

FILE



The Public Utilities Commission of Ohio

Monitoring marketplaces and enforcing rules to assure safe, adequate, and reliable utility services.

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July 22, 2009

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

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RECEIVED-DOCKETING DIV

RE: *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc.
for Approval to continue its Uncollectible Expense Rider Rate, Case No. 09-456-GA-UEx*

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Vectren Energy Delivery of Ohio's application for a continuation of its existing uncollectible expense rider in Case No. 09-456-GA-UEx.

Respectfully submitted,

A handwritten signature in cursive script that reads "Steve Puican".

Steve Puican
Co-Chief, Rates & Tariffs/Energy & Water Division
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	
For Approval of an Adjustment to its)	Case No. 09-456-GA-UEX
Uncollectible Expense Rider Rate.)	

**COMMENTS
OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Date submitted: July 22, 2009

Application of Vectren Energy Delivery of Ohio, Inc.
Case No. 09-456-GA-UEx

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 allows for recovery of actual bad/uncollectible debt through a rider, rather than through base rates. Subsequently, Vectren Energy Delivery of Ohio, Inc. (Vectren) was authorized in Case No. 04-1339-GA-UEx to establish a rider recovery mechanism consistent with that which was approved in Case No. 03-1127-GA-UNC. Vectren implemented its first uncollectible expense rider in conjunction with its base rate revision in Case No. 04-737-GA-AIR in April of 2004.

Vectren filed the current application for an increase in its uncollectible expense rider on May 29, 2009. Vectren is requesting that the current rate of \$0.1165 per Mcf be increased to \$0.2115 per Mcf. Staff has completed its review of the application and herewith provides a brief description of the application, its attachments and recommendation.

Application

Vectren's application would increase the existing rider rate of \$0.1165 per Mcf to \$0.2115 per Mcf or an increase of 81.55%. The proposed rate is based upon actual arrearages as of April 30, 2009, and projected uncollectible expense and recoveries for May 2009 through April 2010.

Attachment 1 provides Vectren's annual balance reconciliation for calendar year 2008 and preliminary information for the first four months of 2009. Attachment 2 demonstrates the calculation of the proposed rider rate. The proposed rate is calculated so that past under recoveries are eliminated and estimated ongoing bad debts are recovered as incurred, with the intent of arriving at a \$0 balance April 30, 2010. Staff believes that the proposed rate of \$.2115 per Mcf is appropriate. Attachment 3 provides the proposed tariff sheets.

Independent Financial Audit

On January 15, 2009, Vectren filed its independent auditor's report by Deloitte and Touche LLP (Deloitte) entitled: "Financial Audit and Audit of Uncollectible Expense Rider: Independent Accountants' Report on Applying Agreed-upon Procedures". As discussed within the auditor's report, Deloitte examined the uncollectible expense recovery mechanism for calendar year 2007, comparing the figures reported by Vectren to those determined by Deloitte. Staff notes that Deloitte's report and the 2007 balance report agree.

Recommendation

Staff notes that the Finding and Order in Case No. 03-1127-GA-UNC ordered that the uncollectible expense rider was to be evaluated as part of the financial audit in gas cost recovery (GCR) proceedings. Since that time, the company no longer utilizes the GCR mechanism so the UEX rider will be evaluated by an auditor in an upcoming audit.

Staff has reviewed the application, as well as authoritative documents from prior affiliated cases. It is our opinion that the proposal appropriately calculates the rider to recover Vectren's bad debts written off. Staff recommends that the proposed Uncollectible Expense Rider of Vectren Energy Delivery of Ohio, Inc. of \$.2115 per Mcf be approved.