

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE AUDIT OF THE EXIT
TRANSITION COST RIDER OF VECTREN
ENERGY DELIVERY OF OHIO, INC.**

CASE No. 17-220-GA-EXR

**IN THE MATTER OF THE AUDIT OF THE
UNCOLLECTIBLE EXPENSE RIDER OF
VECTREN ENERGY DELIVERY OF OHIO,
INC.**

CASE No. 17-320-GA-UEx

**IN THE MATTER OF THE AUDIT OF THE
PERCENTAGE OF INCOME PAYMENT PLAN
RIDER OF VECTREN ENERGY DELIVERY OF
OHIO, INC.**

CASE No. 17-420-GA-PIP

FINDING AND ORDER

Entered in the Journal on November 1, 2017

I. SUMMARY

{¶ 1} The Commission adopts the findings set forth in the audit reports regarding the exit transition cost rider, uncollectible expense rider, and percentage of income payment plan rider of Vectren Energy Delivery of Ohio, Inc.

II. DISCUSSION

{¶ 2} 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 and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} 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.

{¶ 4} 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.

{¶ 5} 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 GCR mechanism. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1285-GA-EXM (*Vectren EXM Case*), Opinion and Order (Apr. 30, 2008).

{¶ 6} 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 EXM 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.

{¶ 7} By Finding 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, Inc.*, Case No. 03-1127-GA-UNC (*UEX Case*), Finding and Order (Dec. 17, 2003). 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.

{¶ 8} 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).

{¶ 9} By Entry issued May 24, 2017, the Commission initiated the financial audits of VEDO's ETC, UEX, and PIPP riders. VEDO's auditor was directed to docket its audit findings for the ETC rider in Case No. 17-220-GA-EXR (*VEDO 2017 EXR Case*); audit findings for the UEX rider in Case No. 17-320-GA-UEX (*VEDO 2017 UEX Case*); and audit findings for the PIPP rider in Case No. 17-420-GA-PIP (*VEDO 2017 PIPP Case*). The auditor, to be selected by VEDO, was directed to docket all three audit reports in their respective dockets by September 22, 2017. Interested parties were directed to file comments and reply comments by September 29, 2017, and October 13, 2017, respectively.

{¶ 10} On June 28, 2017, the Office of the Ohio Consumers' Counsel (OCC) filed a motion to intervene and memorandum in support. OCC states that it promotes the interests of VEDO's residential customers, and that its intervention will contribute to the full development and equitable resolution of the factual issues by obtaining information needed for an equitable and lawful Commission decision. OCC contends that its intervention will not unduly prolong or delay matters, as its familiarity with Commission proceedings will allow for processing the case efficiently. Finally, OCC adds that, as an advocate for residential consumers, it has a real and substantial interest concerning the rates paid by customers for VEDO's natural gas service.

{¶ 11} On July 7, 2017, Ohio Partners for Affordable Energy (OPAE) filed a motion to intervene and memorandum in support. OPAE explains that it advocates for affordable energy policies for low and moderate income Ohioans. OPAE adds that it seeks to provide essential services in the form of bill payment assistance programs, as well as weatherization and energy efficiency services. Therefore, OPAE asserts that it has a direct, real, and substantial interest in these matters and otherwise meets the intervention criteria of R.C. 4903.221 and Ohio Adm.Code 4901-1-11.

{¶ 12} No memoranda contra OCC's motion to intervene or OPAE's motion to intervene were filed.

{¶ 13} The audit report for the ETC rider, for the period July 1, 2016, through June 30, 2017, was filed on September 22, 2017, in the *VEDO 2017 EXR Case*. The audit was performed by Deloitte & Touche LLP (D&T). The report indicates only one discrepancy, namely, a \$3 difference between the ETC regulatory asset balance at June 30, 2017, from VEDO's general ledger and the regulatory balance that is calculated in Exhibit A of the ETC work papers.

{¶ 14} VEDO filed its comments regarding the ETC rider audit on September 29, 2017. VEDO concurs with D&T's findings and explains that the \$3 difference is a historical rounding exception that will be adjusted in the general ledger during the next filing period. VEDO adds that the adjustment to this balance has no impact on the ETC rider rate presented in VEDO's September 15, 2017 filing.

{¶ 15} No reply comments were filed concerning the ETC rider audit.

{¶ 16} The audit report for the UEX rider, for the period May 1, 2016, through April 30, 2017, was filed on September 22, 2017, in the *VEDO 2017 UEX Case*. Two discrepancies were found by D&T regarding the UEX recovery mechanism. One customer had a write-off of \$1,501.62, but according to VEDO policy and records, the write-off should have been \$1,512.71. In addition, another customer's balance of \$281.95 was written off in October 2016, but according to VEDO policy and records, the balance was ineligible to be written off in October 2016.

{¶ 17} On September 29, 2017, VEDO filed comments regarding the audit of the UEX rider. VEDO concurs with D&T's findings. VEDO determined that the first discrepancy was caused by a system error within the billing computer system. VEDO subsequently created a validation report to determine which accounts were affected by the system error and will make the necessary corrections. Regarding the second discrepancy, VEDO determined that the validation report was incorrectly used by an account representative, causing the account to be written off earlier than policy would dictate. VEDO has since made changes to the validation report that should prevent similar errors in the future. VEDO states that neither discrepancy resulted in a misstatement of the UEX deferral for this filing period.

{¶ 18} No reply comments were filed concerning the UEX rider audit.

{¶ 19} The audit report for the PIPP rider, for the period May 1, 2016, through April 30, 2017, was filed on September 22, 2017, in the *VEDO 2017 PIPP Case*. The only discrepancy identified by D&T was a \$305.14 delta credit that, based on supporting documentation from VEDO management, should not have been awarded.

{¶ 20} VEDO filed its comments on September 29, 2017, concerning the audit of the PIPP rider. VEDO concurs with D&T's findings. VEDO states that the cause of the error was a manual step that was not being finalized by account representatives to correctly complete a customer account transfer. To prevent this from recurring, VEDO has increased education and training of its account representatives on this specific issue, in addition to implementing a daily balance report to identify exceptions of this type. VEDO corrected the associated customer's account and reports no net effect to the PIPP credits or to the deferred balance included for recovery in the PIPP rider.

{¶ 21} The Commission finds that OCC's motion to intervene and OPAE's motion to intervene meet the requirements for intervention set forth by R.C. 4903.221 and Ohio Adm.Code 4901-1-11(A)(2). Accordingly, the motions for intervention filed by OCC and OPAE shall be granted.

{¶ 22} The Commission has reviewed the reports filed in these dockets by D&T, as well as VEDO's comments. The Commission concludes that VEDO has taken corrective steps concerning the discrepancies found by D&T regarding VEDO's ETC, UEX, and PIPP riders. Therefore, the Commission concludes that the findings of D&T, as set forth in the audit reports docketed in the *VEDO 2017 EXR Case*, *VEDO 2017 UEX Case*, and *VEDO 2017 PIPP Case* should be adopted.

III. ORDER

{¶ 23} It is, therefore,

{¶ 24} ORDERED, That the motions for intervention filed by OCC and OPAE be granted. It is, further,

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

{¶ 26} 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,

{¶ 27} 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



Asim Z. Haque, Chairman

M. Beth Trombold

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Thomas W. Johnson

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