Company file an application to adjust its UEX rider rate within 30 days of the Commission's Order in this proceeding. (Staff Ex. 2 at 5-6; Staff Ex. 3 at 6-7.)

C. Summary of the PIPP Audit Report

{¶ 43} The Commission's February 22, 2023 Entry also initiated financial audits of the Companies' PIPP riders for calendar years 2021 and 2022. Staff reports that Eastern currently has a PIPP rider rate of ($0.0113) per Mcf.[8] Pike's current PIPP rider rate is ($0.1266).[9] (Staff Ex. 4.)

{¶ 44} Staff explains that the PIPP 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 2021 and 2022. In response, the Companies provided billing registers and customer activity reports for the corresponding years. (Staff Ex. 4.)

{¶ 45} 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 no discrepancies. (Staff Ex. 4.)

---

[8] *In re Application of Eastern Natural Gas Co. for Adjustment of its PIPP Rider*, Case No. 22-407-GA-PIP.

[9] *In re Application of Pike Natural Gas Co. for Adjustment of its PIPP Rider*, Case No. 22-414-GA-PIP.

{¶ 46} 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 2021 and 2022 in order to compare account histories to the billing registers and customer activity reports to ensure accuracy. Staff found one minor discrepancy in August 2021 relating to Pike in the amount of $45. (Staff Ex. 4.)

{¶ 47} 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. Staff found that Eastern inadvertently billed customers $0.00123 instead of ($0.00123) for February 2022 and incorrectly accounted for rider recoveries in Eastern's Deferred PIPP balance for the period spanning February 2022 through December 2022. Staff explains that positive PIPP rider recover 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 that account as a positive amount. State states that Eastern did not correctly record these amounts when crediting or charging Account 186-100, an error that impacts Eastern's Deferred PIPP balance in the amount of $9,086.87. (Staff Ex. 4.)

{¶ 48} Lastly, Staff analyzed the Companies' treatment of their respective PIPP arrearage forgiveness programs. Although Staff found a couple of deviations regarding accounts being credited for the payment of installment credits, the issue was not common. Generally, Staff found that arrearage forgiveness credits were correctly applied and calculated. (Staff Ex. 4.)

{¶ 49} Regarding Pike's PIPP audit, Staff notes that the Company properly accounted for charge-offs and recoveries during the audit period, except for one minor adjustment relating to customer payments. Staff recommends an adjustment to customer payments in the amount of $45. Staff further recommends the Commission order that Pike's December 31, 2022 PIPP ending balance be ($88,549.46). (Staff Ex. 4.)

{¶ 50} Regarding Eastern's PIPP audit, Staff recommends that Eastern's December 31, 2022 PIPP ending balance should be ($6,021.81). Staff states that this recommended PIPP ending balance has accounted for errors associated with recording credits and charges to rider recoveries in Account 186-100. (Staff Ex. 4.)

IV. Stipulation of the Parties

{¶ 51} On August 11, 2023, 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 recommendations of an AA of $576 for an under-collection and that the Commission order Eastern to implement an RA of ($9,757) for an over-collection that was ordered in *Eastern's 2021 GCR Case*. Additionally, Eastern will work with Staff to ensure it uses the appropriate GRT rate in its Commission approved tariff in customer billing.

2. For Pike-Hillsboro, the parties agree to Staff's recommendations of an AA of $64,605 for an under-collection and a BA of $462 for an under-collection. The parties further agree to Staff's recommendation that the Commission order Pike-Hillsboro to implement an RA of $12 for an under-collection that was ordered in *Pike's 2021 GCR Case* following the Commission order in this case.

3. For Pike-Waverly, the parties agree to Staff's recommendations of an AA of ($76,525) for an over-collection and a BA of $320,470 for an under-collection. The parties additionally agree to Staff's recommendation that the Commission order Pike-Waverly to implement an RA of ($2,565) for an over-collection that

was ordered in *Pike's 2021 GCR Case* following the Commission order in this case.

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 4-5.)

UEX Audits

1. Staff found Eastern's rider rates were calculated correctly through December 2022.

2. Eastern agrees to Staff's recommendation of the December 2022 ending UEX balance being an under-collection of $44,463.

