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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Vectren Energy Delivery of Ohio, Inc. )  
for Approval, Pursuant to Revised )  
Code Section 4929.11, of Tariffs to )  
Recover Conservation Expenses and )  
Decoupling Revenues Pursuant to )  
Automatic Adjustment Mechanisms )  
and for Such Accounting Authority as )  
May be Required to Defer Such )  
Expenses and Revenues for Future )  
Recovery through Such Adjustment )  
Mechanisms. )

Case No. 05-1444-GA-UNC

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AMENDED  
STIPULATION AND RECOMMENDATION

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January 12, 2007

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In the Matter of the Application of                     )  
Vectren Energy Delivery of Ohio, Inc. for            )  
Approval, Pursuant to Revised Code                )  
Section 4929.11, of Tariffs to Recover             )  
Conservation Expenses and Decoupling             )  
Revenues Pursuant to Automatic                    )  
Adjustment Mechanisms and for Such                )  
Accounting Authority as May be                    )  
Required to Defer Such Expenses and                )  
Revenues for Future Recovery through              )  
Such Adjustment Mechanisms.                        )

**Case No. 05-1444-GA-UNC**

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**AMENDED  
STIPULATION AND RECOMMENDATION**

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On November 28, 2005, Vectren Energy Delivery of Ohio, Inc. ("VEDO") filed an application for approval of a tariff to recover conservation expenses and decoupling revenues pursuant to automatic adjustment mechanisms and for such accounting authority as may be required to defer such expenses and revenues for future recovery through those mechanisms ("Conservation Application"). On February 1, 2006, VEDO gave a technical presentation of its Conservation Application at the Public Utilities Commission of Ohio ("Commission"). Subsequently, on February 7, 2006, the Attorney Examiner issued an Entry in which it directed that the Conservation Application be "considered a request for an alternate rate plan as described in Section 4929.01(A), Revised Code and thus...controlled by Section 4929.05, Revised Code." Conservation Application, Entry at 2 (February 7, 2006). On February 27, 2006, VEDO filed a Motion

to Incorporate Standard Filing Requirements from Rate Case requesting that certain of the standard filing requirements ("SFRs") from VEDO's recent rate case, Case No. 04-571-GA-AIR, be incorporated in the record of this proceeding, which was granted by Entry dated March 16, 2006. On March 10, 2006, VEDO filed a Motion for Waiver of Rules 4901:1-19-05 and 4901:1-19-03(B), O.A.C., which include the requirements for alternative rate plan applications and for seeking a waiver of those requirements, which was granted by Entry dated April 5, 2006.

On April 10, 2006, VEDO, Ohio Partners for Affordable Energy ("OPAЕ"), and the Office of the Ohio Consumers' Counsel ("OCC") filed a Stipulation and Recommendation ("April 10 Stipulation") for the purpose of resolving the issues in this proceeding. Rebuttal Testimony in support of the Stipulation was filed by VEDO, OPAЕ, and OCC on April 19, 2006; followed by Surrebuttal Testimony of Staff opposing the Stipulation filed on April 21, 2006. The hearing convened on April 24, 2006, at which the parties and Staff waived cross-examination of all witnesses, the record was closed, and the matter was submitted for Commission consideration.

On September 13, 2006, the Commission issued its Opinion and Order ("September Order") in which it adopted the Stipulation with certain modifications. On October 13, 2006, OCC filed its Application for Rehearing. On October 23, 2006, VEDO and OPAЕ made responsive filings to OCC's Application for Rehearing followed by Comments filed out-of-time on October 30, 2006, by the Citizens Coalition. On November 16, 2006, OCC filed a Motion to Strike VEDO's response to its Application for Rehearing. OCC's Motion to Strike and its Application for Rehearing were denied by Entry dated November 8, 2006 ("November Entry on Rehearing").

