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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 of a) Case No.
General Exemption of Certain) 07-1285-GA-EXM
Natural Gas Commodity Sales)
Services or Ancillary Services.)

Public Hearing held at Sidney
Municipal Building, Council Chambers, 201 Poplar
Street, Sidney, Ohio, at 7:00 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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1 MS. PIRIK: The Public Utilities
2 Commission of Ohio has assigned for public hearing
3 at this time and place, Case No. 07-1285-GA-EXM,
4 being In the Matter of the Application of Vectren
5 Energy Delivery of Ohio, Inc., for approval of a
6 general exemption of certain natural gas commodity,
7 sales, services, or ancillary services.

8 My name is Christine Pirik. I am
9 the Deputy Director in the legal department of the
10 Public Utilities Commission of Ohio, and I have
11 been assigned to hear this case on behalf of the
12 Public Utilities Commission.

13 In addition, those of you who are
14 here from the public, as you came in, there are a
15 couple of personnel from our service monitoring and
16 enforcement department, Chris Rodman and Tonya
17 Stewart. These PUCO representatives are here and
18 available for any questions that you might have
19 regarding utility services that are not addressed
20 in this hearing tonight.

21 In addition, Ray Fuller with the
22 Office of Consumers' Counsel is also here to help
23 us answer any questions. The Office of Consumers'
24 Counsel represents residential utility consumers in
25 the State of Ohio and those that affected by this

1 proposal. So if you have any informal questions
2 that you would like to address to any of those
3 three individuals, I know they will be happy to
4 help you.

5 At this time I will take
6 appearance on behalf of the parties on behalf of
7 the companies.

8 MS. HUMMEL: Thank you, Your
9 Honor, on behalf of Vectren Energy Delivery of Ohio
10 by McNeese, Wallace & Nurick, by Gretchen J. Hummel,
11 21 East State Street, Columbus, Ohio 43215, and
12 Robert E. Heidorn, vice president and general
13 counsel of the Vectren Corporation, PO Box 209,
14 Evansville, Indiana 47709.

15 And I'd like to also point out
16 that we have several customer service
17 representatives from Vectren Energy Delivery of
18 Ohio here who are also available to answer
19 questions that anyone might have about there bill
20 or their service or any sort of assistance plans
21 that we have, and we will stay around as long as
22 anybody wants to, to answer questions and provide
23 service.

24 MS. PIRIK: Thank you.

25 MS. HUMMEL: Thank you, Your

1 Honor.

2 MS. PIRIK: On behalf of the Ohio
3 Consumers' Counsel.

4 MR. SERIO: Thank you. On behalf
5 of the Residential Utilities customers of Vectren,
6 Janine Migden-Ostrander, Consumers' Counsel, by
7 Joseph P. Serio, 10 West Broad Street, Columbus,
8 Ohio 43215.

9 MS. PIRIK: Other intervenors or
10 parties in this case include, the Ohio Partners for
11 Affordable Energy; the Ohio Farm Bureau Federation;
12 Integrys Energy; the Ohio Marketers Group, which is
13 comprised of several marketers, including Direct
14 Energy, Vectren Retail, SouthStar Energy, and
15 Interstate Gas Supply; Dominion Retail; the
16 Industrial Energy Users of Ohio; MXEnergy; DTE
17 Energy Trading; Stand Energy Corporation; as well
18 as the Staff of the Public Utilities Commission.

19 Each of these parties that I've
20 listed represent their various constituents in the
21 case before the 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.

2 The local public hearing,
3 including one in Dayton that we held earlier today
4 and the one tonight in Sidney, Ohio are only one
5 aspect of the process in this case. Interested
6 persons were permitted to submit comments in the
7 docket by February 4th. In addition, we are
8 holding an evidentiary hearing in Columbus, Ohio on
9 March 3rd.

10 The purpose of this evening's
11 public hearing is to receive comments from the
12 public regarding Vectren's application in this
13 case. As you may have noticed, there is a court
14 reporter present. She will be transcribing the
15 hearing, which basically means that she will be
16 recording all of the statements that are given
17 today. So we are on the record and everything that
18 I'm saying and everyone is saying is going to be
19 transcribed.

20 However, prior to proceeding with
21 the public testimony, I'm going to ask the company
22 representative to come forward and make a short
23 presentation on the record regarding the substance
24 of the application.

25 Before proceeding, could you state

1 your name and obviously your position with the
2 company on the record.

3 MR. ULREY: Certainly. Thank you,
4 Your Honor. My name is Jerry Ulrey. I am Vice
5 President of Regulatory Affairs and Fuels of
6 Vectren Energy Delivery of Ohio. I will present an
7 overview of Vectren's proposal that is before the
8 PUCO for its decision.

