



**Public Utilities
Commission**

Asim Z. Haque, Chairman

Commissioners

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Thomas W. Johnson
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FILE

August 30, 2017

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

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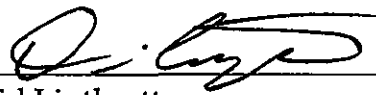
RE: *In the Matter of the Application of Vectren Energy Delivery of Ohio for Approval to Change Accounting Methods*, Case No. 15-1741-GA-AAM.

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation regarding the compliance filing made by Vectren Energy Delivery of Ohio, Inc., Case No. 15-1741-GA-AAM.



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Liphtratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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Vectren Energy Delivery of Ohio, Inc.
Case No. 15-1741-GA-AAM

SUMMARY:

By Opinion and Order (Order) dated November 3, 2016, the Commission approved Vectren Energy Delivery of Ohio's (Vectren or Company) application in the above referenced case to establish a regulatory asset to defer up to \$4.0 million annually, without carrying charges, for expenses related to its Distribution Accelerated Risk Reduction (DARR) Program. The DARR Program is designed to reduce key risks, continue to ensure the safe and reliable operation of its system, and ensure compliance with pipeline safety laws. The Commission's Order required Vectren to file an annual report on the DARR Program by June 1 each year. The report was to include annual and cumulative DARR Program expenses, monthly expenditures for each DARR component on an annual basis, and an audit report prepared by the Company's external auditor regarding the accuracy of Vectren's accounting for DARR Program expenditures. The report was to also include items such as the DARR Program's progress toward reducing risks to Vectren's system, the result of ongoing and future investigations, any mid-term adjustments to DARR projects or programs, and the Company's effort towards identifying inefficiencies and implementing cost saving measures.

On June 1, 2017, Vectren filed its annual report for the DARR Program detailing expenses deferred for calendar year 2016. Pursuant to the Commission's Order, Staff has 90 days to file a report regarding the proposed DARR Program deferrals.

STAFF REVIEW AND RECOMMENDATIONS:

Staff has reviewed Vectren's 2017 annual report and accompanying attachments that were filed in this case and finds that Staff's oversight of Vectren's DARR and related deferrals would be improved if the Company includes more comprehensive and detailed audit reports by its outside auditing company in future DARR annual reports. As a result, Staff recommends that the Commission direct Vectren to include a more comprehensive and detailed audit report by its outside auditing company in future DARR annual reports similar to the external auditor's report that Columbia Gas of Ohio filed on June 1, 2017 in Case No. 14-1615-GA-AAM. In addition, while Vectren provided the total annual expenses for each DARR program safety initiative in its annual report, it did not include a breakdown of expenses by-month as the other gas utilities did. Staff found the monthly breakdown of expense useful during review of the annual reports. Therefore, Staff recommends that Vectren provide a breakdown of DARR Program expenses both monthly and per year in future annual reports. Otherwise, Staff has no objections to Vectren's 2017 annual report and recommends that it be accepted as filed. However, as noted in Staff Comments filed in this case and acknowledged in the Commission's Order, Staff's lack of objection to Vectren's Annual Report should not be construed as support for future recovery of the DARR Program deferrals.