On December 8, 2006, OCC filed a Notice of Termination and Withdrawal ("OCC Withdrawal") from the April 10 Stipulation. On December 21, 2006, VEDO, OPAE, and Staff ("Parties") submitted for Commission approval a Stipulation and Recommendation ("December 21 Stipulation"), intended to preserve the result of the Commission's original order in this proceeding efficiently and expeditiously so that low-income assistance programs developed by the Conservation Collaborative as discussed below could be implemented, as planned, in early January 2007.<sup>1</sup>

On December 29, 2006, the Attorney Examiner issued an Entry ("December 29 Entry") which, *inter alia*, rejected the December 21 Stipulation and found that the "[s]ignatory parties, for clarity of record, should file within ten business days, a document that sets out all the terms and conditions of the stipulation."

This Amended Stipulation and Recommendation ("Amended Stipulation") is being filed in response to the December 29 Entry. This Amended Stipulation provides for flexibility to establish the income eligibility requirements so that a larger population of residential customers can participate in the program. Through the collaborative process ("Conservation Collaborative") that commenced as a result of the September Order, VEDO, OPAE, Staff, and OCC are collaboratively designing a program to serve a broader base of VEDO customers consistent with the needs described by the OCC.<sup>2</sup>

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<sup>1</sup> OCC attended and fully participated in all meetings of the Conservation Collaborative, including the meeting held on December 15, 2006, after OCC filed its Notice of Termination and Withdrawal of the April 10 Stipulation.

<sup>2</sup> In a September 13, 2006 press release issued by OCC after the Commission's Opinion and Order, OCC expressed concern that the Commission's modifications to the April 10 Stipulation would work against efforts to provide assistance to "households that are strapped by high natural gas bills and do not qualify for assistance through state and federal programs". (<http://www.pickocc.org/news/2006/09132006.shtml>). The ability to expand eligibility requirements to a larger population addresses the concern expressed by OCC.

The plan developed by the Conservation Collaborative anticipated that the expanded capability to offer assistance to mitigate heating season natural gas bills would begin on January 1, 2007. The OCC Withdrawal and the December 29 Entry in response to the December 21 Stipulation introduce sufficient risk to delay the planned implementation of these assistance programs. The Parties strongly desire expedited Commission consideration of this Amended Stipulation to permit delivery of assistance to the eligible customers as soon as possible.

Rule 4901-1-30, O.A.C., provides that any two or more parties to a proceeding before the Commission may enter into a written stipulation resolving the issues presented in such proceeding. The purpose of this document is to set forth the agreement of the Parties below and to recommend that the Commission approve and adopt this Amended Stipulation resolving all of the issues in the above-styled proceeding. The terms of this Amended Stipulation are supported by the information contained within the schedules and documents filed as a part of VEDO's application in this case, the SFRs incorporated by entry of March 16, 2006, the pre-filed testimony and the testimony received during the local public hearing. This Amended Stipulation is supported by adequate data and information on the record; represents a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle; and is the product of lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case. While this Amended Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving all issues presented in this proceeding, the Parties stipulate, agree, and recommend that the Commission approve

this Amended Stipulation. While the September Order and the November Entry on Rehearing provide a result different from that initially supported by any of the Parties and different from the result proposed by the April 10 Stipulation, the Parties agree that there is sufficient evidence in the record to support this Amended Stipulation. The Parties intend that approval of this Amended Stipulation will retain the result of the Commission's September Order and November Entry on Rehearing. Any unintended ambiguity, actual or perceived, in this document should be interpreted to have a meaning consistent with the terms and conditions approved in the September Order.

1. The Parties agree that VEDO will implement a two-year conservation program limited to low-income residents. VEDO commits to fund such two-year program at no cost to ratepayers by supplying \$2,000,000 provided this Amended Stipulation is adopted fully and completely without modification. Within the two-year term, VEDO shall file an application with the Commission that includes a proposal to continue the Program and a rate design proposal as an alternative to or refinement of existing mechanisms (such as the Sales Reconciliation Rider or "SRR").<sup>3</sup> The application, which may be an application to increase rates, shall be filed sufficiently in advance of the end of the two-year term to obtain Commission approval prior to the end of such two-year term.

