Large Filing Separator Sheet

Case Number : 07-1285-GA-EXM

File Date : 3/17/2008

Section : 2 of 5

Number of Pages : 200

Description of Document : Transcript

20. Daily Nominations – DDQ and TCO Storage Activity (cont')

14. No-Notice nominations may be made to Supplier's scheduled storage withdrawal nominations by VEDO via TCO's EBB prior to cycle 2 for the prior day's flow if such SSO/SCO Supplier has not delivered adequate supplies to meet its DDQ or has not met its TCO minimum city-gate allocation delivery volume. These no-notice nominations are necessary to lessen the impact to other SSO/SCO and Choice Suppliers' system imbalance allocations.

15. All off-system storage withdrawals must be nominated to VEDO via the Marketer Extranet. TCO off-system storage withdrawals are not eligible for No-Notice nomination changes.

16. Pre-determined allocations (PDA) will be set with TCO at the beginning of each month proportional to the percentage of TCO storage capacity released by VEDO to each SSO/SCO and Choice Supplier. Each Supplier will be allocated a portion of the daily system imbalance based on the PDA percentages. SSO/SCO and Choice Suppliers may be charged by TCO for any overrun or penalties associated with exceeding their individual storage contract rights.

17. In the event that VEDO as meter operator incurs penalties assessed by TCO for a violation, the penalties will be assessed to each Supplier that contributed to the penalty proportional to their contribution to the violation.

21. Forecast Equations

1. VEDO will forecast the SSO aggregate Peak Design Day Demand based upon Company's design day and forecasted weather, utilizing the aggregate number of SSO Customers and the historic usage characteristics of the SSO Customers. SSO Suppliers' respective Peak Design Demands will be based on equal divisions of the aggregate demand into each load tranche multiplied by the number of each SSO Supplier's tranches.

2. For forecasting the total daily system requirements, VEDO currently uses an Artificial Neural Network model (ANN). (See attachment 21B for an article on ANN.)

3. For its daily Choice forecasts, VEDO currently uses individual linear regression based models customized for each Choice Supplier's customer pool. These models are also provided to the respective Choice Suppliers for their planning purposes in the form of an Excel spreadsheet (See attachment 21A).

4. At the initiation date of the SSO Phase, VEDO will begin using the ANN-based forecasting methodology for all daily Choice forecasts and continue to apply the ANN-based forecasting methodology for daily system requirements forecasts up to 65 HDD. The daily demand for SCO Supplier's customer load tranches will be forecast in the same manner.

5. If needed, VEDO may adjust its forecast methodology to respond to operational requirements in order to address excessive daily and monthly system imbalances.

6. The SSO forecasts will be the net of the total daily system requirements projection reduced by Choice forecasts and Large Transporter nominations (See attachment 21C).

7. For forecasts on days that are projected to be 66 heating degree days or colder, VEDO will use regression based forecasting methodology for all daily requirements forecasts.

8. Regression based forecasting methodology will be used to determine Choice, SSO and SCO design peak day forecasts.

22. Reserved for Future Use

23. City-Gate Allocations

1. VEDO will utilize the same city-gate allocation methodology and processes in the SSO/SCO Phases for SSO/SCO Suppliers as is used in its Choice Program for Choice Suppliers.

2. VEDO's distribution system is comprised of operating areas that can only receive volumes from specific city-gates as well as operating areas that can be supplied from multiple city-gates.

3. City-gate Allocations are required to ensure that:
   a. supply and demand in each operating area remain in balance,
   b. system reliability is maintained, and
   c. operational performance standards and tolerances are considered.

4. VEDO has established city-gate allocation tables that outline a range of minimum and maximum delivery percentages by city-gates on the VEDO system, including local production, based on temperatures and/or *operating system demand criteria.*

5. The percentages are recalculated and communicated to Suppliers periodically. Absent unforeseen circumstances, a four month minimum pre-notification will be provided on changes to the city-gate allocation tables.

6. A SSO City-gate allocation non-compliance charge will be assessed on the quantity difference if the SSO Supplier's Daily Pipeline Nomination is less than the minimum or greater than the maximum city-gate allocation requirements.

7. See Attachment 23A for the current City-gate Allocation Table.

8. See Attachment 23B for SSO Phase (Phase 1) City-gate Allocation Table.

24. BTU Value

1. VEDO's GCR customers are billed volumetrically in Ccf.

2. For SSO/SCO customer billing purposes, the monthly NYMEX settlement price will be converted to Ccf each month using a standard annual BTU Value.

3. For each SSO/SCO annual period, the standard BTU Value will be set at the BTU Value for the most recent twelve months just prior to the auction.

4. Attachment 24A provides the monthly BTU Value for the last 2 ½ years on the VEDO system.

5. The Company's applicable monthly system BTU value will be used in converting customers' Ccf volumes to therms in the Monthly Volume Reconciliation calculation.

25. Migration to/from Choice – SSO Phase

1. Once the SSO Phase is initiated, there will continue to be customer migration to and from Choice each meter read day, since the VEDO Choice program allows customers to switch on their next meter read date.

2. Any migration will impact both the SSO and Choice demand profiles, either increasing or decreasing them which in turn will cause a pipeline capacity short position and equally offsetting long position between the two Supplier groups.

3. For that reason, VEDO-released capacity will follow customers migrating from SSO to Choice. The VEDO capacity transferred will represent approximately 75% of the migrating customers' peak load.

4. Likewise, pursuant to Section 19, Choice Suppliers will also hold VEDO-released capacity, and that capacity will follow customers migrating from Choice to SSO service.

5. The amount and types of capacity that will follow the migrating customers will be as set out in Attachment 25A.

6. The VEDO-released capacity for all affected Suppliers will be adjusted effective the first day of each calendar month, to reflect the updated Capacity Release Percentages for Suppliers based on loads calculated just prior to the end of the month.

