

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application)
Of Vectren Energy Delivery of)
Ohio, Inc., for Approval of a) Case No.
General Exemption of Certain) 07-1285-GA-EXM
Natural Gas Commodity Sales)
Services or Ancillary Services.)

Public Hearing held at City Hall,
101 West Third Street, Second Floor, Dayton, Ohio,
at 1:00 p.m., on Thursday, February 28, 2008,
before Deborah Moles-Werling, Court Reporter and
Notary Public within and for the State of Ohio.

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PUCO

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1 MS. LEMMIE: Good afternoon. We
2 are pleased to bring the public hearing today to
3 order. The Public Utilities Commission of Ohio has
4 assigned for public hearing at this time and place,
5 Case No. 07-1285-GA-EXM, which is captioned, In the
6 Matter of the Application of Vectren Energy
7 Delivery of Ohio, for approval for a general
8 exemption of certain natural gas, commodity, sales
9 services, or ancillary services.

10 My name is Valerie Lemmie. I am a
11 Commissioner with the Public Utilities Commission
12 of Ohio and will be conducting this public hearing,
13 the able assistance of Chris Pirik, Deputy Director
14 in the Commission's legal department, who will be
15 working with me and be my guide since this is my
16 first public hearing.

17 In addition, there are Commission
18 personnel representing our service monitoring and
19 enforcement department, Chris Rodman and Tonya
20 Stewart, and they are in the back. These PUCO
21 staff members and representatives of Vectren are
22 available if you have a question concerning a
23 utility matter, other than the application which is
24 the focus of our hearing this afternoon.

25 In addition, Ray Fuller is here

1 from the Office of Consumers' Counsel -- he's in
2 the back as well -- who may be able the help you
3 with your questions. I would note that the Ohio
4 Consumers' Counsel has intervened in this case and
5 will represent all residential utility customers
6 affected by the proposal.

7 Other intervenors in this case
8 are, Ohio Partners for Affordable Energy, the Ohio
9 Farm Bureau Federation, Integrys Energy Services,
10 Inc., Ohio Marketers Group, which is comprised of,
11 Direct Energy Services, LLC, Vectren Retail, LLC,
12 SouthStar Energy Services, LLC, and Interstate Gas
13 Supply, Inc.; Dominion Retail, Inc.; the Industrial
14 Energy Users of Ohio; the Office of -- as I
15 mentioned earlier -- the Ohio Consumers' Counsel,
16 MXEnergy; DTE Energy Trading, Inc.; Stand Energy
17 Corporation; and the Staff of the Public Utilities
18 Commission of Ohio.

19 Each of these parties represents
20 their various constituents in the case before the
21 Commission.

22 Vectren filed this application on
23 December 21, 2007, and on February 4, 2008, a
24 stipulation was filed in this proceeding which was
25 signed by, or not opposed by, each of the

1 intervenors in this case, the names were mentioned
2 earlier.

3 The local public hearings
4 scheduled in this case are -- this is one of a
5 variety of hearings that will be held across the
6 state, and this one is held because this is the
7 customer base, and is only one aspect of the
8 process of the proceedings in this case.
9 Interested persons could have submitted comments on
10 this docket by February 4, 2008, and an evidentiary
11 hearing is also scheduled to commence on March 3,
12 2008 at the Commission offices in Columbus.

13 The purpose of this afternoon's
14 public hearing is to receive comments from the
15 public regarding Vectren's application in this
16 case. As you may have noticed, there is a court
17 reporter present and she will be transcribing the
18 hearing. Basically, that means that the court
19 reporter will be recording, in typewritten fashion,
20 the statements made here today.

21 Prior to proceeding with the
22 public testimony, I would ask the company to come
23 forward and make a short presentation on the record
24 regarding the substance of the application. At the
25 conclusion of the company's presentation, I will

1 ask the court reporter to stop transcribing and we
2 will go off the record so that the company
3 representatives can answer any questions that you
4 might have, again pertinent to this case. The
5 purpose of this question and answer period is to
6 allow you an opportunity to ask the company
7 clarifying questions. Once all questions have been
8 addressed, we will go back on the record and
9 proceed with the public testimony.

10 When you arrived, you were offered
11 the opportunity to sign up and testify. If you
12 missed that opportunity, you may still add your
13 name to the list at the back of the room. If you
14 chose not to, that is perfectly fine. You are more
15 than welcome to join us and listen to the
16 deliberations this afternoon.

17 And at this time, I would ask the
18 company representative, Jerrold Ulrey, Vice
19 President, Regulatory Affairs and Fuels, to step
20 forward and make a brief presentation.

21 MR. ULREY: Thank you,
22 Commissioner. My name is Jerry Ulrey. First, let
23 me thank everybody for coming out this afternoon.
24 I will present an overview of Vectren's proposal
25 that is before the PUCO for it's decision. Then we

1 look forward to any comments.

2 Let me start by observing that the
3 purpose of Vectren's proposal is to gradually
4 eliminate the regulated utility sales service and
5 over time replace it with a more competitive market
6 for gas commodity in the Vectren service area.

7 That should result in many
8 suppliers actively competing directly for customers
9 by offering a variety of commodity products and
10 services at competitive prices that meet the
11 customers' specific needs.

12 In fact, Vectren has been moving
13 in this direction for over five years now. In
14 2003, Vectren introduced its Customer Choice
15 program that allows residential and small
16 commercial customers to select a natural gas
17 commodity supplier other than Vectren.

18 It has been successful, in that 25
19 percent, or 75,000 of our customers are enrolled in
20 that program, buying commodity directly from PUCO
21 approved Choice suppliers.