3. Eastern agrees to update its bad debt policies and procedures to address issues and concerns identified during Staff's review. Eastern agrees to develop formal policies and procedures for writing off older bad debt accounts deemed to be ineligible for placement with the collection agency and will take steps to track write-offs associated with deceased accounts to differentiate these from other types of write-offs. In instances where event-specific coding of journal entries is not possible, Eastern will track and keep a list of the deceased account write-offs in a separate file that can be provided to Staff during future UEX audits.

4. Eastern will take steps to ensure future UEX rider rate updates are implemented in its billing system in a timely manner.

5. Eastern agrees to file an application to adjust its UEX rider rate within 30 days of the Commission's Order in this proceeding.

6. Staff found Pike's UEX rider rates were calculated correctly in the ABR throughout the audit period.

7. Pike agrees to remove the bad debt adjustment entries of $1,886 and $346 from February 2021 and December 2022, respectively, and to include the payment of $49 made by the customer to pay off their prior bad debt balance in Other Recoveries for December 2022. Pike agrees to the elimination of the adjustment of $2,773 for February 2022, which was recommended in the *2022 UEX Case*, and to Staff's recommendation that the December 2022 ending UEX balance be an under-collection of $13,134.57.

8. Pike agrees to update its bad debt policies and procedures to address the issues identified in Staff's review. Pike agrees to develop a formal policy and related procedures for writing off older bad debt accounts deemed to be ineligible for placement with the collection agency and will take steps to track write-offs associated with deceased accounts to differentiate these from other types of write-offs. In instances where event-specific coding of journal entries is not possible, Pike will track and keep a list of the deceased account write-offs in a separate file that can be provided to Staff during future UEX audits.

9. Pike will take steps to ensure future UEX rider rate updates are implemented in its billing system in a timely manner.

10. 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 6-7.)

PIPP Audits

1. Eastern agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. Specifically, Eastern agrees that its December 31, 2022 PIPP ending balance should be an over-collection of ($6,021.81), which amount accounts for error associated with recording credits and charges to rider recoveries in account 186-100.

2. Pike agrees that all recommendations in the PIPP audit report are reasonable and should be adopted. Specifically, Pike agrees that its December 31, 2022 PIPP ending balance should be an over-collection of ($88,549.46), an amount that accounts for a minor difference in customer billing.

(Joint Ex. 1 at 8.)

V. CONCLUSION

{¶ 52} 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.

{¶ 53} 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.

{¶ 54} The Commission finds that the record contains evidence demonstrating that the Stipulation presented in these cases satisfies all three criteria. At the August 15, 2023 hearing, Mr. Matthews testified that he has been employed with the Commission for almost 20 years and GCR, UEX, and PIPP audits have been his responsibility for many of those years (Tr. at 8). Mr. Matthews was involved in the negotiations between Staff and the Companies and affirmed that the Stipulation is the product of serious bargaining among capable and knowledgeable parties (Tr. at 11). Mr. Matthews also agreed that the Stipulation does not violate any important regulatory principles or practices (Tr. at 11-12). 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 the Stipulation details the adjustments and recommendations that help ensure the customer is paying the appropriate cost and nothing more. (Tr. at 12.)

{¶ 55} 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

{¶ 56} 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.

{¶ 57} 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 February 22, 2023, Case Nos. 23-207-GA-GCR and 23-214-GA-GCR to review the Companies' GCR rates.

{¶ 58} By the same February 22, 2023 Entry, the Commission also initiated audits of the Companies' UEX and PIPP riders.

{¶ 59} On June 15, 2023, Staff filed its GCR, UEX, and PIPP audit reports.

{¶ 60} On August 11, 2023, the Companies and Staff filed a Stipulation resolving all audits ordered and performed in these proceedings.

{¶ 61} On August 15, 2023, 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.

{¶ 62} 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.

{¶ 63} 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.

{¶ 64} 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.

{¶ 65} 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

{¶ 66} It is, therefore,

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

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

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

COMMISSIONERS:
Approving:
Jenifer French, Chair
Daniel R. Conway
Lawrence K. Friedeman
Dennis P. Deters
John D. Williams

PAS/dmh