7. Although storage capacity will follow a customer, storage inventory will not follow a customer. The Supplier receiving the capacity must arrange any acquisition of gas inventory necessary under the circumstances.

8. Released capacity, CRPs, and the TCO PDA may be changed intra-month should large Choice migrations occur.

26. Choice – Mandatory Capacity Release

1. The proposed Merchant Exit Transition requires a revision to Choice Program rules relating to Capacity Release. Currently, capacity release is optional for Choice suppliers picking up additional customers from sales service. In order to achieve VEDO's Exit Transition, it is necessary to require partial mandatory Capacity Release (See Section 19).

2. VEDO will retain capacity of about 75% of total system requirements (not including Large Transporter loads) which will be released to Choice Suppliers and SSO/SCO Suppliers.

3. VEDO's requirement for mandatory capacity release facilitates:
   a. Allowing VEDO capacity to follow the customer upon migration to another Choice Supplier or SSO/SCO Supplier.
   b. Utilization of a collective approach to system balancing.
   c. Enhanced reliability resulting from VEDO's ability to recall about 75% of the capacity from a defaulting Choice or SSO/SCO Supplier.

4. This change will be effective upon the Initiation Date of the SSO Phase. (See the Proposed SSO Tariff Sheets for the revisions to the Choice tariff sheets.)

5. **A new Choice Supplier Agreement reflecting this change, and others, will need to be executed by Choice Suppliers.**

27. SSO Supplier Agreement

1. SSO Suppliers must execute an SSO Supplier Agreement containing the terms and conditions applicable to the relationship between VEDO and SSO Supplier. (See the Proposed SSO Supplier Agreement.)

28. SSO Supplier Qualifications

1. SSO Supplier Applicants must agree to execution of an SSO Supplier Agreement (see Section 27).

2. SSO Supplier Applicants must meet SSO Supplier Creditworthiness Requirements (see Section 29).

3. SSO Suppliers must agree to comply with all Merchant Exit Transition rules and requirements as reflected in the Program Outline, Supplier Agreement, VEDO Tariff, Exit Settlement and Commission Orders.

4. The purpose of these requirements – application, creditworthiness, supply – is to be sure that those who participate in the auction have both the wherewithal and the requisite intent to provide supply to VEDO during the SSO Phase.

5. To be eligible to participate in the auction as an SSO Supplier, a potential SSO Supplier would have to meet all deadlines for participation – i.e., timely submission of application and supporting documents is vital and no exceptions will be made.

6. Requirements include the following:
   a. Application Requirements
      i. Company Information, contacts, and alternate contacts
      ii. Other relevant information
   b. Credit Requirements
      i. Creditworthiness requirements as detailed in Section 29
   c. Supply Requirements
      i. Estimated maximum number of tranches for which the applicant may be interested
      ii. Applicant's preliminary capacity and supply plans to supply those tranches
      iii. Other preliminary technical/supply requirements
   d. Acknowledge Receipt of Auction Rules and Procedures and agree to be bound by those rules and procedures
   e. Acknowledge Receipt of Customer Load Profile data
   f. Attend and Participate in Pre-Application Meeting
   g. Attend and Participate in Trial Auction, if held
   h. Acknowledge Receipt from VEDO of the Pre-Qualification Notice (confidential to each potential SSO Supplier and the Auction Administrator) setting forth the maximum number of tranches for which the SSO Supplier is qualified to bid
   i. Execute a Confidentiality Agreement with VEDO (to allow VEDO access to request financial information for VEDO creditworthiness evaluation and to require non-disclosure of VEDO Pre-Qualification Notice, described above).

7. Registered bidders may participate in the auction on a stand-alone basis or as the representative of a bidding agreement, joint venture or other arrangement among parties for the express purpose of bidding in the auction and supplying natural gas for any tranches awarded. Any bidders participating in such an arrangement must identify all of the other parties involved.

28. SSO Supplier Qualifications (cont')

8. Registered bidders may not participate in more than one manner and may not be associated with another bidder in any supply arrangement intended to provide gas for the tranches being auctioned.

9. Registered bidders may not have a controlling interest or 10% or greater stake in another bidder or have any relationship that would provide financial or other incentives based on the outcome of bidding efforts.

10. In addition to certifying the preceding, registered bidders must also certify that they will maintain the confidentiality of their bidding strategy and not retain any bidding advisors or consultants providing similar service to another registered bidder.

11. Sanctions may be imposed on a registered bidder for failing to abide by any of the preceding certifications. Such sanctions may include, but are not limited to, the loss of:
    a. any rights awarded in the auction
    b. immediate termination of any other arrangements with VEDO
    c. forfeiture of any monies owed to the bidder by VEDO
    d. attorneys' fees and court costs incurred in any litigation that arises from failure to abide by the certifications, and
    e. any other legal actions, including prosecution, as VEDO in its sole discretion deems *appropriate under the circumstances.*

29. SSO Supplier Creditworthiness Requirements

1. SSO Supplier Applicants must be pre-qualified to bid up to two (2) tranches. Pre-qualification shall include a creditworthiness evaluation and all Suppliers must meet Vectren's creditworthiness requirements in advance of participation in the auction (see appendix 29A for collateral requirements). Potential Bidders will have their creditworthiness assessed against exposures that include 150% of the tranches that they intend to bid on. This is to allow for sufficient credit to enable an SSO Supplier to accept up to a 50% increase in its tranche size in the event of a Supplier Event of Default.

2. Final creditworthiness requirements shall be communicated to SSO Supplier Applicants at the time that initial information packages for auction participation are sent to potential bidders. The creditworthiness requirements shall include the timelines and process for evaluations, a detailed list of the information required to complete the evaluation and the methodology for calculating the amount of credit exposure.