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<sup>3</sup> This reference to the SRR is for illustration purposes only, and is not intended to limit the options available to VEDO for inclusion in its application to extend the Conservation Program beyond the minimum two-year term as described in this paragraph. The commitment by VEDO to file an application does not presume substantive support by any of the interested parties.

2. Individual conservation programs that are part of the Program will be evaluated on an ongoing basis using pertinent measures that focus on program costs and benefits achieved. Appropriate measures will be determined by the Conservation Collaborative ("Collaborative"), described in paragraph 3 below, and will include evaluations of participation levels, energy savings and gas supply cost savings. Program results, including data related to program participation and cost, and the results of any testing, will be provided to the Collaborative on at least an annual basis. The Collaborative will also consider savings related to reduced customer arrearages and uncollectibles, favorable PIPP impacts and other cost savings related to mitigating the total amount of customer bills. To the extent practicable, the Collaborative shall attempt to use available Program funding to maximize the conservation benefits provided to customers.<sup>4</sup>
3. VEDO shall serve as the Conservation Program Administrator, subject to input from a Conservation Collaborative. VEDO may use external vendors to assist in implementing certain individual programs and shall make its best efforts to make its intended use of such external vendors known to the Collaborative prior to such use becoming effective. The Conservation Collaborative shall consist of VEDO, the Commission's Staff, OCC, and OPAE. The Department of Development, Office of Energy Efficiency, will be

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<sup>4</sup> The Collaborative shall have the flexibility required to consider modifications during Program implementation. For example, the Collaborative could reallocate or target budgeted funds where and when the Collaborative judges that this action will accelerate or improve customer access to Program features provided the Collaborative judges that such action will maximize benefits.

a non-voting member of the Conservation Collaborative. Within 30 days of approval of this Amended Stipulation, the Collaborative will meet again and establish or confirm a schedule for implementing the Conservation Program contemplated prior to OCC's Withdrawal. Each member of the Collaborative shall participate in good faith and strive to resolve issues or pursue opportunities by a consensus governance process. The Collaborative will review program data and evaluations, and the Collaborative shall file periodic reports (at least annually) with the Commission in Case No. 05-1444-GA-UNC, and the Commission shall retain ongoing jurisdiction during the term of the Conservation Program. Members of the Collaborative shall make a good faith effort to resolve any disputes through the Collaborative. If a dispute remains after good faith efforts to resolve the dispute, any member of the Collaborative may bring the dispute to the Commission's attention and seek such informal or formal action as the member deems necessary to resolve the dispute. The judgment of a majority of the Collaborative shall control unless and until such judgment is abrogated or modified by the Commission.

4. The Parties represent that the Conservation Collaborative (including OCC) has met regularly since the issuance of the September Order and had reached consensus in the implementation of program offerings to assist customers consistent with the Order beginning early January 2007. The Parties request that the Commission approve this Stipulation and Recommendation forthwith on an expedited basis in order to facilitate the delivery of the conservation programs to customers as directed by the



Commission in its September Order, to minimize the delay in the current schedule created by the risk introduced in this proceeding by the OCC Withdrawal and the December 29 Entry's response to that Withdrawal.

5. VEDO shall establish and implement the Sales Reconciliation Rider ("SRR") attached hereto as Exhibit A to provide VEDO with a fair, just and reasonable opportunity to collect the base rate revenue requirement established by the Commission for the Residential and General Service customer classes in VEDO's recent base rate case (Case No. 04-571-GA-AIR). The Parties agree and recommend that the tariff sheet containing the SRR be approved as part of the Commission's response to this Amended Stipulation and that the approved tariff sheet should show issued and effective dates of September 28, 2006 and October 1, 2006 respectively. The Parties agree that the SRR will, as part of the package described herein, support proactive and good faith efforts by VEDO to promote the identification and implementation of programs designed (through the Collaborative) to provide customers with more tools to reduce the quantity of natural gas otherwise required to meet their energy requirements as well as the relative level of customers' total monthly bill. For the applicable customer classes, the SRR shall recover the difference between VEDO's weather-normalized actual base revenues and the base revenues approved in VEDO's most recent rate case, as adjusted for customer additions. The differences shall be calculated and recorded monthly beginning the first month after the approval by the PUCO in the September Order, and shall be deferred, without carrying costs, for

