



The Public Utilities Commission of Ohio

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

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June 20, 2008

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

RE: Case No. 08-653-GA-UEx,
*In the Matter of the Application of Vectren Energy Delivery of Ohio for
Approval of an Adjustment to its Uncollectible Expense Rider Rate*

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Vectren Energy Delivery of Ohio's application for an adjustment to its uncollectible expense rider in Case No. 08-653-GA-UEx.

Respectfully submitted,

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

PUCO

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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.	:	Case No. 08-653-GA-UEX
for Approval of an Adjustinent to its	:	
Uncollectible Expense Rider Rate.	:	

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

Date submitted: June 20, 2008

Application of Vectren Energy Delivery of Ohio, Inc.
Case No. 08-653-GA-UEx

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five gas companies, including Vectren Energy Delivery of Ohio, Inc. (VEDO). The mechanism approved allows for recovery of actual bad debts through a rider, rather than through base rates. VEDO implemented its first uncollectible expense rider in April of 2004.

VEDO filed the current application to revise their uncollectible expense rider on May 29, 2008. Staff has completed its review of the application and herewith provides a brief description of the application, its attachments, our review and recommendation.

Application

VEDO's application proposes a decrease in the rider rate from \$.01882 to \$.01165 per hundred cubic feet (Ccf). The proposed rate is based upon actual arrearages as of April 30, 2008, and projected uncollectible expense and recoveries for May 2008 through April 2009.

Attachment 1 provides VEDO's annual balance reconciliation for calendar year 2007 and preliminary information for the first 4 months of 2008. VEDO includes the over or under-refunded GCR rate adjustment balance at the end of February 2007 in the unrecovered uncollectible expense rider balance, as ordered in the December 21, 2005 Second Entry on Rehearing in Case No. 02-220-GA-GCR. The remaining un-refunded GCR rate adjustment reduced the uncollectible expense balance by \$277,140 at the end of March 2007 and \$85,085.13 in December 2007. Staff notes that the beginning 2007 outstanding balance was adjusted by \$49,845 due to a revision to the calculation of pre-2006 carrying charges as was discussed in the comments to Case No. 06-755-GA-UEx.

Attachment 2 is 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, 2009. Staff believes that the proposed rate of \$.01882 per Ccf is appropriate. Attachment 3 provides the proposed tariff sheets.

Independent Financial Audit

On January 16, 2008, VEDO filed its independent auditor's report submitted to VEDO on January 9, 2008 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 2006, comparing the figures reported by VEDO to those determined by Deloitte. Staff notes that Deloitte's report and the 2006 balance report, with the aforementioned revised carrying cost calculation agree except as noted by Deloitte in item f) of its report:

- f) "We obtained the Accounts Receivable Regulatory Asset balance from the Company's general ledger account number 1905922 at December 31, 2006, and found the balance recorded on the general ledger is \$10,417 higher than the December 2006 Balance- End of Month included in Attachment 1 of PUCO Case No. 07-658-GA-UEx. We were informed by the Company that the difference relates to the true up of the carrying charges recorded in accordance with PUCO Case No. 07-658-GA-UEx."

Recommendation

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 VEDO's bad debts written off. Staff recommends that the proposed Uncollectible Expense Rider of Vectren Energy Delivery of Ohio, Inc. of \$.01165 per Ccf be approved.

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. The 2007 annual balance reconciliation will be addressed by VEDO's independent auditor as part of the upcoming Gas Cost Recovery (GCR) financial review scheduled later this year, and then reviewed by Staff when filed. During that audit, the independent auditor should review, evaluate and report on VEDO's filed balance reconciliations covering 2007. Any required adjustment to those balance reconciliations will be considered in future bad debt rider revisions. VEDO's independent auditor shall randomly sample customers whose balances have been written-off to determine if the write-offs were timely and how subsequent payments were accounted for. VEDO's independent auditor also shall reconcile the \$10,417 discrepancy as identified in Deloitte's January 9, 2008 report and as noted above.

Staff has performed a preliminary review of the filed balance reconciliation covering calendar year 2007 and the application. At this time, Staff does not propose any adjustment to the balance reconciliation and believes that the application appropriately calculates the rider. Staff recommends that the new Uncollectible Expense Rider of Vectren Energy Delivery of Ohio, Inc. of \$.01165 per Ccf be approved.