3. VEDO will continue to review the factors that may result in credit risk exposure to ratepayers, other SSO Suppliers and Vectren resulting from the SSO auction and the ongoing performance of gas supply obligations for recipients of SSO load tranches. The current expected sources of credit risk exposure include, but are not limited to, the following:
   a. The one-time sale of gas inventories in VEDO storage to SSO Suppliers;
   b. Monthly pipeline and storage capacity charges that are due to the pipelines for VEDO capacity released to SSO Suppliers;
   c. In the event that a Supplier under-delivers or fails to deliver gas to meet the requirements of a load tranche – the cost of replacement gas supply and capacity, as necessary;
   d. In the event that a Supplier's over or under delivery results in VEDO system charges, the value of such charges;
   e. In the event that a Supplier's non-performance results in penalties or fees charged to VEDO – the recovery of these fees in full;

4. Upon the awarding of tranches to SSO Suppliers, a liquid collateral requirement to be collected and used in the event of an SSO Supplier default to offset the financial hardship borne by remaining SSO Suppliers in the event that they are required to accept a some portion or all of a defaulting Supplier's tranche at the retail price adjustment set at the original auction.

5. SSO Suppliers shall grant VEDO a perfected first priority security interest in 10% of the SCQ of Supplier's VEDO-released TCO storage and shall have the right to claim up to all volumes in storage inventory to meet the needs of a Supplier's load in an Event of Default by the Supplier.

29. SSO Supplier Creditworthiness Requirements (cont')

6. SSO Suppliers shall grant VEDO a perfected first priority security interest in any SSO Customer Payments billed by VEDO or alternatively provide Company for the duration of the Choice Program with a cash deposit or an irrevocable letter of credit acceptable to Company equal to the sum of the expected two consecutive highest monthly customer revenue payments. VEDO shall have the right to offset such collateral against any obligations or financial responsibilities that an SSO may have as stipulated in the SSO Supplier Agreement and the Tariff in an Event of Default.

7. VEDO shall not be responsible for providing any Financial Assurance to SSO Suppliers as long as VEDO continues to perform in compliance with the Merchant Exit Transition Program.

30. SSO Supplier Failure to Perform

1. In the event of supplier default, VEDO will initiate and coordinate POLR responsibilities (see Section 36).

2. In conjunction with VEDO's provision of POLR Coordinator services, VEDO will notify the defaulting SSO Supplier of the occurrence of the Event of Default and will identify the remedies available to cure the Event of Default which must be cured within a maximum of 5 days of the notice.

3. In the event that a Defaulting SSO Supplier fails to cure the Event of Default the SSO Supplier will be terminated from further participation in the SSO or Choice Programs. The Defaulting SSO Supplier's VEDO-released storage capacity, secured gas in storage, and VEDO-released transportation capacity will immediately be recalled for the provision of POLR service, per Section 36.

31. SSO and Choice Supplier Monthly Statements

1. SSO Supplier Monthly Statements will be rendered each month by the 25th day of the month, for the prior month's activity.

2. VEDO will pay the SSO Suppliers a pro-rata share of the total SSO dollars **billed** to customers for each revenue month (i.e. total SSO dollars billed divided by number of tranches). The SSO sales volumes billed to customers will also be allocated on a pro-rata basis to SSO Suppliers based on each Supplier's number of tranches.

3. VEDO will pay the Choice Suppliers for the dollars **billed** to their Choice customers for the revenue month (see appendix 31A for timeline), as is currently done.

4. SSO Supplier Monthly Charges include the following:

    a. Financial Evaluation Charge - A $50.00 charge per financial evaluation.

    b. Nomination Error Charge - A $0.50 per Dth Nomination Error Charge based upon the quantity difference between the SSO Supplier's daily pipeline nomination and the pipeline daily confirmed volume delivered to VEDO, for each day of difference.

    c. DDQ Non-Compliance Charge - A $15.00 per Dth for the daily difference between the tranches DDQ and the aggregate deliveries which includes scheduled storage injections or withdrawals.

    d. City-Gate Allocation Non-Compliance Charge - A $5.00 per Dth City-Gate Allocation Non-Compliance Charge for any daily city-gate scheduled nomination less than the minimum or greater than the maximum city-gate allocation requirement.

    e. OFO Non-Compliance Charge - A $35.00 per Dth for any volumes over or under the specified restriction (See section 38)

    f. Storage Non-Compliance Charge –
        i. A $15.00 per Dth charge for the first two occurrences during the term of the contract
        ii. A $35.00 per Dth charge for the third and subsequent occurrences during the term of the contract
        iii. Supplier is considered in default upon the fifth occurrence
            - Charges apply to any volumes greater than the VEDO-established maximums or less than the VEDO-established minimums for the daily injection and/or withdrawal requirements or monthly inventory requirements.
            - Charges will apply daily for any volumes outside the monthly inventory requirements for that month

        NOTE: In the event that TCO allows daily over-injection or over-withdrawal rights, Company shall not impose the Storage Non-Compliance Charge on any volumes injected or withdrawn greater than the maximum daily injection limits set by Company. However, over-injection and over-withdrawal rights do not preclude the TCO Storage Holders from maintaining their daily storage inventory levels within the limitations set by the Company.

