

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Audit of the Exit)
Transition Cost Rider of Vectren) Case No. 15-220-GA-EXR
Energy Delivery of Ohio, Inc.)

In the Matter of the Audit of the)
Uncollectible Expense Rider of Vectren) Case No. 15-320-GA-UEx
Energy Delivery of Ohio, Inc. and)
Related Matters.)

In the Matter of the Audit of the)
Percentage of Income Payment Plan) Case No. 15-420-GA-PIP
Rider of Vectren Energy Delivery of)
Ohio, Inc.)

FINDING AND ORDER

The Commission finds:

- (1) 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. As such, VEDO is subject to the jurisdiction of the Commission, in accordance with R.C. 4905.04 and 4905.05.
- (2) 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.
- (3) 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.
- (4) 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 gas cost recovery mechanism. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1285-GA-EXM (*Vectren SSO Case*), Opinion and Order (Apr. 30, 2008).

- (5) 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 SSO 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.
- (6) By Opinion 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, et al.*, Case No. 03-1127-GA-ATA (*UEX Case*), Opinion and Order (Dec. 17, 2013). 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.
- (7) 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).
- (8) By Entry issued March 25, 2015, the Commission initiated the financial audits of VEDO's ETC, UEX, and PIPP riders. The ETC audit was for the period April 1, 2014, through June 30, 2015. The UEX audit was for April 1, 2014, through April 30, 2015. The PIPP audit was for rates effective April 1, 2014, through April 30, 2015. VEDO's auditor was directed to docket its audit findings for the ETC rider in Case No. 15-220-GA-EXR (*VEDO 2015 EXR Case*); audit findings for the UEX rider in Case No. 15-320-GA-UEX (*VEDO 2015 UEX Case*); and audit findings for the PIPP rider

in Case No. 15-420-GA-PIP (*VEDO 2015 PIPP Case*). The auditor, to be selected by VEDO, was directed to docket all three audit reports in their respective dockets by September 18, 2015. Interested parties were directed to file comments and reply comments by October 2, 2015, and October 16, 2015, respectively.

- (9) The audit report for the ETC rider, for the period April 1, 2014, through June 30, 2015, was filed on September 18, 2015, in the *VEDO 2015 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.
- (10) No comments were filed concerning the ETC rider audit.
- (11) The audit report for the UEX rider, for the period April 1, 2014, through April 30, 2015, was filed on September 18, 2015, by D&T in the *VEDO 2015 UEX Case*. Two discrepancies were found regarding the UEX recovery mechanism. Specifically, for bad debts written off during April 1, 2014, to April 30, 2015, a customer balance of \$3,657.09 was incorrectly written off in December 2014, rather than October 2014. Similarly, another customer balance of \$2,078.07 was incorrectly written off in March 2015, rather than November 2014. The report reflects that each account was not written off timely because it was tagged with a manual flag within the system. In addition, one discrepancy was found concerning the UEX rider regulatory asset balance. D&T obtained the regulatory asset balance at December 31, 2014, and April 30, 2015, from Vectren's general ledger account and compared the balances to the UEX rider filing, finding differences of \$3.00 and \$4.00, respectively.
- (12) On October 2, 2015, VEDO filed its comments regarding the audit of the UEX rider filing, and noted its concurrence with D&T's findings. VEDO explains that a customer billing system defect caused the \$3,657.09 and \$2,078.07 customer balances to be written off in an incorrect month. VEDO states that manual flags should not prevent write-offs of balances that are in collections status, and adds that a remedy to the billing system defect has been devised; noting

that, after testing, the remedy will be implemented in VEDO's billing system in late 2015. Finally, states VEDO, the differences of \$3.00 and \$4.00 found when comparing the regulatory asset balances at December 31, 2014, and April 30, 2015, to the balances of the UEX rider filings were related to rounding.

- (13) No reply comments were filed concerning the UEX rider audit.
- (14) The audit report for the PIPP rider filing, for rates effective April 1, 2014, through April 30, 2015, was filed on September 18, 2015, in the *VEDO 2015 PIPP Case*. One discrepancy regarding the PIPP mechanism was found. For PIPP program credits issued during April 1, 2014, to April 30, 2015, one program credit that was randomly selected by D&T was not recorded in accordance with the Commission's Energy Assistance Resource Guide. Because of this, PIPP credits for the period ending April 30, 2015, were overstated by \$77.93.
- (15) On October 2, 2015, VEDO filed its comments regarding the audit of the PIPP rider filing. VEDO agrees with D&T's findings and adds that it corrected the customer's account associated with the \$77.93 overstatement. To prevent such errors in the future, VEDO explains, starting on September 15, 2015, it implemented a daily analysis that will identify any customers that receive more than two credits in the same day.
- (16) No reply comments were filed concerning the PIPP rider audit.
- (17) The Commission has reviewed the reports filed in these dockets by D&T, as well as the comments filed by VEDO, and notes 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 2015 EXR Case*, *VEDO 2015 UEX Case*, and *VEDO 2015 PIPP Case* should be adopted.

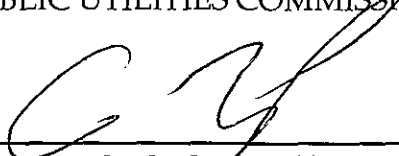
It is, therefore,

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

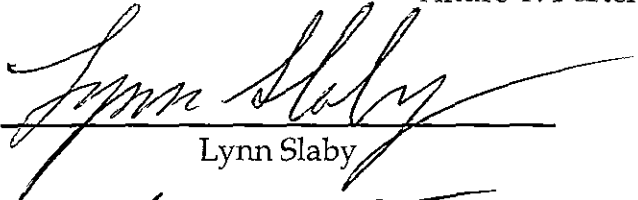
ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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



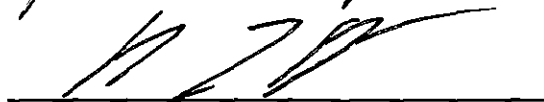
Andre T. Porter, Chairman



Lynn Slaby



M. Beth Trombold



Asim Z. Haque

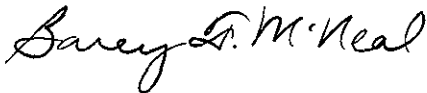


Thomas W. Johnson

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Barcy F. McNeal
Secretary