9 Let me start by observing that the
10 purpose of Vectren's proposal is to gradually
11 eliminate the regulated utility sales service and
12 over time replace it with a more competitive market
13 for gas commodity in the Vectren service area.

14 That should result in many
15 suppliers actively competing directly for customers
16 by offering a variety of commodity products and
17 services at competitive prices that meet the
18 customers' specific needs.

19 In fact, Vectren has been moving
20 in this direction for over five years now. In
21 2003, Vectren introduced its Customer Choice
22 program that allows residential and small
23 commercial customers to select a natural gas
24 commodity supplier other than Vectren.

25 It has been successful in that

1 over 25 percent, or 75,000 of our customers, are
2 enrolled in that program buying commodity directly
3 from PUCO approved Choice suppliers.

4 Those Choice customers and their
5 agreements with their existing Choice suppliers
6 will not be effected by Vectren's proposal we are
7 discussing here today, but we do hope that our
8 proposal, when implemented, will lead to more
9 customers selecting alternative suppliers in the
10 future.

11 The remainder of our customers,
12 those that are currently purchasing their commodity
13 from Vectren at monthly GCR prices approved by the
14 PUCO, will be impacted, favorably, we believe, by
15 our proposal.

16 Vectren's proposal has two phases.
17 In the first phase, Vectren will replace its GCR
18 service with a Standard Sales Offer, or SSO,
19 service. The biggest change from current GCR
20 service is that in SSO, the standard price
21 applicable to customers will be set in an auction
22 that is approved by the PUCO. The suppliers who
23 would sell that gas to Vectren will be those who
24 match the lowest price bid in the auction. Vectren
25 would not make any profit on the resale of that gas

1 commodity, just as it does not today under the GCR
2 service. All customer billings at that SSO price
3 will be passed on to the winning auction suppliers
4 dollar for dollar each month.

5 What are the benefits of replacing
6 the GCR pricing with SSO pricing? First, the GCR
7 pricing we currently use is fairly complicated. It
8 is based on estimated gas cost and those estimates
9 obviously never match the actual gas costs.

10 In order to ensure the company
11 makes no profit, balancing accounts must be
12 maintained that are added to the estimated gas
13 costs which result in impacting our GCR prices up
14 to a year later.

15 Therefore, GCR customers are never
16 paying current gas prices in the GCR prices and
17 they can't make their gas usage decisions based on
18 the actual gas costs for that month. Very
19 complicated, hard to understand, and a bit
20 misleading to customers.

21 Second benefit, and related to the
22 first, the new SSO price that will be posted on the
23 PUCO's apples-to-apples comparison will be much
24 easier to compare to competing offers from the
25 Choice suppliers active in Vectren's market. Our

1 proposed SSO pricing is relatively simple to
2 understand. It is the current month's gas cost,
3 based on the NYMEX, plus an SSO price adder as
4 determined in the auction.

5 Both of those benefits lead to the
6 key benefit in that it creates a more level playing
7 field which should attract more Choice suppliers,
8 and thereby, increase competition in the Vectren
9 service area.

10 The second phase of Vectren's
11 proposal, called Standard Choice Offer, or SCO,
12 service, is similar to the first phase. Again,
13 there will be an auction to determine both the SCO
14 price and the suppliers who will provide the gas
15 commodity.

16 One difference in the SCO phase is
17 that Vectren will no longer be buying and reselling
18 the gas supply to its customers. Instead, the
19 suppliers, who must be PUCO approved Choice
20 suppliers, will sell gas commodity directly to
21 customers, but they will sell that gas at the PUCO
22 approved auction price and under the PUCO approved
23 terms in the Vectren Tariff.

24 The benefits of this phrase are
25 the same as in phase one, but with the additional

1 benefit that customers can now receive information
2 about alternative Choice commodity offers directly
3 from their SCO supplier.

4 This Tariff retail relationship
5 established in the SCO phase should provide
6 customers with more information about the Choice
7 market, so they can decide if they want to accept
8 the Choice offer or check with other Choice
9 suppliers to see what they are offering. It's all
10 meant to be part of an evolution to a fully
11 competitive market for gas commodity in Vectren's
12 service area.

13 To be clear, throughout both
14 phases, customers will always have the option of a
15 PUCO approved Standard price, governed by the
16 auction and Vectren's tariff. They will not be
17 required to select a Choice supplier in phases one
18 or two.

19 In addition, Vectren will be
20 providing information throughout both phrases that
21 will inform customers about their options for gas
22 commodity, both the Standard Service options and
23 the Choice options.

24 Thank you. That concludes our
25 overview.

1 MS. PIRIK: At this time I will
2 begin calling public witnesses forward to make your
3 statements on the record. Before you begin your
4 statement I'm going to ask that you state your name
5 and your address and spell your name and address so
6 that it will be clearly put on the record. Your
7 testimony will be considered part of the official
8 record to be reviewed by the Commissioners in
9 making their decision in this case, and before
10 presenting your testimony, I will ask that you take
11 a sworn oath.