31. SSO and Choice Supplier Monthly Statements (cont')

g. Related Charges - Supplier shall reimburse VEDO for all charges VEDO incurs in connection with interstate pipeline transportation of SSO Supplier-Delivered Gas including any gas costs, penalty charges, or cash-outs.

h. System Balancing Charge - The gas costs and monthly Imbalance cash-outs payable by/to the Transporters will be allocated among the Suppliers based on their proportion of TCO storage (monthly CRP).

i. Monthly Reconciliation Amount - Charge/payment as determined by the Monthly Usage Reconciliation. The price utilized will be the IFERC Gas Market Report First-of-the-month price for Columbia Gas Transmission Corp, Appalachia.

j. Propane Supplies Charge -The cost of propane or alternate supplies provided by Company for Suppliers

k. POLR Charge - Any charges associated with providing provider of last resort services due to the default of Supplier.

l. Storage Inventory Transfer – Charges/payments associated with purchasing or selling storage inventory from/to VEDO.

m. Delivery Point Cashout Amounts - Charges/payments associated with Pipeline Delivery Point cashouts, OBA settlements, or other related costs, allocated pro-rata to Suppliers.

32. Monthly Volume Reconciliations

1. The Choice Delivery/Usage Volume Reconciliation currently takes place annually, with a quarterly review. Upon implementation of the SSO phase, SSO/SCO Suppliers and Choice Suppliers will be reconciled on a monthly basis, two months after the month of flow using the methodology described below.

2. On a monthly basis, Company will determine Pool's/Tranche's Effective Deliveries and compare them to the Pool's/Tranche's Required Deliveries in order to determine the Pool's/Tranche's monthly variance to be reconciled. Because monthly reconciliation variance volumes are reflected in the TCO storage balances held by the Suppliers, the variance volumes will be reconciled between SSO/SCO and Choice Suppliers by charging those SSO/SCO and Choice Suppliers whose Required Deliveries are less than their Effective Deliveries, and paying those SSO and Choice Suppliers whose Effective Deliveries are greater than their Required Deliveries, at identical prices. The price utilized will be the IFERC Gas Market Report First-of-the-month price for Columbia Gas Transmission Corp, Appalachia.

3. The Pool's/Tranche's Effective Deliveries will be the sum of the Supplier's Pool's/Tranche's deliveries to the city-gate, plus their proportional share of propane and TCO storage activity.

4. The Pool's/Tranche's Required Deliveries will be determined by dividing the Pool's/Tranche's actual usage by the total non-Choice through-put volumes which established their share of customer billing. The share of billing is multiplied by the total system Effective Deliveries which consists of total non-Choice system throughput, propane volumes and the monthly net TCO Storage activity.

5. Such reconciliations will be performed the second month following the end of the month of flow in order to have sufficient time to obtain all billed usage for the applicable period and prior usage adjustments. (See appendices 32A & 32B for reconciliation calculation example, and billing timeline respectively.)

6. Choice Suppliers will be reconciled under the existing Choice reconciliation process the month preceding the SSO implementation. In order for the Choice Suppliers to migrate from the current reconciliation methodology of determining the imbalance using billed volumes to using estimated prorated volumes for the calendar month in the SSO phase, VEDO will include the estimated prorated volumes for the month prior to the SSO phase with their billed volumes for that same month in their final reconciliation.

33. SSO Supplier Candidate Education

1. One or more educational meetings will be held prior to the SSO auction with those Suppliers interested in bidding on VEDO SSO tranches.

2. All topics in VEDO's Merchant Exit Transition Program Outline will be discussed in detail.

3. The meeting(s) will be held prior to Supplier candidates submitting their SSO Supplier Application and undergoing creditworthiness evaluations.

34. SSO Customer Billing

1. SSO Customers will be billed at the monthly SSO Price per Ccf for all usage within a calendar month.

2. SSO Customers will continue to be billed on a cycle basis, with SSO Rider rate proration on a calendar month basis. The rate proration is currently done on a Days Use basis which assumes average daily usage over the billing period. The billing system will be revised to reflect Heating Degree Day proration which prorates the estimated heating portion of the load based on degree days.

3. Due to SSO Rider rate proration, the SSO Customers will not see on their bills a unit SSO rate equal to the calendar month NYMEX plus the Retail Price Adder, per Ccf. It will be a blended rate crossing two months.

4. SSO Customers will be subject to the Exit Transition Cost Rider.

5. SSO Suppliers names will not appear on SSO customers' bills.

35. SSO/SCO Uncollectible Accounts

1. Uncollectible Accounts for SSO Service and SCO Service will be recovered through the Uncollectible Expense Rider, similar to current GCR uncollectible accounts and Choice uncollectible accounts (for which VEDO purchases the receivables).

36. POLR Responsibilities – SSO Phase

1. VEDO is currently the Provider of Last Resort (POLR) for the VEDO system.

2. The POLR responsibility as currently assumed involves temporarily providing supply to Choice customers in the event of a Choice Supplier default. The Choice Supplier Agreement and relevant tariff sheets hold the defaulting Choice Supplier financially responsible. Eventually, the customers of a removed Choice Supplier will be assumed by non-defaulting Choice Suppliers or revert to sales service.

3. Because currently Choice suppliers almost exclusively maintain their own capacity rather than VEDO-released capacity to serve Choice customers, VEDO does not have recall rights to the Choice Suppliers' capacity in the event of a default. Also, VEDO does not retain additional capacity to provide this backup service. Instead it would rely upon the capacity and supply currently used to provide GCR sales service in the event of a Choice Supplier default; or if necessary, acquire additional temporary capacity and supply or city-gate deliveries. However, in a change to the current Choice Program, under the provisions in section 19, Choice Suppliers would take mandatory capacity assignment of VEDO capacity equivalent to 75% of their Pools' loads, such that VEDO would have recall rights to a large portion of Choice Suppliers' capacity.

4. In the SSO Phase, the POLR responsibility will expand to include temporarily providing supply to cover SSO tranche loads in the event of an SSO Supplier default. The SSO Supplier Agreement and relevant tariff sheets will hold the defaulting SSO Supplier financially responsible.

