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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Regulation of the)
Purchased Gas Adjustment Clause) Case No. 04-220-GA-GCR
Contained within the Rate Schedules) Case No. 05-220-GA-GCR
of Vectren Energy Delivery of Ohio, Inc.)
and Related Matters.)

**PREPARED DIRECT TESTIMONY
OF SCOTT E. ALBERTSON
ON FINANCIAL AND UNCOLLECTIBLE EXPENSE AUDITS
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.**

Samuel C. Randazzo, Trial Attorney
Gretchen J. Hummel
Lisa G. McAlister
Daniel J. Neilsen
McNees, Wallace & Nurick
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215
(614) 469-8000 (T)
(614) 469-4653 (F)
sam@mwncmh.com
ghummel@mwncmh.com
lmcalister@mwncmh.com
dneilsen@mwncmh.com

Robert E. Heidorn
Vice President and General Counsel
Vectren Corporation
One Vectren Square
Evansville, IN 47708

September 29, 2006

Counsel for Vectren Energy Delivery
of Ohio, Inc.

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**PREPARED DIRECT TESTIMONY
OF SCOTT E. ALBERTSON**

- 1 **Q1. Please state your name and business address.**
- 2 A1. Scott E. Albertson, One Vectren Square, Evansville, Indiana, 47708.
- 3 **Q2. By whom are you employed?**
- 4 A2. I am Director of Regulatory Affairs for Vectren Utility Holdings, Inc.
5 ("VUHI"), the immediate parent company of Vectren Energy Delivery of
6 Ohio, Inc. ("VEDO").
- 7 **Q3. Please describe your educational background.**
- 8 A3. I received a Bachelor of Science degree in mechanical engineering from
9 Rose-Hulman Institute of Technology in 1984.
- 10 **Q4. Are you a Registered Professional Engineer?**
- 11 A4. Yes. I have been a professional engineer in Indiana since 1990
12 (registration number 900464).

1 **Q5. Please describe your professional experience.**

2 A5. I have over 22 years experience in the utility industry, primarily in the
3 operations and engineering areas. I have worked at VUHI and its
4 predecessor companies since 1987 in a variety of positions including
5 Operations Staff Manager, Assistant Chief Engineer, Director of
6 Engineering Projects, and Director of Engineering. Prior to assuming my
7 current role in 2004, I was Director of Technical Services with
8 responsibility for engineering and technical support for all VUHI utility
9 operations. I began my career with Ohio Valley Gas Corporation in a
10 project engineering position.

11 **Q6. What are your present duties and responsibilities as Director of**
12 **Regulatory Affairs?**

13 A6. I have responsibility for the regulatory matters of the regulated utilities
14 within VUHI, including proceedings before the Indiana and Ohio utility
15 regulatory commissions.

16 **Q7. What is the purpose of this testimony in this proceeding?**

17 A7. The purpose of this testimony is to address the reports submitted by
18 VEDO's financial auditor that cover the audit period November 1, 2003 to
19 April 30, 2006 as directed by the Commission in these proceedings.

1 I am also adopting the information contained in the annual reports of
2 VEDO's Uncollectible Expense Rider for 2004 and 2005 and testifying
3 about the audit reports of this rider submitted by VEDO's financial auditor.

4 **FINANCIAL AUDIT FINDINGS**

5 **Q8. Please identify the financial audit reports filed by Deloitte & Touche**
6 **("D&T").**

7 A8. D&T filed two financial audit reports in these proceedings. The first report
8 was filed on July 15, 2005 and covered the period November 1, 2003 to
9 October 31, 2004. The second report, filed on August 18, 2006, covered
10 the period November 1, 2004 to April 30, 2006, as required by the
11 Commission's September 14, 2005 Entry herein.

12 **Q9. Have you reviewed the findings of the financial audits filed by D&T in**
13 **this proceeding?**

14 A9. Yes. D&T found in both reports that VEDO complied with the overall
15 objectives of the uniform financial audit as outlined in Chapter 4901:1-14-
16 07 of the Ohio Administrative Code. In particular, the auditor found that
17 VEDO's GCR rates during its audit period were fairly determined in
18 accordance with the financial procedural aspects of the Ohio
19 Administrative Code and that VEDO had properly applied GCR rates to
20 customer bills.

