

## 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. 18-220-GA-EXR

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

CASE NO. 18-320-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. 18-420-GA-PIP

### FINDING AND ORDER

Entered in the Journal on November 7, 2018

#### 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 March 21, 2018, 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. 18-220-GA-EXR (*VEDO 2018 EXR Case*); audit findings for the UEX rider in Case No. 18-320-GA-UEX (*VEDO 2018 UEX Case*); and audit findings for the PIPP rider in Case No. 18-420-GA-PIP (*VEDO 2018 PIPP Case*). The auditor, to be selected by VEDO, was directed to docket all three audit reports in their respective dockets by September 21, 2018. Interested parties were directed to file comments and reply comments by October 5, 2018, and October 19, 2018, respectively.

{¶ 10} The audit report for the ETC rider, for the period July 1, 2017, through June 30, 2018, was filed on September 21, 2018, in the *VEDO 2018 EXR Case*. The audit was performed by Deloitte & Touche LLP (D&T). The report indicates that no discrepancies were found.

{¶ 11} No comments in response to the audit report for the ETC rider were filed.

{¶ 12} The audit report for the UEX rider, for the period May 1, 2017, through April 30, 2018, was filed on September 21, 2018, in the *VEDO 2018 UEX Case*. D&T selected four months during the period May 1, 2017, to April 30, 2018, in the monthly accounting schedules. Next, D&T made 25 selections of uncollectible write-offs and compared activity for the write-offs to VEDO policy. Two discrepancies were found by D&T. One customer account had a balance of \$3,865.54, but according to VEDO records, the amount should have been \$3,809.20. Another customer account had a balance of \$4,652.41, but VEDO records indicate that the amount should have been \$4,654.05.

{¶ 13} On October 5, 2018, VEDO filed comments regarding the UEX rider audit. VEDO concurs with D&T's findings and emphasizes that it will make the necessary adjustments in the next UEX filing. VEDO notes that one of the accounts in question had late fees of \$56.34 that were automatically applied by the computer billing system after the final bill was sent to the customer. VEDO adds that its Commission-approved tariff allows for late fees to be charged in this manner; however, VEDO acknowledges an additional final

bill should have been sent to the customer per company policy and records. VEDO states that such automatic application of late fees without production of an additional final bill is a customer billing system defect discovered in late 2016; a manual system correction was implemented in July 2017 to prevent future such errors.

{¶ 14} Regarding the discrepancy for the second account, VEDO notes that, although the \$1.64 understatement of the write-off balance had no effect on the UEX recoverable balance, it was an exception to VEDO policy. VEDO explains that the account had been previously written off and was in bad debt status as of February 2017. VEDO notes that, in March 2017, because of the Commission's Winter Reconnect Order, the account was recalled, but the full balance of the account did not recall, leaving \$1.64 in write-off status that was still billable to the customer. VEDO further notes that, in September 2017, the account was written off again, leaving the \$1.64 in written-off status for six months without being recalled. VEDO acknowledges this customer billing system defect can happen with "aged accounts" that are written off and recalled multiple times. VEDO adds that this is a known defect and that it has submitted a system data correction request to its technical team to resolve the problem.

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

{¶ 16} The audit report for the PIPP rider, for the period May 1, 2017, through April 30, 2018, was filed on September 21, 2018, in the *VEDO 2018 PIPP Case*. D&T selected 25 PIPP credits within the monthly accounting schedule for the aforementioned period. Next, regarding delta credits, D&T recalculated the selected program credit based on amounts included in the customer bill and the PIPP payment amount received. One discrepancy was found; specifically, D&T recalculated the credit for one customer account at \$16.67, compared to VEDO's calculation of \$395.09.

{¶ 17} VEDO filed its comments on October 5, 2018. VEDO concurs with D&T's findings and emphasizes that it will make the necessary adjustment in the next PIPP filing. VEDO notes that, as a result of this discrepancy, a customer billing system defect has been

identified that results in credits being incorrectly applied. VEDO explains that the error was caused by (1) a customer dropping off of PIPP upon the customer's request, (2) the same customer signing up for PIPP at a later date, and (3) the same customer paying the required PIPP payment on time. VEDO states that its technical team will investigate, isolate the cause, and resolve the problem, but because of competing resources and scheduled system processes, the technical team cannot begin the investigation process before the first quarter of 2019. Until a permanent correction is implemented, VEDO adds that it will review accounts that fall within the defect criteria and will manually adjust any reviewed account that does not comply with PIPP rules.

{¶ 18} No reply comments were filed.

{¶ 19} 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 2018 EXR Case*, *VEDO 2018 UEX Case*, and *VEDO 2018 PIPP Case* should be adopted.

### III. ORDER

{¶ 20} It is, therefore,

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

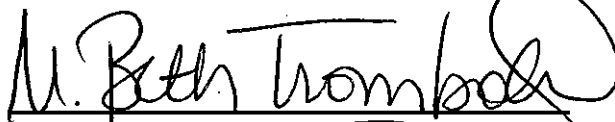
{¶ 22} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 23} ORDERED, That a copy of this Finding and Order be served upon VEDO and upon all other persons of record in these proceedings.

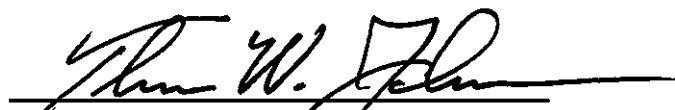
THE PUBLIC UTILITIES COMMISSION OF OHIO



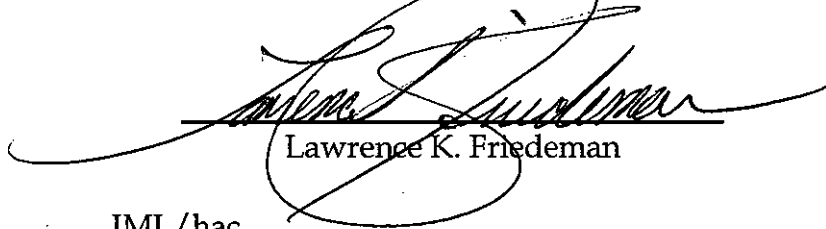
Asim Z. Haque, Chairman



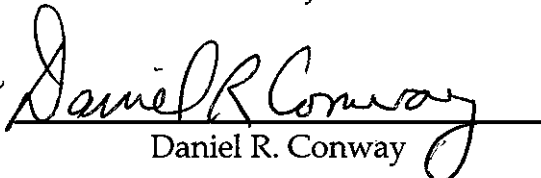
M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman



Daniel R. Conway

JML/hac

Entered in the Journal

**NOV 07 2018**



Barcy F. McNeal  
Secretary