5. Defaulting Suppliers will be required to reimburse VEDO and other Suppliers for any incremental POLR costs incurred. Any incremental costs not recovered from defaulting suppliers will be included in the Exit Transition Cost Rider (see section 40).

6. The following approach to POLR will be used during for any Supplier defaults during the SSO Phase:

   a. VEDO, SSO Suppliers, Choice Suppliers, and Large Transporters/ Pool Operators would all be involved.

   b. VEDO will act as POLR Coordinator, identifying the need for POLR supply and notifying the non-defaulting SSO and Choice Suppliers when such need arises.

   c. In the event of supplier default, VEDO will take the following short-term action with regard to obtaining POLR supply:

      i. SSO/Choice Suppliers collectively will provide supply to meet POLR needs, using their individual VEDO-released TCO storage inventories. The withdrawn storage inventory will be subsequently replaced with the replacement cost assessed to the *defaulting* Supplier.

      ii. If VEDO determines that the daily quantity of gas needed due to supplier default(s) may affect the reliability of the system, an OFO will be issued, to ensure that Large Transporters/Pool Operators are not under delivering versus their Transport Customer usages during the POLR period.

36. POLR Responsibilities – SSO Phase (Cont')

iii. Next, as soon as possible, all transportation and storage capacity released to the defaulting Supplier will be recalled by VEDO who will use it to meet some portion of the immediate needs of the defaulting Supplier's customers. VEDO will claim the defaulting Supplier's storage inventory as needed to meet the defaulting Supplier's customer loads.

iv. VEDO will fill any remaining shortfall through acquiring additional temporary capacity and supply or city-gate deliveries.

v. VEDO will coordinate the provision of POLR service for the remainder of the billing month in which the default occurs, and the subsequent month, or until an alternate solution is effectuated.

d. In the event of Supplier removal, VEDO will take the following action with regard to an alternate solution:

i. If a Choice Supplier defaults, per the Choice Tariff, VEDO will offer non-defaulting Choice suppliers the option of assuming the customers of the defaulting supplier. If no takers, the customers will revert to sales (SSO) service.

ii. If an SSO Supplier defaults or non-defaulting Choice Suppliers do not assume the customers of a removed Choice Supplier:

1. The existing SSO Suppliers loads will be increased to cover the defaulted load on a pro rata basis. SSO Suppliers will be paid for the new load at the same SSO Price per MMBtu as established in the initial auction for their own supply tranches. Incremental load will be limited to 50% of initial tranche size.

2. For the portion of load quantity greater than 50% of initial load tranche size, that load will be assigned to a new SSO Supplier based on an accelerated auction process.

3. If there are only three winning bidders in the SSO auction and one Supplier defaults during the term, the two remaining SSO Suppliers will both receive a 50% portion of the defaulting Suppliers load, transport capacity and storage capacity assigned to them.

37. Transition from GCR to SSO

1. Pipeline transportation and storage capacity to be released to SSO Suppliers will be calculated by approximately the 20th of the month prior to the first month of flow, based on the Capacity Release Percentages (CRPs).

2. SSO/Choice Supplier DDQs will be posted to VEDO's EBB two days prior to the start of the SSO Phase, in addition to the min/max storage injection/withdrawal limits and daily inventory level requirements.

3. The GCR rate will be replaced with the SSO rate, and SSO customers' cycle month usages will be prorated, as of the SSO Initiation Date.

4. Suppliers' receivables will be shown on the SSO Suppliers' statements rendered about 25 days after the month that they were billed to the customers, meaning there is approximately a one month lag before Suppliers receive the payment on their billing/payment statement.

5. Further, the receivables paid to SSO Suppliers for the first month of SSO service will reflect only a prorated portion of the cycle billing for that month, about half, in that a portion of the cycle billing would represent sales under the GCR rate for the month prior to SSO Initiation.

38. Operational Flow Orders (OFO)

1. VEDO may issue an Operational Flow Order (OFO), in its reasonable discretion, as specified in this section, upon determination that an action is required in order to:

   a. alleviate or prevent conditions which threaten the integrity or reliability of Company's gas system

   b. maintain the system in balance

   c. maintain adequate storage inventory balances

   d. assure deliveries of gas supplies by Suppliers to serve their customers' loads

   e. adhere to the various interstate pipeline companies' balancing requirements, as stated in their FERC approved gas tariffs

   f. direct Suppliers to different city-gates or institute different city-gate delivery allocations due to system maintenance or system constraints

   g. any other condition warranting a change to delivery requirements

2. An OFO may be may issued on a non-discriminatory basis to all Suppliers delivering gas to VEDO's city-gates, all Suppliers within individual Programs, or an individual non-complying Supplier, when necessary in Company's sole judgment.

3. Company will post the OFO notice via their EBB notifying Supplier(s) of the following:

   a. Start date of the OFO

   b. End date of the OFO

   c. Expected duration if no end date is specified

   d. Specifics delivery requirements and or restrictions (i.e. no deliveries can be accepted at a particular city-gate due to maintenance; Supplier out of compliance with their storage min/max limits or inventory balance requirements; ,a Cold Weather OFO restricting deliveries less than the Supplier's DDQ; a Warm Weather OFO restricting deliveries greater than the Supplier's DDQ; etc.)

4. Violations of OFO requirements will be subject to a $35.00 charge per Dth for any volumes over or under the specified restriction.

5. Company will make every effort to give 24 hours notice of OFO's. If the risk of a potential future critical issue is identified, VEDO will attempt to post a Potential OFO notice to their EBB. However, VEDO reserves the right to in unforeseen circumstances to issue an OFO at any time to mitigate potential system issues with expediency without prior notice.