1 **Q10. Does VEDO agree with the above-referenced findings?**

2 A10. Yes.

3 **Q11. Did D&T audit VEDO's compliance with the provisions of the**
4 **Stipulation and Agreement adopted by the Commission in Case No.**
5 **03-220-GA-GCR?**

6 A11. Yes. In its July 15, 2005 report, D&T verified that 349 residential accounts
7 to which the GCR transition rider had not been applied in February 2003
8 were properly credited in May 2004.

9 In both financial audit reports, D&T tested the application of the GCR rate
10 and monthly EGC to customer bills and found that VEDO properly applied
11 the GCR rates to customer bills.

12 **Q12. Please comment on D&T's discussion in its July 15, 2005 report of**
13 **overstated recoveries on the filings effective May 1, 2003 and August**
14 **1, 2003.**

15 A12. These identified overstated recoveries were discussed in D&T's financial
16 report and in the testimony of Jerrold L. Ulrey filed in Case No. 03-220-
17 GA-GCR. As stated in the Commission's June 30, 2004 Order in that
18 case, VEDO corrected these errors by adjusting the balance adjustment
19 ("BA") for rates effective February 1, 2004.

1 **Q13. Please comment on D&T's finding in its July 15, 2005 report with**
2 **regard to an overstatement of recoveries in the filing effective**
3 **November 1, 2003.**

4 A13. In the filing effective November 1, 2003, D&T found an overstatement of
5 recoveries from ratepayers in the amount of \$72,843. This amount was
6 refunded to ratepayers through a credit to the BA in the filing effective
7 February 1, 2004.

8 **Q14. Please comment on D&T's finding in its August 18, 2006 report with**
9 **regard to an understatement of recoveries in the filing effective**
10 **August 1, 2005.**

11 A14. D&T found an understatement of recoveries in the amount of \$82,277 in
12 the filing effective August 1, 2005. This error was corrected by an
13 adjustment to the actual adjustment ("AA") for the rates effective
14 November 1, 2005.

15 **Q15. Please comment on D&T's discussions in its July 15, 2005 and**
16 **August 18, 2006 reports of the Company's analysis with regard to the**
17 **level of Unaccounted For Gas ("UFG") as of November 1, 2002.**

18 A15. In its reports, D&T notes that the analyses of the UFG as of October 31,
19 2004 and April 30, 2006, indicate that the annual percentage, which is
20 calculated as the difference between the measured volume of total gas
21 supply and the measured volume of gas disposition divided by the volume

1 of gas supply, is below the five percent ceiling currently imposed by the
2 Commission as set forth in Case No. 86-2011-GA-ORD.

3 **UNCOLLECTIBLE EXPENSE RIDER AUDIT FINDINGS**

4 **Q16. Please identify the audits of VEDO's Uncollectible Expense Rider**
5 **filed by D&T.**

6 A16. D&T filed two audit reports of VEDO's Uncollectible Expense Rider in this
7 proceeding. One was filed on August 31, 2005 and covered the period
8 January 1, 2004 to December 31, 2004. The second, filed on August 18,
9 2006, covered the period January 1, 2005 to December 31, 2005.

10 **Q17. Please comment on the results of D&T's audits of VEDO's**
11 **uncollectible expense recovery mechanism.**

12 A17. D&T reported the following:

13 1. D&T proved the mathematical accuracy of the accounting schedule
14 of the following components of the uncollectible expense recovery
15 mechanism from January 1, 2004 to December 31, 2005:

16 a. Uncollectible expense charge-offs, net of expected
17 recoveries.

18 b. Recovery of uncollectible expense through base rates
19 through March 2004 and through the applicable Uncollectible
20 Expense from April 2004 through December 2005.

