

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Audit of the Exit)	
Transition Cost Rider of Vectren Energy)	Case No. 14-220-GA-EXR
Delivery of Ohio, Inc.)	
In the Matter of the Audit of the)	
Uncollectible Expense Rider of Vectren)	Case No. 14-320-GA-UEX
Energy Delivery of Ohio, Inc.)	
In the Matter of the Percentage of Income)	
Payment Plan Rider of Vectren Energy)	Case No. 14-420-GA-PIP
Delivery of Ohio, Inc.)	

ENTRY

The Commission finds:

- (1) Vectren Energy Delivery of Ohio, Inc. (VEDO) is a gas company as defined in R. C. 4905.03(A) and a public utility by reason of R.C. 4905.02. As such, VEDO is subject to the jurisdiction of this Commission, in accordance with R.C. 4905.04 and 4905.05.
- (2) By Opinion and Order issued April 30, 2008, in *In re Application of Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1285-GA-EXM (SSO Case), the Commission authorized VEDO to proceed with the first and second phases of its plan to eliminate its gas cost recovery (GCR) mechanism. The Order in the SSO Case authorized VEDO to initially implement a market-based standard service offer (SSO) through a wholesale auction for all GCR customers on July 1, 2008, and then, subsequently, establish a standard choice offer (SCO) service to be implemented on April 1, 2009. On January 16, 2013, the Commission accepted the results of VEDO's fourth SCO auction for the effective period of April 1, 2013, through March 31, 2014.
- (3) With the elimination of the GCR mechanism, costs and credits that were once recovered through the GCR are now to be recovered through the exit transition cost (ETC) rider. The Commission determined in its April 30, 2008 Order in the SSO Case that all aspects of the costs proposed to be recovered through the ETC rider are to be reviewed as part of an annual

financial audit that would be conducted by an outside auditor, docketed, and reviewed by Staff.

- (4) By Opinion and Order issued December 17, 2003, in *In re Joint Application of Vectren Energy Delivery of Ohio, et al.*, Case No. 03-1127-GA-ATA, the Commission approved an application filed by five gas distribution companies, including VEDO, requesting authorization to recover uncollectible expenses (UEX) through riders. A requirement of the Order in that case was that the new UEX riders would be audited in the course of each company's GCR audit. With the elimination of VEDO's GCR mechanism, the UEX rider is to be audited in the course of VEDO's audit of the ETC rider.
- (5) Furthermore, the Commission has authorized the utility companies to recover percentage of income payment plan (PIPP) arrearages associated with providing natural gas service through their PIPP riders. *In re Establishment of Recovery Method for Percentage of Income Payment Plan*, Case No. 87-244-GE-UNC, Finding and Order (Aug. 4, 1987) (*PIPP Recovery Case*).¹ At this time, the Commission finds that this rider should be audited in the course of VEDO's ETC and UEX audits.
- (6) Through this Entry, the Commission is initiating the financial audits of VEDO's ETC, UEX, and PIPP riders. VEDO shall select the auditor to perform the audits described in this Entry. The ETC rider audit will be for the period April 1, 2013, through March 31, 2014, and the auditor should docket its findings in Case No. 14-220-GA-EXR. The UEX audit will be for calendar year 2013, and the first quarter of 2014, and the auditor should docket its findings in Case No. 14-320-GA-UEX. The PIPP rider audit will be for rates effective January 2013, thorough March 2014, and the auditor should docket its findings in Case No. 14-420-GA-PIP. The due date of the ETC, UEX, and PIPP rider audit reports is September 19, 2014.

¹ The Commission notes that, at the time of the Order in the *PIPP Recovery Case*, The Dayton Power and Light Company owned the natural gas assets. Subsequently, by Finding and Order issued July 13, 2000, in *In re Petition of Vectren Energy of Ohio, Inc. et al.*, Case No. 00-524-GA-ATR, et al., the Commission authorized the transfer of those natural gas assets to Vectren.