39. Pipeline Delivery Point Imbalances

1. As meter operator, VEDO has Operational Balancing Agreements (OBA) in place with most Pipelines that outline the terms for handling delivery point imbalances. At these points, the Pipelines remotely control the deliveries to the VEDO system based on the collective nominations to that point. Differences between the actual deliveries through the Delivery Point meters and the nominations to those meters will be managed by VEDO as shown below.

2. Texas Gas – Lebanon Point
   a. No OBA in place.
   b. Over/under delivery imbalances are netted and cashed out on a monthly basis.

3. Texas Eastern – Red Lion Point
   a. OBA in place.
   b. Imbalances are managed to minimal levels through TETCO Gas Control adjusting flow.
   c. Month-end imbalance carries month to month.
   d. Imbalance is not cashed out.

4. ANR – Derby and Red Lion Points
   a. OBA in place.
   b. Imbalances are managed to minimal levels through ANR Gas Control adjusting flow.
   c. Month-end imbalance carries month to month.
   d. Imbalance is not cashed out.

5. Panhandle – Glen Karn, Hollansburg, and Rural Points
   a. OBA in place.
   b. Imbalance is managed to minimal levels through VEDO gas control nominating gas on or off the OBA balance.
   c. Month-end imbalance carries month to month.
   d. Imbalance is not cashed out.

40. Exit Transition Cost Rider

1. A new Exit Transition Cost (ETC) Rider will be established to recover Merchant Exit Transition costs from all SSO/SCO and Choice customers. (See Proposed Tariff Sheets)
2. The new Rider will recover incremental SSO and SCO Phase implementation costs including but not limited to the following: (See Attachment 40A for estimates)
   a. IT
   b. Call Center
   c. Billing
   d. Education programs
   e. Other implementation costs
3. The new ETC Rider will also recover/pass back:
   a. GCR variances remaining as of the implementation of the SSO Phase,
   b. any stranded gas supply costs, including migration costs from VEDO's Choice program, if any
   c. any incremental POLR costs not recovered from a defaulting SSO Supplier,
   d. any imbalance costs not recovered from a Large Transporters/Pool Operators,
   e. gas costs incurred by Company when diverting Customers' transportation gas quantities during a curtailment (see Tariff Sheet No. 70, paragraph 11.B1.(9)),
   f. other costs determined to be applicable to all SSO/SCO and/or Choice customers.
4. All recoverable costs will be estimated for ratemaking purposes and will be reconciled to actual costs and recoveries.
5. Detailed accounting records will be maintained and will be reviewed in an annual ETC Rider audit that will be provided to Commission Staff.
6. Quarterly, the ETC Rider rate will be updated to reflect actual costs and variances.

41. SSO Tariff Revisions

1. VEDO's Tariff will be revised as necessary to incorporate separate and distinct tariff sheets applicable to SSO Service and SSO Suppliers. (See proposed Tariff Sheets)

2. New SSO Rider tariff sheet — Replaces the GCR Rider.

3. All Rate Schedules listed under Section 8 and all other tariff sheets (as applicable) will reference "SSO Rider" rather than "GCR Rider".

4. Add SSO Supplier Rate Schedule and Terms and Conditions (similar to Pooling Service rate schedules and Terms and Conditions) setting forth the requirements of SSO Suppliers providing SSO Service.

42. Customer Education – SSO Phase

1. A Working Group approach will be used for developing the initial customer education communication.

2. The costs of Customer Education will be recovered in the Exit Transition Cost Rider.

3. SSO Suppliers' names will not appear on customers' bills; however the Customer Education Working Group will investigate including the names of the SSO and Choice Suppliers in educational material.

4. Education campaign preliminary suggestions are as follows. The Education Working Group will develop the actual proposals.

Education objectives Phase 1
1. To educate all customers about upcoming changes to the GCR and how these changes will make determining the commodity cost easier.
2. To demonstrate Vectren's support of customers' choice in selecting a marketer.

Timeline for phase 1
March to April 2008
Prepare pre-campaign survey; gather data; conduct research; and prepare creative for media relations, community relations and advertising campaigns.

May to March 2009
Execute media relations and community relations strategies.

March 2009
Distribute second survey after education campaign; collect data; continue media relations, community relations and advertising campaigns.
Budget estimate for phase 1 function education campaign: $1 million

Breakdown of the services we'll be providing and details on the estimates for each category.

Research
Pre and post surveys focused on determining customers' awareness, recall and what it will take for them to switch.

Budget estimate: $80,000

Media Relations
- Story pitches.
- Op/Eds regarding choice, GCR changes and customer opportunities.
- Ready-to-run articles regarding the movement toward Choice and why it's a good thing.
- A media tour throughout the market to sit down with utility reporters, explain the GCR changes, let people ask questions and provide examples.

Budget estimate: $80,000

42. Customer Education – SSO Phase (Continued)

Community Relations

- Speakers' bureau: Visit community organizations throughout the service territory, make a Choice presentation and answer questions.
- Create Choice collateral explaining the changes to the Choice program and GCR with an updatable insert that we can put inside collateral material. This piece would be used as a leave-behind for community groups, media, etc.
- Put on a "Choice Fair" where the community can gather information about the program, find out about available gas marketers and take home collateral material. After collecting data from marketers, etc., attendees should be able to sit down with Vectren personnel to ask questions and figure out how their choices will affect their bills.

Estimate: $40,000

Advertising

- Radio
- Outdoor
- Direct mail
- Television
- Newspaper

Estimate: $800,000

TOTALS	
Research	$80,000
Media relations	$80,000
Community relations	$40,000
Advertising	$800,000
TOTAL:	$1 million

43. Choice Customer Eligibility Definition

Ohio Administrative Code

1. "Eligible customer" means a customer that is eligible to participate in a governmental aggregation in accordance with sections 4929.26 and 4929.27 of the Revised Code.

