

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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2004 FEB 23 PM 3: 50

In the Matter of the Application of Vectren)
Energy Delivery of Ohio, Inc. and Other)
Stakeholders for Approval of a Stipulation)
That Would Establish a Gas Choice Program)

Case No. 02-1566-GA-ATA PUCO

OBJECTIONS TO THE STAFF REPORT
OF INVESTIGATION

Pursuant to the June 25, 2002 Joint Stipulation and Recommendation ("Stipulation") filed in this docket, the Office of the Ohio Consumers' Counsel ("OCC") exercises its right to "challenge Staff's findings and recommendations, the adequacy of VEDO's supporting documentation and the reasonableness of the amount of Transportation Program Costs ("TPC")."¹ The OCC files these objections to the Staff's findings and recommendations ("Staff Recommendations") in response to the Report of Vectren Energy Delivery of Ohio, Inc. ("VEDO") on the Transportation Program Cost Rider ("TPC Report") filed on December 5, 2003.

In the Staff Recommendations, the Staff discussed its review of VEDO's recovery of \$0.05 per Mcf of costs through the TPC rider which is designed "to recover all information technology and business system development expenses; information and educational advertising expenses; program roll out expenses; incremental regulatory and administrative expenses; and ongoing program costs, including labor cost required for development, promotion, operation, and maintenance of the choice program."²

¹ Stipulation, ¶ G, at 7-8.

² Staff Recommendations at 2, quoting Stipulation, Ex. C-1 (II)(B).

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I. THE OCC OBJECTS TO THE STAFF FAILING TO CLARIFY WHAT IT MEANS BY VEDO'S "IMPROPER CLASSIFICATION OF COSTS," AND THE IMPROPER CLASSIFICATION SHOULD BE FURTHER SCRUTINIZED.

The Staff stated that VEDO intends to correct an improper classification of costs on its ledger by adjusting its booked depreciation.³ VEDO does not believe that the adjustment will have much effect on the "final outcome of the report."⁴ The Staff gave little detail as to the dollars that relate to the improper classification of costs.⁵ Staff did not explain why the adjustment will not have much effect on the final outcome of the report. Nor did the Staff explain what it means by a "final outcome of the report."⁶ The OCC objects to the lack of clarity in the Staff's discussion of this issue and would like further details. Moreover, the OCC reserves its rights to challenge the adjustment if OCC does not believe it is proper after the issue is clarified.

II. THE OCC OBJECTS TO THE STAFF'S FAILURE TO CLARIFY WHAT IT MEANT BY ITS INQUIRY INTO THE REASONABLENESS OF CERTAIN CHOICE PROGRAM EXPENDITURES, AND THESE EXPENDITURES SHOULD BE FURTHER SCRUTINIZED.

The Staff reported that after its inquiry into the reasonableness of certain choice program expenditures, VEDO provided certain justifications and agreed to voluntarily forgo recovery of certain expenditures.⁷ The Staff did not identify the expenditures that VEDO agreed to forgo or what amounts were at issue. The Staff concluded that since the

³ Id.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id.

costs do not affect the TPC Rider, no Commission action is necessary at this time.⁸

However, the Staff did not explain why the costs do not affect the TPC Rider.

When VEDO implemented its new version of the Banner Billing software, VEDO's affiliates were simultaneously receiving software upgrades.⁹ The current TCP Rider Report does not demonstrate that the related expenses have been appropriately allocated among VEDO and VEDO's affiliates. Nor did the Staff discuss this issue in the Staff Recommendations. Additionally, both VEDO and Southern Indiana Gas and Electric Company ("SIGECO") benefited from MDSI Testing Support project costs,¹⁰ and it is not clear from either the TPC Rider Report or the Staff Recommendations that those costs were appropriately allocated between VEDO and SIGECO.

The Staff also stated that the TPC Rider would recover "* * * ongoing program costs, including labor cost * * *" when the Stipulation only referred to the recovery of *incremental* labor program costs.¹¹ The Staff should ensure that only incremental labor program costs are recovered in its on-going review. Moreover, the OCC reserves its rights to challenge the choice program expenditures if OCC does not believe they are proper after the Staff clarifies its position on the issues discussed above.

⁸ Id.

⁹ Per Company at the November 20, 2002 VEDO Supplier Meeting.

¹⁰ Company response to OCC Request for Production No. 6.

¹¹ Id. at 1.

III. OCC OBJECTS TO THE STAFF'S FAILURE TO CLARIFY WHAT IT MEANT BY THE "LACK OF PRECISION" IN THE TPC RIDER REPORT AND STAFF'S RECOMMENDATION THAT VEDO CONTINUE TO WORK WITH THE STAFF, AND FURTHER ACTIONS AND REPORTING BY THE STAFF MUST ALLOW FOR FURTHER OBJECTIONS BY THE OCC UNDER THE STIPULATION.

The Staff had only two months to review the TPC Rider Report, to ask and receive discovery about the Report and to review the hundreds of invoices relating to the TPC Rider components. Staff was faced with a monumental, if not impossible task. Staff's recommendation that "the Company continue to work with the Staff to produce an updated and more precise TPC Rider annual report"¹² appears to be reasonable. However, the Commission should direct the Staff to inform interested parties about Staff's findings and recommendations regarding the recoverability of specific costs so parties will have the opportunity to challenge the Staff's findings and recommendations as agreed to in the Stipulation.¹³

Additionally, the Staff indicated that its review of the TPC Rider Report was not final. For example, it stated, "Staff will continue monitoring VEDO's natural gas choice program expenses and will respond to the annual TPC Rider report."¹⁴ However the Staff did not describe the procedure that it will use. While Staff did mention review of certain items in a future rate case,¹⁵ Staff did not specifically state that it believes that all of the TPC Rider costs are reviewable in a rate proceeding. Accordingly, the Commission should direct Staff to clarify the procedure that it intends to use and the means whereby interested parties can oppose the recovery of costs through the TPC Rider. The OCC

¹² Id at 3.

¹³ Stipulation at 7.

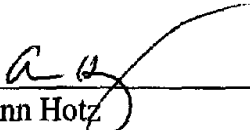
¹⁴ Id.

¹⁵ Id.

reserves its rights to challenge the Staff's procedures and later recommendations that were not clarified or finalized in the Staff Recommendations.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Office of the Ohio Consumers' Counsel's
Objections to the Staff Report of Investigation have been served upon the following
parties by first class mail this 23rd day of February 2004.



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