

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Review)	
of the Natural Gas Retail Market)	Case No. 13-1307-GA-COI
Development.)	

**COMMENTS OF VECTREN ENERGY
DELIVERY OF OHIO, INC.**

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On June 5, 2013, the Public Utilities Commission of Ohio ("Commission") opened this investigation and requested comments from interested parties. Vectren Energy Delivery of Ohio, Inc. ("VEDO") provides the following responses to the issues to which the Commission sought comments.

(a) What regulatory changes, if any, should be made to further support a fully competitive retail natural gas marketplace?

VEDO does not believe additional regulatory changes are currently necessary to support a fully competitive retail natural gas marketplace. It is VEDO's opinion that natural gas suppliers are responsible for driving the market and managing their costs in order to promote choice and be competitive in the retail natural gas marketplace. VEDO's main goal is to ensure customers continue to receive reasonably priced reliable service.

(b) What types of educational programs, if any, should be implemented to ensure that retail customers are fully aware of the options open to them for purchasing retail natural gas service?

Utility services are essential, and it is important that consumers be able to make informed decisions about options. VEDO believes ongoing consumer education by

regulators and utility companies is vital to assure consumers understand the gas commodity market and their gas supply options. Additionally, VEDO believes it is also important for regulators and utility companies to take customer surveys to gauge the customers' interest in, and potential acceptance of, a restructured commodity market in addition to their overall awareness of their ability to choose their gas supplier. Survey data have demonstrated that customers are loyal to their utility provider; and many, in some way, feel they are somehow going against their provider by choosing a supplier. The utilities hold the most channels of communication with customers and accordingly, their trust, so they should be proactive in their education of what has demonstrated to be such a confusing topic. Utilities (LDCs) need to articulate direct support of the Choice program as a viable option and help customers understand that the utility is no longer a gas supplier.

- (c) Does the SCO provide a competitive level playing field for SCO providers and competitive retail natural gas service (CRNGS) providers? For example, how, if at all, do the following processes differ for SCO and CRNGS providers: data collection; contract administration; customer enrollment; and customer service?**

VEDO is not in a position to determine whether there is a level playing field for SCO providers and CRNGS providers. VEDO believes this is a question better addressed by the SCO and CRNGS providers rather than the utility companies since the utilities cannot attest to the actual costs borne by retail suppliers to enter a market area or to serve those customers. VEDO defers to SCO and CRNGS providers to discuss the process differences.

- (d) Are there barriers to market entry associated with the SCO and, if so, how are those barriers affecting the growth of Ohio's competitive market?**

VEDO's Merchant Exit Transition plan was implemented in such a way as to provide an expeditious transition to full competition. At the time VEDO's application was filed on December 21, 2007, approximately 25% of VEDO's Choice eligible customers were being served under retail agreements by retail suppliers, and only three (3) retail suppliers were actively serving those customers. Since implementation of the first phase of VEDO's Merchant Exit Transition plan in October 2008, six (6) additional retail suppliers began serving Choice eligible customers with an additional four (4) recently approved retail suppliers expected to enter VEDO's market in the near future. The percentage of VEDO Choice eligible customers being served by retail suppliers has steadily increased to approximately 48% through August 2012. Based on VEDO's Choice enrollment statistics, it does not appear the SCO has created a barrier to market entry.

VEDO's SCO auction has attracted more participants over the past four years, making the retail adjustment price more competitive. As a result, SCO customers have benefited from a very reasonable price for their gas supply.

In summary, VEDO has not experienced any circumstances indicating the existence of a barrier to market entry due to the SCO. The following has occurred since VEDO's SCO program was implemented:

- 1) The number of retail suppliers serving Choice eligible customers on VEDO's system has increased;
- 2) The number of Choice eligible customers enrolled in VEDO's Choice program has increased; and
- 3) The number of suppliers participating in VEDO's SCO auction has increased.

(e) Is the SCO functioning as a competitive market price?

The SCO price is comprised of the monthly NYMEX natural gas futures price plus an auction established retail price adjustment.

The retail price adjustment in VEDO's SCO program is meant to compensate SCO suppliers for, but not limited to, the following:

- Interstate pipeline demand and variable costs;
- VEDO system balancing responsibilities;
- Unaccounted for gas volumes;
- Actual variations from the average BTU values used in price and daily delivery volume determinations;
- Volume variations resulting from proration of SCO prices among calendar months; and
- Other costs and risk relating to the provision of SCO service.

There are inherently costs associated with providing service in both the SCO and Choice programs that are unique not only to the program itself, but also for entering the market and operating behind the utility to which the customers are served by the individual retail supplier. Therefore, VEDO believes the SCO price is reflective of the competitive market price of delivering gas supply to SCO customers in VEDO's Ohio territory, which may provide customers with the least cost option for gas supply.

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Summary: Comments Vectren Energy Delivery of Ohio, Inc.'s Comments electronically filed by Ms. Vicki L. Leach-Payne on behalf of Darr, Frank P. Mr.