

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE AUDIT OF THE
EXIT TRANSITION COST RIDER OF
VECTREN ENERGY DELIVERY OF OHIO,
INC.**

CASE NO. 16-220-GA-EXR

**IN THE MATTER OF THE AUDIT OF THE
UNCOLLECTIBLE EXPENSE RIDER OF
VECTREN ENERGY DELIVERY OF OHIO,
INC.**

CASE NO. 16-320-GA-UEX

**IN THE MATTER OF THE AUDIT OF THE
PERCENTAGE OF INCOME PAYMENT
PLAN RIDER OF VECTREN ENERGY
DELIVERY OF OHIO, INC.**

CASE NO. 16-420-GA-PIP

FINDING AND ORDER

Entered in the Journal on October 26, 2016

I. SUMMARY

{¶ 1} The Commission adopts the findings set forth in the audit reports regarding the exit transition cost rider, uncollectible expense rider, and percentage of income payment plan rider of Vectren Energy Delivery of Ohio, Inc.

II. DISCUSSION

{¶ 2} Vectren Energy Delivery of Ohio, Inc. (VEDO) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02 and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} Pursuant to R.C. 4905.302, natural gas companies implement purchased gas adjustment mechanisms, which allow them to adjust the rates they charge customers in accordance with any fluctuation in the cost the company incurs for the gas it sells to customers. R.C. 4905.302 also directs the Commission to audit the companies' gas cost

recovery (GCR) rates and to review each company's production and purchasing policies and their effect upon the rates.

{¶ 4} R.C. 4929.04, among other things, authorizes the Commission, upon the application of a natural gas company such as VEDO, to exempt any commodity sales service or ancillary service from all provisions of R.C. Chapter 4905, including the GCR provisions contained in R.C. 4905.302.

{¶ 5} By Opinion and Order issued April 30, 2008, in accordance with R.C. 4929.04, the Commission authorized VEDO to proceed with the first and second phases of its plan to eliminate its GCR mechanism. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1285-GA-EXM (*Vectren EXM Case*), Opinion and Order (Apr. 30, 2008).

{¶ 6} 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. In its Order in the *Vectren EXM Case*, the Commission determined 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.

{¶ 7} By Finding and Order issued December 17, 2003, the Commission approved an application filed by five gas distribution companies, including VEDO, requesting authorization to recover uncollectible expenses (UEX) through riders. *In re Vectren Energy Delivery of Ohio*, Case No. 03-1127-GA-UNC (*UEX Case*), Finding and Order (Dec. 17, 2003). A requirement of the Order in the *UEX 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.

{¶ 8} Furthermore, the Commission has authorized the utility companies, including VEDO, 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).

{¶ 9} By Entry issued April 7, 2016, the Commission initiated the financial audits of VEDO's ETC, UEX, and PIPP riders. The ETC audit was for the period July 1, 2015, through June 30, 2016. The UEX audit was for the period May 1, 2015, through April 30, 2016. The PIPP audit was for the period May 1, 2015, through April 30, 2016. VEDO's auditor was directed to docket its audit findings for the ETC rider in Case No. 16-220-GA-EXR (*VEDO 2016 EXR Case*); audit findings for the UEX rider in Case No. 16-320-GA-UEX (*VEDO 2016 UEX Case*); and audit findings for the PIPP rider in Case No. 16-420-GA-PIP (*VEDO 2016 PIPP Case*). The auditor, to be selected by VEDO, was directed to docket all three audit reports in their respective dockets by September 16, 2016. Interested parties were directed to file comments and reply comments by September 30, 2016, and October 14, 2016, respectively.

{¶ 10} The audit report for the ETC rider, for the period July 1, 2015, through June 30, 2016, was filed on September 16, 2016, in the *VEDO 2016 EXR Case*. The audit was performed by Deloitte & Touche LLP (D&T). The report details the procedures agreed to by VEDO and Staff that were performed by D&T. No discrepancies were found by D&T during the ETC rider audit.

{¶ 11} No comments were filed concerning the ETC rider audit.

