

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
Corning Natural Gas  
Case 16-G-0369  
October 2016

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Prepared Exhibits of:

Sean Malpezzi  
Public Utilities Auditor III

Office of Accounting, Audits and  
Finance  
State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

Corning Natural Gas

Case 16-G-0369

Index of Exhibits

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Exhibit SM-1

Relied Upon Corning Natural Gas Responses to Information Request

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**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

**Corning Natural Gas Corporation**  
**Case 16-G-0369**  
**Gas Rates**

**Request No.:** DPS-298  
**Requested By:** Sean Malpezzi  
**Information Requested of:** Sarhangi & DiValentino  
Accounting/Policy Panel  
**Date of Request:** August 29, 2016  
**Response Due Date:** September 12, 2016  
**Subject:** Uncollectible Accounts 2

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In Exhibit CNG-5, Schedule 9 Page 2 it shows the method used to forecast uncollectible accounts is based on an a ratio of net uncollectible write-offs to sales to customers as an average of the years ending 12/31/12-12/31/15 resulting in a percentage of 1.418%.

1. For the years from 12/31/12-12/31/15 provide the annual list of write-offs, by year, that includes the following; date written off, customer name, amount written off, and days delinquent.

Response:

The annual list of write-offs, by year, is contained in the accompanying Excel file designated "Response DPS-298 Write Off 2012 to 2015 No Key". To preserve customer privacy, customer names are not included.

The number of days delinquent by account is not readily available. However, an account must be closed for at least three months and have had a final notice sent informing the customer that the Company is sending the account to a collection agency. At that time, the Company writes the account off. Many accounts are delinquent more than three months.

2. Provide an explanation for the significant increase in write offs in 2014.

Response:

A large customer filed for bankruptcy and the Company wrote off the amount of \$253,148.83 in 2014. Staff orally has asked how often this type of material write off occurs. Since 2005, no single write-off of this magnitude has occurred. However, in the past, the Company has experienced high levels of uncollectibles that exceeded the allowance in base rates and were the subject of deferral petitions filed with, and granted by, the Commission.

3. Provide a copy of the Corning Natural Gas Corporation's write off policy.

Response:

Please see the PDF file designated “Response to IR-184 CSP-2 Part 5”, that accompanied the response to DPS-184, for the requested information.

4. If a collection agency is used, provide a copy of the agreement and all collection agency invoices for the years 2012-2015.

Response:

The Company uses two agencies for collections. Both retain a percentage of any amounts collected plus any legal fees incurred in the collection effort. The percentage retained is confidential commercial information and, accordingly, is not included in this response. However, that information can be provided to Staff on a confidential basis.

To provide all collection agency invoices for the years 2012-2015 is burdensome. The invoices can be made available to Staff at Corning’s headquarters in Corning, NY during normal business hours. Staff has indicated (telephonically) that annual payments to the collection agencies would be acceptable. The fees by year are shown in the accompanying Excel file designated “Response DPS-298 Write Off 2012-2015 No Key”, tab “Collection Agency fees”. The 2013 to 2015 amounts have been provided. The 2012 information would require additional, burdensome, research since it located in the old accounting system. Accordingly, the Company suggests that Staff review the 2013 to 2015 data and, if it requires the 2012 data, the Company will consider performing the additional research.

Name of Respondent: L. Mario DiValentino

Position of Respondent: President, Moonstone Consulting LLC

Date of Response: September 2, 2016

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE**  
**INTERROGATORY/DOCUMENT REQUEST**

**Corning Natural Gas Corporation**  
**Case 16-G-0369**  
**Gas Rates**

**Request No.:** DPS-248 (SM-5)  
**Requested By:** Sean Malpezzi  
**Information Requested of:** Sarhangi & DiValentino  
Accounting/Policy Panel  
**Date of Request:** August 3, 2016  
**Response Due Date:** August 15, 2016  
**Subject:** Accumulated Deferred State Income Tax

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Based on the change in the New York State income tax rate from 7.1% to 6.5%, there should be an amortization of the excess Accumulated Deferred State Income Tax (ADSIT). Explain where the amortization of the excess ADSIT is included in the testimony and exhibits. If the amortization is not included then provide updates to show the amortization of the ADSIT including every account it impacts and the effect on the revenue requirement or the basis of alternative treatment or exclusion.

Response:

Please see the accompanying Excel file designated "Response DPS-248 (SM-5) Accum. Deferred State Income Tax" for the calculation of the impact on the State Tax Deferred Balances. The rate change impact on the ADSIT is not included in the testimony and exhibits because the amount is not material. The amount will be reflected in the Company's cost of operation and, therefore, will be considered in the excess earning calculation. The Company is not aware of a Commission order prescribing specific accounting for the rate change impact. The Company did respond to a Staff inquiry as to the impact.

