

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Audit of the Exit)
Transition Cost Rider of Vectren Energy) Case No. 12-220-GA-EXR
Delivery of Ohio, Inc.)

In the Matter of the Audit of the)
Uncollectible Expense Rider of Vectren) Case No. 12-320-GA-UEX
Energy Delivery of Ohio, Inc.)

FINDING AND ORDER

The Commission finds:

- (1) Vectren Energy Delivery of Ohio, Inc. (VEDO) is a gas or natural gas company as defined by Section 4905.03(A)(4) and (5), Revised Code, and a public utility by reason of Section 4905.02, Revised Code. As such, VEDO is subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission), in accordance with Sections 4905.04 and 4905.05, Revised Code.
- (2) By opinion and order issued on April 30, 2008, in *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services*, Case No. 07-1285-GA-EXM (07-1285), the Commission authorized VEDO to proceed with the first and second phases of its plan to eliminate its gas cost recovery (GCR) mechanism.
- (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. In its April 30, 2008, Opinion and Order in 07-1285, 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 the Commission's Staff.

- (4) By opinion and order issued on December 17, 2003, in *In the Matter of the Joint Application of Vectren Energy Delivery of Ohio, et al., for Approval of an Adjustment Mechanism to Recover Uncollectible Expenses*, 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) By entry issued on April 18, 2012, the Commission initiated the financial audits of VEDO's ETC and UEX riders. The ETC audit was for the period April 1, 2011 through March 31, 2012, and the UEX audit was for calendar year 2011, and the first quarter of 2012. VEDO's auditor was directed to docket its audit findings for the ETC rider in Case No. 12-220-GA-EXR (12-220) and its audit findings for the UEX rider in Case No. 12-320-GA-UEX (12-320). The auditor, to be selected by VEDO, was directed to docket both audit reports in their respective dockets by September 21, 2012. Interested parties were directed to file comments and reply comments by October 5, 2012, and October 19, 2012, respectively.
- (6) The audit report for the ETC rider, for the period April 1, 2011 through March 31, 2012, was filed on September 21, 2012, in 12-220. 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. In its report, D&T noted that VEDO reported a difference of \$6.00 in its comparison of the general ledger regulatory asset balance at June 30, 2011, and the balance in the filing. In addition, D&T noted a \$14,323 over-recovery in VEDO's support schedules to the ETC rider filing for the period

April 1, 2011 to June 30, 2011, related to the annual propane inventory adjustment. D&T did not indicate any other discrepancies in VEDO's calculation of the ETC rider rate.

- (7) VEDO filed its comments concerning the ETC audit on October 2, 2012. According to VEDO, D&T noted that VEDO reported that the aforementioned \$6.00 difference was because of rounding and was corrected in the next filing. As for the \$14,323 over-recovery, stated VEDO, D&T noted that VEDO had reported that this error will be corrected in the ETC rider filing for the period April 1, 2012 to June 30, 2012, as part of this case. VEDO closed its comments by stating that it concurs with the findings in D&T's audit report.
- (8) The audit report for the UEX rider, for calendar year 2011 and the first quarter of 2012, was filed on September 21, 2012, by D&T in 12-320. The report details the procedures agreed to by VEDO and Staff that were performed by D&T. In its report, D&T noted four issues: (a) two customer balances were written off in February 2012, but were eligible for write-offs in May 2011 and September 2011; (b) the recalculated revenue requirement for one tested selection revealed an \$0.18 difference between its recalculated amount and the amount recorded by VEDO; (c) there are differences of \$1.00 and \$0.0 in D&T's comparison of the general ledger accounts receivable regulatory asset balance on December 31, 2011, and March 31, 2012, to the balances in the filing; and (d) a write-off related to a pre-2006 customer receivables balance that, under VEDO's write-off policy, should have been recorded in a previous filing period. D&T did not note any other discrepancies in VEDO's calculation of the UEX rider rate.
- (9) VEDO filed its comments concerning the UEX audit on October 2, 2012. Concerning the two customer balances that were incorrectly written off in February 2012, VEDO

stated that D&T found that the write-offs were included in the proper annual UEX filing and noted that VEDO reported that the write-off process exception has been corrected. Regarding the recalculated revenue requirement, VEDO stated that D&T noted that VEDO reported that the calculation exception has been corrected. Concerning the \$1.00 and \$0.0 differences in the comparison of general ledger accounts receivable, VEDO stated that D&T noted that VEDO's report indicates that the difference is related to rounding. Finally, regarding the write-off of a pre-2006 customer receivables balance, VEDO stated that it concurs with this finding, as well as with all other findings in the audit report.

- (10) The Commission has reviewed the reports filed in these dockets by D&T and notes that comments were filed for both the ETC and UEX rider audits. Moreover, D&T noted no material discrepancies in VEDO's calculation of either the ETC or UEX rider 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 12-220 and 12-320, should be adopted by the Commission.

It is, therefore,


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

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,

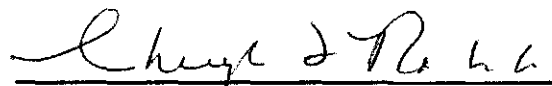
ORDERED, That a copy of this finding and order be served upon VEDO and upon all other persons of record in these proceedings.

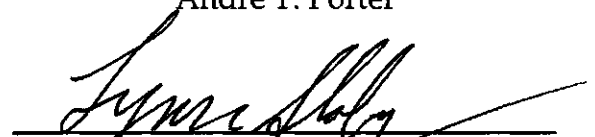
THE PUBLIC UTILITIES COMMISSION OF OHIO


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