22 Those Choice customers and their
23 agreements with their existing Choice suppliers
24 will not be effected by Vectren's proposal that we
25 are discussing here today, but we do hope that our

1 proposal, when implemented, will lead to more
2 customers selecting alternative suppliers in the
3 future.

4 The remainder of our customers,
5 those that are currently purchasing their gas
6 commodity from Vectren at monthly GCR prices
7 approved by the PUCO, will be impacted, favorably,
8 we believe, by our proposal.

9 Vectren's proposal has two phases.
10 In the first phase, Vectren will replace its GCR
11 sales service with a Standard Sales Offer, or SSO,
12 service. The biggest change from current GCR
13 service is that in SSO, the Standard price
14 applicable to customers will be set in an auction
15 that is approved by the PUCO. The suppliers who
16 would sell that gas to Vectren will be those who
17 match the lowest price bid in the auction. Vectren
18 would not make any profit on the resale of that gas
19 commodity, just as it does not today under GCR
20 service. Rather, all customer billings at that SSO
21 price will be passed on to the winning auction
22 suppliers dollar for dollar each month.

23 What are the benefits of replacing
24 the GCR pricing with SSO pricing? First, the GCR
25 pricing we currently use is rather complicated. It

1 is based on estimated on gas cost and those
2 estimates, obvious, never match the actual gas
3 costs.

4 Further, in order to ensure the
5 company makes no profit on gas supply, balancing
6 accounts must be maintained, that are then added to
7 the estimated gas costs which impacts our GCR
8 prices up to a year later.

9 Therefore, GCR customers are never
10 paying current gas prices in their GCR prices and
11 they can't make their gas usage decisions based on
12 the actual gas costs for that month. Very
13 complicated, hard to understand, and a bit
14 misleading to customers.

15 Second, and related to the first,
16 the new SSO price that will be posted on the PUCO's
17 apples-to-apples comparison will be much easier to
18 compare to competing to offers from the Choice
19 suppliers active in Vectren's market. Our proposed
20 SSO pricing is relatively simple to understand. It
21 is the current month's gas cost, based on the
22 NYMEX, plus an SSO price adder as determined in the
23 auction.

24 Both of these benefits lead to the
25 key benefit in that this would create a more level

1 playing field which should attract more
2 Choice suppliers, and thereby, increase competition
3 in the Vectren service area.

4 The second phase of Vectren's
5 proposal, called the Standard Choice Offer, or SCO
6 service, is very similar to the first phase.
7 Again, there will be an auction to determine both
8 the SCO price and the suppliers who will provide
9 the gas commodity.

10 One difference in the SCO phase is
11 that Vectren will no longer be buying and reselling
12 that gas supply to its customers. Instead, the
13 suppliers, who must be PUCO approved Choice
14 suppliers, will sell gas commodity directly to
15 customers. They will sell that gas at the PUCO
16 approved auction price and under the PUCO approved
17 terms and conditions reflected in the Vectren
18 Tariff.

19 The benefits of this phrase are
20 the same as in phase one, but with the additional
21 benefit that customers can now receive information
22 about the alternative Choice commodity offers
23 directly from SCO supplier.

24 This Tariff retail relationship
25 established in the SCO phase should provide

1 customers with more information about the Choice
2 market, so they can decide if they want to accept a
3 Choice offer or check with other Choice suppliers
4 to see what they are offering. It's all meant to
5 be part of an evolution to a fully competitive
6 market for gas commodity in Vectren's service area.

7 But to be clear, throughout both
8 phases, customers will always have the option of a
9 PUCO approved Standard price, governed by the
10 auction and Vectren's tariff. They will not be
11 required to select a Choice supplier in phases one
12 or two.

13 Vectren will also be providing
14 information throughout both phrases that will
15 inform customers about their options for gas
16 commodity, both the Standard service options and
17 the Choice options.

18 Thank you, and that concludes our
19 overview.

20 MS. LEMMIE: Thank you. At this
21 time, I would ask that we go off the record.

22 (WHEREUPON, discussion was held
23 off the record.)

24 MS. LEMMIE: I ask that we now
25 resume on the record. I would like to begin by

1 calling witnesses forward. Is there anyone who
2 would like to testify in this hearing? I don't see
3 any citizens standing. Are there individual
4 parties who are present that are interested in
5 making comments at this time for the record?

6 MS. HUMMEL: Thank you, Your
7 Honor. I have no comment. I just want to enter
8 the appearance of Vectren Energy Delivery of Ohio
9 by McNeese, Wallace & Nurick, by Gretchen J. Hummel,
10 21 East State Street, Columbus, Ohio 43215, and
11 Robert E. Heidorn, vice president and general
12 counsel of the Vectren Corporation, PO Box 209,
13 Evansville, Indiana 47709. Thank you.

14 MR. SERIO: Thank you. On behalf
15 of the Residential Utilities customers of Vectren,
16 Janine Migden-Pstrander, Consumers' Counsel, by
17 Joseph P. Serio, The OCC is the statutory
18 representative of Residential Utilities customers.
19 We've participated in discussions with the company
20 and did sign the stipulation, because we believe
21 that it provides the potential benefits of
22 consumers with very little risk associated with it.
23 If you have any questions, I will be here and
24 Mr. Fuller will be here to be able to answer your
25 questions.

1 MS. LEMMIE: Seeing none, unless
2 there are other comments, that Chris, would you
3 care to make? This public hearing is now closed.
4 Thank you. We appreciate your time that everyone
5 has taken to come out and appreciate your comments.

6 (Hearing adjourned 1:24 p.m.)
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C E R T I F I C A T E

I, Deborah Moles-Werling, a Court Reporter and
Notary Public do hereby certify that the foregoing
is a full, true and correct transcript of my notes
taken in the above-styled case and thereafter
transcribed by me.


Deborah Moles-Werling