Name of Respondent: L. Mario DiValentino  
Position of Respondent: President, Moonstone Consulting LLC  
Date of Response: August 8, 2016

**Corning Natural Gas Corporation**  
**Response DPS-248 (MW-5)**  
**Accumulated Deferred State Income State**  
**Impact of Change in Tax Rate**

	Reference	<b>Balance at</b> <b><u>12/31/2015</u></b>
Accel. Depreciation-State	Rate Case Model Tab "Deferred Taxes" line J22	(1,068,080)
Tax on Accelerated Recovery CIAC-State	Rate Case Model Tab "Accel Recov. Virgil and Other"" line u78	254,275
Compressor Station-State CIAC	Rate Case Model Tab "Hist Data" line O95	857,392
Dalrymple-State CIAC	Rate Case Model Tab "Hist Data" line O97	23,664
Deferred Credit-Deferred Net Plant Due-State	Rate Case Model Tab "Hist Data" line O107	8,743
Deferred Debit-2008 Rate Case-State	Rate Case Model Tab "Hist Data" line O100	<u>(17,432)</u>
Net Balance		58,562
New Tax Rate		6.50%
Old Tax Rate		<u>7.10%</u>
		<u>86.40%</u>
		50,598
	Change in Deferred Tax Reserve	<u>\$ (7,964)</u>





**CORNING NATURAL GAS CORP.**  
**Gas Operating Expenses**  
**Uncollectible Costs**

Update  
Exhibit CNG-5  
Schedule 9  
Page 2 of 2

**TWELVE MONTHS ENDED**

	<b>Per Books</b>	<b>Normal- ization</b>	<b>As Adjusted</b>	<b>Rate Year</b>				
	<b>December 31, 2015</b>	<b>Adj.</b>	<b>December 31, 2015</b>	<b>May 31, 2016</b>	<b>May 31, 2017</b>	<b>May 31, 2018</b>	<b>May 31, 2019</b>	<b>May 31, 2020</b>
Uncollectible Account Expense	\$ 159,814		\$ 159,814	\$ 188,239	\$ 188,239	\$ 188,239	\$ 270,698	\$ 287,267
Uncollectible Associated w/ GAC				81,846	81,846	143,540	143,540	143,540
Collection Fees and Misc. costs	(2,222)		(2,222)	(2,235)	(2,274)	(2,320)	(2,364)	(2,407)
<b>Total Uncollectible Costs</b>	<b>\$ 157,592</b>	<b>\$ -</b>	<b>\$ 157,592</b>	<b>\$ 267,850</b>	<b>\$ 267,811</b>	<b>\$ 329,458</b>	<b>\$ 411,875</b>	<b>\$ 428,400</b>

Company	188,239	\$ 188,239	Sales					
Staff Base Revenues	13,273,234		Percentage	1.418%	1.418%	1.418%	1.418%	1.418%
Staff Percent	1.20%			0	0	0	0	0
Staff Uncollectibles		159,358						
Staff Adjustment		\$ 28,881	General Inflation	100.58%	101.75%	102.04%	101.88%	101.83%

	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>	<u>12/31/15</u>	<u>TOTAL</u>
Accounts Written Off	\$ 154,434	\$ 166,220	\$ 455,479	\$ 199,005	\$ 975,138
Collections of Accounts Written Off	34,735	29,437	44,341	43,133	151,646
<b>Net Uncollectible Write-offs</b>	<b>\$ 119,699</b>	<b>\$ 136,783</b>	<b>\$ 411,138</b>	<b>\$ 155,872</b>	<b>\$ 823,492</b>
Sales to Customers	\$ 12,216,405	\$ 15,056,249	\$ 16,822,515	\$ 13,971,509	\$ 58,066,678
Percentage	0.980%	0.908%	2.444%	1.116%	1.418%

<b>Staff</b>	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>	<u>12/31/15</u>	<u>TOTAL</u>
Accounts Written Off	\$ 160,046	\$ 154,259	\$ 154,434	\$ 166,220	\$ 455,479	\$ 199,005	\$ 1,289,443
Collections of Accounts Written Off	53,211	51,169	34,735	29,437	44,341	43,133	256,026
<b>Net Uncollectible Write-offs</b>	<b>\$ 106,835</b>	<b>\$ 103,090</b>	<b>\$ 119,699</b>	<b>\$ 136,783</b>	<b>\$ 411,138</b>	<b>\$ 155,872</b>	<b>\$ 1,033,417</b>
Sales to Customers	\$ 14,172,387	\$ 13,836,146	\$ 12,216,405	\$ 15,056,249	\$ 16,822,515	\$ 13,971,509	\$ 86,075,211
Percentage	0.754%	0.745%	0.980%	0.908%	2.444%	1.116%	1.20%