- (7) The selected auditor is required to submit a certificate of accountability attesting to the accuracy of financial data pertaining to the audit periods specified above. Reference should be made to any errors, omissions, or redundancy of costs from the calculations supporting the ETC, UEX, and PIPP rider rates.
- (8) As part of the ETC audit, the auditor shall verify the accuracy of:
 - (a) Business system (e.g. information technology) development costs;
 - (b) Informational and educational costs;
 - (c) Call center costs;
 - (d) Billing costs;
 - (e) Other implementation costs, such as tax consulting, and legal fees;
 - (f) All stranded gas supply costs related to customer migrations to Choice Service;
 - (g) Any incremental provider of last resort costs not recovered from a defaulting SSO or choice supplier;
 - (h) Any imbalance costs not recovered from transportation customers or pool customers;
 - (i) Gas costs incurred by the company when diverting customers' transportation gas quantities during a curtailment; and
 - (j) Other costs or credits applicable to sales and/or choice customers as approved by the Commission.

The auditor shall also verify that the ETC rider rates were accurately applied to customers' bills.

- (9) The Commission directs that all costs associated with the ETC, UEX, and PIPP rider audits be borne by VEDO.
- (10) The auditor shall perform the audits as an independent contractor. Any conclusions, results, or recommendations formulated by the auditor may be examined by any participant to the proceeding for which the audit reports were generated. Further, it shall be understood that the Commission and/or its Staff shall not be liable for any acts committed by the auditor or its agents in the preparation and presentation of these audit reports.
- (11) The auditor will execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under R.C. 4903.03, 4905.06, 4905.15, and 4905.16. The auditor is subject to the Commission's statutory duty under R.C. 4901.16, which states:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

Once disclosure is permitted by R.C. 4901.16, the following process applies to the release of any document or information marked as confidential. Three days' prior notice of intent to disclose shall be provided to the party claiming confidentiality. Three days after such notice, Staff or the auditor may disclose or otherwise make use of such documents or information for any lawful purpose, unless the Commission is moved for a protective order pertaining to such documents or information within the three-day notice period. The three-day notice period will be computed according to Ohio Adm.Code 4901-1-07.

- (12) Upon request of the auditor or Staff, VEDO shall provide any and all documents or information requested. VEDO may conspicuously mark such documents or information "confidential." In no event, however, shall VEDO refuse to provide or delay in providing such documents or information.
- (13) The Commission finds that complete documentation of the financial audit process within the auditor's work papers is essential. The financial auditor for these proceedings shall ensure that the reports and work papers are complete reflections of the financial audit processes.
- (14) The Commission finds it appropriate to call for comments on the financial audits of the ETC, UEX, and PIPP riders. Such comments should be limited to the audit of these riders and the recovery of the associated costs. Accordingly, interested persons may file comments and reply comments on the audits by October 3, 2014, and October 17, 2014, respectively.

It is, therefore,

ORDERED, That, pursuant to finding (6), the audits for the effective periods of the ETC, UEX, and PIPP riders be filed in the respective dockets by September 19, 2014. It is, further,

ORDERED, That VEDO bear the cost of the financial audits as provided in finding (9). It is, further,

ORDERED, That VEDO and the auditor shall observe the requirements set forth herein. It is, further,

ORDERED, That the auditor shall provide the documentation necessary to support its conclusions and recommendations, as specified in finding (13). It is, further,

ORDERED, That comments and reply comments on the financial audits of the ETC, UEX, and PIPP riders be filed in the respective dockets in accordance with finding (14). It is, further,

ORDERED, That a copy of this Entry be served upon VEDO and upon all other persons of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas W. Johnson, Chairman

Steven D. Lesser

M. Beth Trombold
M. Beth Trombold

Lynn Slaby

Asim Z. Haque

RS/js

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MAY 14 2014

Barcy F. McNeal
Secretary