- 1 c. Other recoveries for the period January 1, 2004 through
2 December 31, 2005.
- 3 d. Carrying charges for the period January 1, 2005 through
4 December 31, 2005.
- 5 2. D&T compared the uncollectible expense charge-offs from the
6 accounting schedule to Banner revenue system reports, found all
7 amounts to be in agreement, and, for the period January 1, 2005
8 through December 31, 2005, noted that eligible charge-offs used on
9 the calculations relate only to accounts that pay the Percentage of
10 Income Payment Plan ("PIPP") rider.
- 11 3. For the period January 1, 2005 through December 31, 2005, D&T
12 verified that the uncollectible expense charge-offs included in the
13 Banner revenue system reports do not include PIPP accounts and
14 relate only to accounts that pay the PIPP rider.
- 15 4. D&T compared expected recoveries from the accounting schedule
16 to schedules prepared by VEDO Customer Accounting Department
17 personnel and found all amounts to be in agreement.
- 18 5. D&T "haphazardly" selected three months of data from 2004 and
19 three months from 2005 from the accounting schedule and
20 performed the following:
 - 21 a. Compared sales, energy choice, and transportation volumes
22 to volumetric Banner revenue system reports, found them to

1 be in agreement, and noted that eligible volumes relate only
2 to accounts that pay the PIPP rider.

3 b. Compared uncollectible expense recovery rates for VEDO
4 with those approved by the Commission in Case Nos. 03-
5 2571-GA-ATA, 04-737-GA-UJEX, and 05-710-GA-UJEX, found
6 them to be in agreement, and noted that the respective rates
7 had been applied to eligible volumes that pay the PIPP rider.

8 6. D&T compared the accounts receivable discounts withheld from
9 choice suppliers to the Banner revenue system reports and found
10 them to be in agreement for months selected in 5 above.

11 7. D&T compared customer recovery volumes to the respective
12 Banner revenue system reports and found them to be in agreement
13 for the months selected in 5 above.

14 8. D&T compared supporting schedules for uncollectible expense
15 charge-offs, uncollectible expense recoveries, and other recoveries
16 to the summary schedule and found them to be in agreement for
17 the months selected in 5 above.

18 9. For the period January 1, 2005 through December 31, 2005, D&T
19 compared interest rates in a supporting schedule prepared by
20 VEDO Treasury Department personnel to the interest rates utilized
21 to calculate the carrying charges included in the accounting
22 schedule and found them to be in agreement for the months
23 selected in 5 above.

1 **Q18. Please comment on the results of D&T's review of VEDO's accounts**
2 **receivable regulatory asset balance.**

3 A18. D&T found the following:

- 4 1. D&T obtained the accounts receivable regulatory asset balance
5 from the general ledger account number 1905922 at December 31,
6 2004 and December 31, 2005. D&T noted that the difference in the
7 general ledger December 2005 balance and the December 2005
8 End of Month balance reflected in Attachment 1 of VEDO's
9 application in Case No. 06-755-GA-UJEX was related to true up of
10 the carrying charges based on the amounts included in Attachment
11 1 in Case No. 06-755-GA-UJEX.
- 12 2. D&T compared the uncollectible expense charge-offs, uncollectible
13 expense recoveries, and other recoveries in the roll-forward of the
14 general ledger account numbers 1905922 and 1231000 to the
15 supporting schedules; verified, for the period January 1, 2004
16 through December 31, 2004, that the uncollectible expense charge-
17 offs and recoveries recorded against these accounts relate to the
18 reserves originally recorded; and, for the period January 1, 2005
19 through December 31, 2005, found them to be in agreement for the
20 months selected in 5 above.
- 21 3. For the period January 1, 2005 through December 31, 2005, D&T
22 verified that the uncollectible expense charge-offs included in the

1 roll-forward of the general ledger account number 1905922 did not
2 include PIPP accounts.

3 4. For the period January 1, 2005 through December 31, 2005, D&T
4 compared the amortization rate of the regulatory assets per the roll-
5 forward of general ledger account number 1905922 to the rates
6 included in Case No. 04-737-GA-UEx and found them to be in
7 agreement.

8 **Q19. Does this conclude your Prepared Direct Testimony?**

9 A19. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Prepared Direct Testimony of Scott E. Albertson* has been sent via ordinary U.S. Mail, postage prepaid, this 29th day of September, 2006 to the following:


Gretchen J. Hummel

Bobby Singh
Chester, Willcox & Saxbe LLC
65 E. State Street
Suite 1000
Columbus, OH 43215

Joe Serio
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 W. Broad Street, 18th Floor
Columbus, OH 43215

Thomas Lindgren
Assistant Attorney General
Public Utilities Commission of Ohio
180 E Broad Street, 9th Floor
Columbus, OH 43215