2. An eligible customer must meet all of the following:

   a. Uses < 150,000 Ccf/year
   b. Is not past due at time of enrollment
      - At the beginning of the VEDO Choice Program, past due parameters were set at 10 days or $10 resulting in roughly 183,000 customers eligible for Choice
      - Updated past due parameters are now set at 35 days or $100 resulting in roughly 223,000 customers eligible. An additional 40,000 customers will be eligible under the updated parameters.
   c. Is not currently enrolled with a qualified Supplier

44. VEDO Design Peak Day Forecast

1. VEDO's Design Peak Day Forecast uses a linear regression based model. The forecast will be updated annually and will form the basis for any Capacity Contract changes the Company may make. The VEDO Working Group will be provided the revised forecast for their review and approval prior to any contract changes being effectuated.

2. The linear regression model variables include:

Variable	Coefficient (in Mcf)
PkDayHDD65 .	1520.12
PkDayHDD55	4616.40
Lag_HDD55	910.61
WinterWind	2093.23
DeliveriesTrend	0.017
AR(1)	0.918
MA(1)	-0.555

   a. HDD65 and HDD55 - captures the non-linear relationship between average temperature and demand.
   b. LagHDD55 - captures the impact of the previous day temperature
   c. WinterWind - captures the effect of the winter wind speed
   d. Deliveries Trend - captures the underlying sales growth trend without seasonal and weather variation.
   e. Auto Regressive Moving Average (ARMA) - corrects variation and improves accuracy

   In this example, VEDO peak day has -14.5° F current day temperature, 11.5° F previous day temperature and 16.3 mph winter wind speed.

   The equation is:

   CurrentDayTempImpact +LagDayTempImpact + CurrentDayWinterWindImpact + DeliveriesTrend + ARMACorrection

   = 441,689.6 + 39,611.5 + 34,119.7 + 76,921.5 + ARMACorrection
   = 592,342 + ARMACorrection
   = 592,174 MCF

3. 2007 VEDO Peak Design Day demand (in Mcf)

	2007-08 (in Mcf)
Total Peak Day Demand	592,174
Transportation Demand	111,379
Transportation Backup Demand	2,789
Choice Peak Day Demand	99,833
Sales Peak Day Demand	383,751

45. Choice Supplier Credit Requirements

1. Current Choice Suppliers must continue to meet their existing Choice Program creditworthiness requirements.

2. The requirements for SSO/SCO Supplier creditworthiness shall be in addition to those for existing Choice Program requirements, if a Supplier is active in both programs.

3. VEDO intends to net the credit exposures of individual Suppliers of SSO/SCO and Choice Programs.

4. The occurrence and continuation of an Event of Default on either of the SSO/SCO or Choice Programs shall be considered a cross default on the other Program and any other Pooling or Transport Service within VEDO's service area.

5. Choice Suppliers that receive VEDO-released pipeline and storage capacity will have the monthly pipeline and storage capacity charges that are due to the pipelines included in their credit exposure calculations.

46. Choice Balancing Cost Rider Suspension

1. The Balancing Cost Rider will be suspended due to the proposed change effective at the SSO Initiation Date requiring Choice Suppliers to take capacity release of and pay for an allocated share of TCO storage, which will be utilized to balance the system (see Sections 14 and 19).

47. Large Transporter Imbalance Provisions

1. Balancing Provisions for Large Transporters currently include a 15% daily imbalance tolerance, and a 5% monthly imbalance tolerance. (See attachment 47A for recent imbalance statistics)

2. It will be necessary to revise the Monthly Balancing to require cashout to zero percent, rather than five percent, to facilitate collective *SSO/SCO* and *Choice Suppliers'* system balancing responsibilities, as discussed in Sections 14.

3. Changes to the Large Transporter Balancing Provisions and billing practices would include:
   a. Monthly zero percent tolerance
   b. Revise Daily Cash-outs to include over-deliveries on Cold OFO days, and under-deliveries on Warm OFO days greater than the daily tolerance. However, if VEDO determines that helpful deliveries in excess of the daily tolerance are beneficial to balancing the system, VEDO may waive this requirement at their discretion. Helpful delivery waivers will be communicated with the posting of the OFO notice.
   c. Gas cost portions of Cash-out charges and premiums assessed to Large Transporters/Pool Operators will be allocated to SSO/SCO and Choice Suppliers for providing balancing services.
   d. Large Transporter cash-outs will be reviewed as part of the annual ETC Rider audit.
   e. Creditworthiness assessments will be conducted on Large Transport Pool Operators and Large Transportation Customers to cover the exposure to SSO/SCO Suppliers for monthly balancing services.

48. SSO Phase Reporting

1. VEDO will provide monthly program statistics including the following: monthly SSO Rider Rate, number of SSO and Choice customers, SSO and Choice volumes by rate schedule, participation rates by rate schedule, number of SSO suppliers, market shares, and other information as desired by PUCO.

2. Also, VEDO will file quarterly reports that contain an assessment of supplier performance based on 1) target deliveries to volumes nominated, 2) target deliveries to volumes billed and, 3) comparable capacity required to comparable capacity demonstrated. Also, this report will identify and assess the impact of any supplier defaults, as well as storage use, system balancing performance, and comparable capacity requirements.

49. Standard Choice Offer (SCO) Phase

1. The SCO Phase is the next phase of the transition for VEDO's Merchant Exit and will be comprised of a minimum of two successive annual auctions. It will replace the VEDO SSO Phase.

2. SCO will not be a PUCO-regulated sales service to be provided by VEDO. It will be a Choice service offered on PUCO-regulated standard terms and conditions, including a standard price developed at each auction

3. Gas supply for VEDO's SCO service will be provided by SCO Suppliers who will be determined via an SCO Auction, as described in Section 52.