12 Attorneys for the company, as well
13 as the Office of Consumers' Counsel will have the
14 opportunity, I will ask them whether or not they
15 want to ask you questions.

16 If you have questions for the
17 company, OCC, or staff members, they will all be
18 present after the hearing and you will have an
19 opportunity to ask them questions at that time.
20 Should you decide that you do not want to testify
21 when I call your name, feel free to pass and you
22 can still ask your questions after the hearing of
23 any of the members of any of the various
24 constituencies.

25 So the first person I have on the

1 list is a Mr. John Laws. Mr. Laws, could you come
2 up to the podium, please.

3 MR. LAWS: My name is John Laws,
4 1000 Norwood Drive, Sidney, Ohio. I'm a lifelong
5 resident of the community.

6 MS. PIRIK: Thank you. Could you
7 please raise your right hand.

8 MR. LAWS: Yes, ma'am.

9 (WHEREUPON Mr. John Laws was
10 sworn.)

11 MR. LAWS: After reading quite a
12 long brochure with a lot of fine print, I'd like to
13 just make a few comments. It's just been two years
14 ago when Vectren came and asked for an increase to
15 the PUCO. I think it was April of 2005, three
16 years coming up in April. At that time they were
17 going for a \$15.7 million increase if their article
18 so stated. That meant a 4.3 percent increase to
19 the customers' bills. That's only been three years
20 ago.

21 So I've got a little complaint in
22 that regard. I believe that's a little high for
23 asking for another increase right at this time. I
24 guess that's not bearing on what we're talking
25 about this evening.

1 I read today in the Dayton paper
2 about the distribution of the gas and the auction
3 of the rates. I believe that to be a fine idea. I
4 believe it would help all the residents that are
5 tied in with Vectren. I'm not against Vectren. I
6 think their company is good. They've been
7 excellent with me all my live. I happen to know a
8 good man that's a Vectren -- Don Burger. He's one
9 of my close friends, very good friend. I'd just
10 like to make sure that under the Ohio law, I guess,
11 PUCO will make sure they have these bids and they
12 will all have to abide by that same price.

13 The only place that Vectren then
14 would in turn to get our money would be the utility
15 profit, that would have to come off the
16 distribution of the gas itself. That's what I read
17 in the newspaper, Dayton Daily News, today.

18 I'd like to throw two things out.
19 Residential sales service is going to go up about
20 7.8 percent if this is granted, and the whole thing
21 may not be relative tonight. Transportation
22 services, and that includes many things. I didn't
23 realize the transportation services met so many
24 things. But if the whole service thing would go
25 through, there would be a 34.36 percent on

1 residential customers. Of course, miscellaneous
2 charges for sales, services, and et cetera, would
3 go up 3.37 percent. If all these percentages went
4 through, the PUCO, you're talking about a
5 45 percent increase to residential customers. I'm
6 sure that that's unjust to us.

7 I'd like to also commend PUCO. I
8 did write a letter to the PUCO in January, and I
9 wrote a letter to my governor Stickland and Senator
10 Fedor who is our 12th district senator in the State
11 of Ohio. I received a letter back just last
12 Saturday from PUCO, which I thank you for that.
13 I've never received anything from the governor and
14 the senator. So certainly thank them too. That's
15 all I have, and I will answer any questions I
16 possibly can. Thank you.

17 MS. PIRIK: Our next witness is
18 Ms. Terry.

19 MS. TERRY: I prefer to pass
20 because he told me earlier that what we were
21 concerned with was the gas recovery charges and
22 that didn't pertain to this meeting.

23 MS. PIRIK: We can go off the
24 record for just a minute.

25 (WHEREUPON, discussion was held

1 off the record.)

2 MS. PIRIK: Go back on the record.

3 In light of the fact that some of the issues that
4 the witnesses are bringing up pertain to the rate
5 case, I think what we will do is, I will talk with
6 the staff that are here with me tonight and I will
7 have them send you a note letting you know the case
8 number of that case. That why you can track it, go
9 online at the PUCO website, adopting and
10 information service, and then you can look for that
11 notice in the newspaper because there will be
12 public hearings in that cases also. I think that
13 would be appropriate.

14 But there are company personnel
15 here tonight, if you have questions regarding that
16 case and to the extent they can answer them, I know
17 they would be willing to do that also.

18 Are there any other witnesses that
19 would like to come before us to make public
20 testimony? Hearing none, I will consider this
21 hearing adjourned. Thank you.

22 (Hearing adjourned 7:21 p.m.)

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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
Deborah Moles-Werling