subsequent recovery *via* the SRR. Effective November 1, 2007 and each year thereafter, VEDO shall implement the SRR rates required to amortize, over the subsequent 12 month period, the accumulated deferred differences between VEDO's weather-normalized actual base revenues and the base revenues approved in VEDO's most recent rate case, as adjusted for customer additions consistent with the tariff language contained in Exhibit A. Once established, the SRR rates shall remain in effect for 12 months subject to the adjustment each year for a successive 12 month period. The annual SRR update shall also include a reconciliation to ensure that SRR deferrals are not over or under recovered as a result of variances between estimated and actual data. In the event that the SRR is superseded by a rate design or other mechanism or the SRR is terminated, VEDO shall continue the SRR for a period of not more than 12 months in order to recover or refund any remaining unamortized SRR balance. Any over or under recovered SRR balance at the end of the extension period will be rolled into the Uncollectible Expense Rider, Sheet No. 39, for subsequent return or recovery from customers.

6. The Parties agree and request that the Commission explicitly find that the deferral mechanism for the SRR shall continue to be effective so as to permit the deferrals provided for therein to begin as of October 1, 2006 and further agree that this timing for the commencement of this deferred accounting authority as well as the issued and effective dates for the tariff sheet

containing the SRR are necessary to support the level and timing of VEDO's funding commitment of \$2,000,000 which is further described herein.

7. Nothing in this Amended Stipulation shall be construed or applied to preclude VEDO from requesting or the Commission granting rate relief on a permanent, interim or emergency basis. Nothing in this Amended Stipulation shall be construed or applied to preclude VEDO from proposing rate structure or design changes during the effective period of the Conservation Program.
8. One year after implementation of the SRR, the Parties will have the opportunity to conduct a review to ensure that the SRR is functioning appropriately. The Commission will review the conservation program and the SRR no later than two years after the inception of the conservation program and SRR. Neither the conservation program nor the SRR may be extended without the approval of the Commission. VEDO shall maintain such records and provide such accounting information as may be reasonably required to facilitate review of the SRR by an independent auditor. The independent auditor shall ensure that the rider rates are appropriately applied to customer bills, assure that the costs in the rider are accounted for correctly and ensure that the volume numbers in the rider tie into the Company's books and records.
9. The Parties submit that this Amended Stipulation is supported by the record and does not constitute an increase in rates. The Parties accept the Commission's designation of the application in this proceeding as a request

for an alternative rate plan as described in Section 4929.01(A), Revised Code and thus controlled by Section 4929.05, Revised Code. The Parties submit that a hearing required by Section 4929.05, Revised Code, was held on May 8, 2006 and that a local public hearing was held on March 26, 2006.

10. This Amended Stipulation is a compromise involving a balance of competing positions, and it does not necessarily reflect the position that one or more of the Parties would have taken if these issues had been fully litigated. The Parties believe that this Amended Stipulation represents a reasonable compromise of varying interests and is responsive to the somewhat unique circumstances and potential uncertainty that may be created by OCC's December 8, 2006 Notice of Termination and Withdrawal from the April 7, 2006 Stipulation and Recommendation and the December 29 Entry. This Amended Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this Amended Stipulation, the Parties shall have the right, within thirty (30) days of the issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the Amended Stipulation in its entirety without material modification; any Party may seek relief from the Commission's final judgment and VEDO's commitment to provide \$2,000,000 in funding for the Programs described herein shall have no force or effect. In the event this Amended Stipulation is not adopted without material modification or the Commission does not

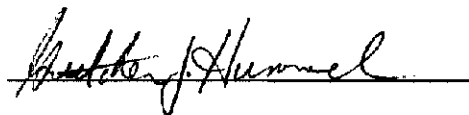
otherwise affirm the September Order, the Parties agree and recommend that the Commission should, nonetheless, provide VEDO with such accounting authority as VEDO may require to maintain any deferred balances which VEDO may have recorded in reliance on the September Order and to seek amortization of such deferred balance in its next rate proceeding or otherwise as part of any application described in this Amended Stipulation. Prior to any Party seeking rehearing or relief from the Commission's judgment pursuant to this provision, the Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of the Commission or proposes a reasonable equivalent thereto to be submitted to the Commission for its consideration.

