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attorneys at law

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PUCO

Renee J. Jenkins  
Secretary  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

**Re: Case No. 08-220-GA-GCR**  
**AUDIT OF UNCOLLECTIBLE EXPENSE RIDER**

Dear Secretary Jenkins:

Attached please find the Audit of the Uncollectible Expense Rider conducted by Deloitte and Touche LLP of Vectren Energy Delivery of Ohio in the above-styled proceeding.

Thank you for your attention to this matter.

Very truly yours,



Gretchen J. Hummel

**Attorney for Vectren Energy Delivery of  
Ohio, Inc.**

GJH:vlp  
Enclosure

cc: Parties of Record

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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED- UPON PROCEDURES**

The Board of Directors of  
Vectren Energy Delivery of Ohio:

We have performed the procedures enumerated below, which were agreed to by Vectren Energy Delivery of Ohio (the "Company") and provided to the Public Utility Commission of Ohio (the "PUCO") and the Ohio Consumers' Counsel (the "OCC"), solely to assist the specified parties in the evaluation of the recovery of uncollectible expense through an uncollectible expense recovery mechanism for the year ended through December 31, 2007, in conjunction with the PUCO Case No. 03-1127-GA-UNC. The Company's management is responsible for the uncollectible expense recovery mechanism. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

### **Uncollectible Expense Recovery Mechanism**

- a) We obtained from Company management, and proved the arithmetic accuracy of, the accounting schedules summarizing the following items included as a component of the uncollectible expense recovery mechanism for the year ended December 31, 2007.
  1. Uncollectible expense charge offs for the year ended December 31, 2007 of \$7,520,793, net of recoveries estimated by management of \$1,425,886.
  2. Billed and unbilled recovery of uncollectible expense for the year ended December 31, 2007 of \$5,931,583.
  3. Other recoveries for the year ended December 31, 2007, of \$4,483,324, including \$342,225 of Gas Reconciliation Recovery Riders remaining balances related to PUCO Case No. 02-220-GA-GCR.
  4. Carrying charges for the year ended December 31, 2007 of \$64,975.
- b) We compared uncollectible expense charge offs from the schedule obtained in a) above to the Company's revenue system reports and found such amounts to be in agreement.

- c) Company management informed us that the uncollectible expense charge-offs are included in the Company's revenue system reports in b) above and noted that the uncollectible expense charge-offs do not include Percentage of Income Payment Plan (PIPP) accounts and relate only to accounts that pay the PIPP rider.
- d) We compared expected recoveries from the schedule obtained in a) above to the schedules prepared by Company personnel in the Customer Accounting Department and found such amounts to be in agreement.
- e) We haphazardly selected the months of June 2007, July 2007, and December 2007 included in the schedule obtained in a) above and performed the following procedures:
  - 1. We compared sales, energy choice and transportation volumes to volumetric revenue system reports and found such amounts to be in agreement and noted that eligible volumes relate only to accounts that pay the PIPP rider.
  - 2. We compared the uncollectible expense recovery rates for the Company with those permitted by the PUCO, as outlined in Case Nos. 05-710-GA-UEx and 06-755-GA-UEx, and found the uncollectible expense recovery rates to be in agreement. We noted that the respective uncollectible expense recovery rates have been applied to the eligible volumes that pay the PIPP rider.
  - 3. We compared customer recovery volumes to the respective revenue system reports and found the volumes to be in agreement.
  - 4. We compared the summary schedule obtained in a) above to the supporting schedules for uncollectible expense charge-offs, uncollectible expense recoveries, and other recoveries and found such amounts to be in agreement.
  - 5. We compared the interest rates utilized by the Company to calculate the carrying charges included in the schedule obtained in a) above to interest rates included in a supporting schedule we obtained from Company personnel in the Treasury department and found the interest rates to be in agreement.
- f) We made a selection of write offs and recoveries in the selected periods and noted the write offs and recoveries were in accordance with Vectren's policy. We noted no exceptions in our selections to Vectren's write off and recovery policy.

#### **Accounts Receivable Regulatory Asset Balance**

- g) We obtained the Accounts Receivable Regulatory Asset balance from the Company's general ledger account number 1905922 at December 31, 2007, and found the balance equal to the December 2007 Balance- End of Month.
- h) We obtained from Company management the rollforward of general ledger account numbers 1905922 and 1231000 and compared uncollectible expense charge-offs, uncollectible expense recoveries, and other recoveries to the supporting schedules obtained in e) 4. above and found such amounts to be in agreement for the months selected in e) above.

- i) We obtained from Company management the rollforward of general ledger account number 1905922 and noted that the uncollectible expense charge-offs included therein did not include PIPP accounts.
- j) We compared the amortization rate of the regulatory assets per the rollforward of general ledger account number 1905922 obtained in f) above to the rates included in PUCO Case No. 05-710-GA-UEX and 06-755-GA-UEX and found such amounts to be in agreement.
- k) We compared the Gas Cost Recovery Reconciliation Riders remaining balance of \$342,225 per the rollforward of general ledger account number 1905922 obtained in f) above to the rollforward of general ledger account numbers 2522580 and 2522590 and found such amounts to be in agreement.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Company's compliance with the uncollectible expense recovery mechanism in accordance with the PUCO Case No. 03-1127-GA-UNC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Company, the PUCO, and the OCC and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

January 8, 2009