{¶ 12} The audit report for the UEX rider, for the period May 1, 2015, through April 30, 2016, was filed on September 16, 2016, by D&T in the *VEDO 2016 UEX Case*. Several discrepancies were found regarding the UEX recovery mechanism. D&T randomly selected 25 write-offs and obtained the related customer billing history. Three

discrepancies were found regarding bad debts written off, or recalled from bad debt, during the period May 1, 2015, to April 30, 2016. Of the three discrepancies, two of the customer balances were written off in February 2016; however, according to the customer history card and VEDO's write-off policy, the balance was eligible to be written off in October 2015. The remaining discrepancy concerns a customer balance written off in July 2016, but, according to the customer history card and VEDO's write-off policy, the account was eligible to be written off in October 2014. For all three discrepancies, the account had been tagged with a manual flag within the customer billing system and had not been written off in timely manner within VEDO's established policy.

{¶ 13} Another discrepancy regarding the UEX audit concerns D&T's comparison of the accounts receivable regulatory asset balance in the general ledger at December 31, 2015, and April 30, 2016, to the balances in the UEX rider filing. Differences were found of \$73 and \$70, respectively. D&T adds that, in May 2016, an adjustment was booked by VEDO to increase the carrying charge account by \$70 to eliminate the difference.

{¶ 14} On September 30, 2016, VEDO filed comments regarding the audit of the UEX rider and noted its concurrence with D&T's findings. VEDO added that the manual flag within the customer billing system that prevented timely write-off of bad debts was related to a system defect that has since been corrected. VEDO further stated that it expects this issue has been fully resolved.

{¶ 15} No reply comments were filed concerning the UEX rider audit.

{¶ 16} The audit report for the PIPP rider, for the period May 1, 2015, through April 30, 2016, was filed on September 16, 2016, in the *VEDO 2016 PIPP Case*. D&T randomly selected 25 PIPP program credits for the period and obtained the related customer billing history; next, D&T documented the customer's consumption amount, PIPP payment amount received from the state of Ohio, and supporting payment documentation, so as to verify each program credit. D&T found that seven of the 25 credit

selections were not recorded in accordance with the Commission's Energy Assistance Resource Guide, although VEDO identified one of the seven and corrected it during the audit period. D&T adds that, because of the exceptions identified that were associated with the selections, PIPP credits for the period ended April 30, 2016, were overstated by \$4,049.30.

{¶ 17} VEDO filed its comments on September 30, 2016, concerning the audit of the PIPP rider. VEDO concurs with D&T's findings. VEDO determined that the seven exceptions were caused by three customer billing system defects and incomplete processing of account transfers. Two of the billing system defects have been identified and corrections implemented or underway; the remaining billing system defect was an isolated incident and is not related to a recurring defect. VEDO adds that two of the exceptions are related to account balances that were transferred because of change of address. VEDO determined that an account representative omitted a step necessary for the transfers; since then, VEDO has provided additional training to its account representatives. Additionally, VEDO notes that its corporate audit department has been engaged to perform an evaluation of the systematic processes impacting the application of PIPP credits.

{¶ 18} No reply comments were filed concerning the PIPP rider audit.

{¶ 19} The Commission has reviewed the reports filed in these dockets by D&T, as well as VEDO's comments. The Commission concludes that D&T found no material discrepancies in VEDO's calculation of the ETC, UEX, and PIPP riders that were not resolved by VEDO. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *VEDO 2016 EXR Case*, *VEDO 2016 UEX Case*, and *VEDO 2016 PIPP Case* should be adopted.

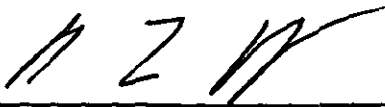
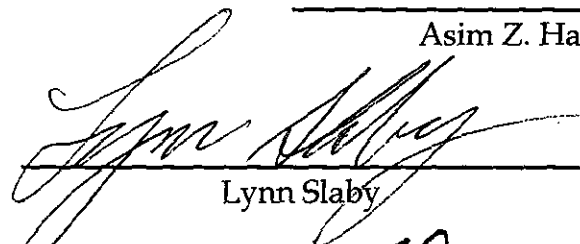

III. ORDER

{¶ 20} It is, therefore,

{¶ 21} ORDERED, That the findings of D&T set forth in the audit reports docketed in these cases be adopted. It is, further,

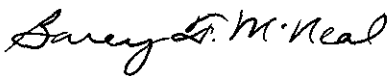
{¶ 22} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 23} ORDERED, That a copy of this Finding and Order be served upon VEDO and upon all other persons of record in these proceedings.

THE PUBLIC UTILITIES COMMISSION OF OHIO
Asim Z. Haque, Chairman
Lynn Slaby
M. Beth Trombold
Thomas W. Johnson
M. Howard Petricoff

JML/sc

Entered in the Journal

OCT 26 2018Barcy F. McNeal
Secretary