11. The Parties request that the Commission issue an order approving this Amended Stipulation and Recommendation on an expedited basis.

WHEREFORE, the undersigned respectfully join in requesting that the Commission issue its Opinion and Order approving and adopting this Amended Stipulation and Recommendation in accordance with the terms set forth above as a means of eliminating any uncertainty that may have been created by OCC's December 8, 2006 Notice of Termination and Withdrawal from the April 7, 2006 Stipulation and Recommendation.

**Executed this 12th day of January, 2007.**

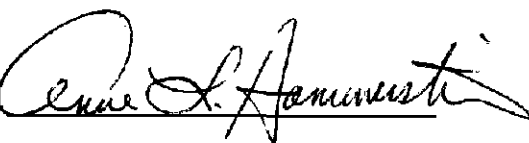
Vectren Energy Delivery of Ohio, Inc.

By: 

Ohio Partners for Affordable Energy

By: 

The Staff of the Public Utilities Commission  
of Ohio

By: 

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Amended Stipulation and Recommendation* was served upon the following parties of record this 12th day of January 2007, via hand-delivery or ordinary U.S. mail, postage prepaid.

  
Gretchen J. Hummel

## **PARTIES OF RECORD**

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## **SALES RECONCILIATION RIDER (SRR)**

### **APPLICABILITY**

The Sales Reconciliation Rider shall be applicable to all Customers served under the following Rate Schedules:

Rate 310 – Residential Sales Service and Rate 315 – Residential Transportation Service

Rate 320 – General Sales Service and Rate 325 – General Transportation Service

### **DESCRIPTION**

The Sales Reconciliation Rider (SRR) shall recover the differences between Actual Base Revenues and Adjusted Order Granted Base Revenues for the applicable Rate Schedules.

Actual Base Revenues are defined as weather-normalized monthly base revenues for such Rate Schedules, prior to the SRR adjustment.

Adjusted Order-Granted Base Revenues are defined as the monthly base revenues for the applicable Rate Schedules as approved by the Commission's Order in Company's last base rate case, as adjusted to reflect the change in number of customers from the levels approved by the Commission. To reflect the change in number of customers, Order-granted base revenue per customer is multiplied by the net change in number of customers since the like month during the test year, with the product being added to the Order-granted base revenues for such month.

Company shall defer the calculated differences between Actual Base Revenues and Adjusted Order Granted Base Revenues for the applicable Rate Schedules for subsequent return or recovery via the SRR. Company shall reflect in a revised SRR effective November 1<sup>st</sup> of each year the accumulated monthly differences between Actual Base Revenues and Adjusted Order Granted Base Revenues.

The accumulated monthly differences for each Rate Schedule shall be divided by projected sales volumes to determine the applicable SRR. Projected and actual recoveries by Rate Schedule under the SRR are reconciled, with any under or over recovery being recovered or returned via the SRR over the next twelve months.

### **SALES RECONCILIATION RIDER RATE**

The applicable Sales Reconciliation Rider Rate below shall be applied to each Ccf of metered gas usage each month.

#### **Rates in \$/Ccf**

<b><u>Rate Schedules</u></b>	<b><u>Sales Reconciliation Rider</u></b>
310 and 315	\$0.00000
320 and 325	\$0.00000

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Filed pursuant to the \_\_\_\_\_ in Case No. 05-1444-GA-UNC of the Public Utilities Commission of Ohio

Issued September 28, 2006    Issued by Jerrold L. Ulrey, Vice-President    Effective October 1, 2006