4. The loads of all former SSO/SCO Customers will be assigned to specific Choice Suppliers who will be their Standard Choice Offer Supplier, except for PIPP Customers, whose load will be served on a proportionate basis by the SCO Suppliers (similar to SSO service) but who will not be specifically assigned.

5. Under SCO Service:
    a. VEDO will bill customers at the SCO Price per Ccf (See Section 53).
    b. In addition, all Riders applicable to SSO customers will continue to apply to SCO customers

6. SCO Suppliers will be subject to all SSO Supplier requirements identified in VEDO's Merchant Exit Transition Program Outline, with the only exceptions being those specifically mentioned in the SCO sections of the Program Outline.

7. Choice customers may make an affirmative election to migrate to SCO Service or to select another Choice supplier upon termination of the Customer's existing agreement with that Customer's incumbent Choice supplier. In the event a Choice Customer's contract expires and the Customer makes no affirmative election of either SCO Service or a successor Choice Supplier, upon expiration of the Customer's contract that Choice Customer shall be assigned to a Choice Supplier in sequential order on that Choice Supplier's then standard monthly variable rate.

8. In the limited instances described above, a customer may be assigned to a Choice Supplier upon customer contract termination or customer contract expiration. In order to qualify as a potential default supplier in these instances, a Choice supplier must agree to accept assignment of the Customer and place that Customer on that Choice Supplier's then current and standard monthly variable price product without any cancellation or termination fee. Qualifying Choice Suppliers will be placed on a utility list and will be sequentially assigned customers.

50. SCO Timing

1. The SCO Phase Initiation Date will be April 1, 2009.
2. All SSO customers will become SCO customers on the SCO Initiation Date. Their loads will be assigned to their respective SCO Supplier randomly at the start of the SCO phase.
3. On the day prior to the SCO Initiation date, VEDO will issue its first SCO Supplier DDQ and SCO Suppliers will become responsible for providing SCO supply on the SCO Initiation Date.
4. On the SCO Initiation Date, the SSO Rider Rate will be replaced by the SCO Rider Rate for SCO customer billing purposes. All SCO customer usage billed on and after the SCO Initiation Date will be at the SCO Rider Rate.
5. The SCO Phase will extend over at least two annual auction periods.
6. If a settlement on moving to Phase 2, Full Choice, has not been approved by February 15, 2011, six weeks prior to the second annual SCO period expiration, then another SCO Auction (see section 52) will be held for a subsequent annual period, and so on thereafter.

51. Rate Schedules Subject to SCO Rider

1. The SCO Rider rate will apply to all customers receiving service under:
   a. Rate 310 - Residential Standard Choice Offer Service
   b. Rate 320 - General Standard Choice Offer Service
   c. Rate 341 – Dual Fuel Standard Choice Offer Service

2. Approximately 25 Rate 330, Large General Sales Service, customers are too large to qualify for SCO or Choice Service. They are large enough, however, to be eligible for Rate 345, Large General Transportation Service. These larger Rate 330 customers must have converted to Rate 345 prior to the start of the SCO phase.

52. SCO Auction

1. VEDO will conduct at least two annual auctions under which only qualified CRNG Suppliers can compete for the ability to supply a share of VEDO's SCO load (a "customer load tranche").

2. The bids during each auction will be specified as an adjustment (the "retail price adjustment") to the NYMEX monthly settlement price as described in Section 53 and will be fixed for the entire one-year term of each SCO auction.

3. The retail price adjustment for auction purposes shall also be stated in $ per Mcf. It will be converted to a price per Ccf for SCO Customer billing purposes.

4. VEDO's SCO load will consist of all SSO/SCO customer volumes in Mcf, plus a proportionate share of VEDO's PIPP load. For each auction, the SCO quantities will be divided as equally as possible and will consist of residential and commercial customers' loads. The approximate auction customer load tranche sizes including a proportionate share of PIPP Customer loads will be confirmed immediately prior to the auction.

5. A maximum of 2 customer load tranches (33% of total SCO quantities) will be awarded to any individual bidder.

6. A pro-rata share of VEDO's transportation and storage capacity will be released and to the SCO Suppliers who are the winning auction bidders for the customer load tranches (see Sections 12, 13, 14 and 15). The capacity released will be approximately 75% of the customer load tranches' peak loads.

7. VEDO will hire an independent auctioneer to conduct a descending clock auction.

8. A descending clock auction will be held in the same fashion as the SSO Auction (see section 9).

53. SCO Price

1. The SCO Price each month will be the NYMEX settlement price for such month converted to Mcf using an annual standard BTU plus the retail price adjustment determined by the SCO Auction. This will be a price per Mcf. It will be converted to a price per CCF for SCO Customer billing purposes.

2. The SCO Price will compensate SCO Suppliers for all of their costs of providing SCO Service for the entire term of the SCO Phase, including all pipeline demand and variable costs and gas commodity costs incurred by the SCO Supplier to meet the needs of the SCO customer load tranches and VEDO system balancing. It must also compensate for UAFG percentage retention (including company use) and variances thereof, actual BTU variations from estimated BTU values, Days Use vs. Heating Degree Day proration variations, hedging costs if any, and all other aspects of cost and risk relating to the provision of SCO Service as described in this Program Outline.

3. The SCO Price per CCF will be used for Apples-to-Apples posting purposes.

54. PIPP Customers – SCO Phase

1. For the SCO Phase, SCO Suppliers will serve a proportionate share of the PIPP Customers loads. The PIPP estimated loads will be included in the customer load tranche estimates provided to the SCO bidders prior to auction.

2. The PIPP customers' accounts will continue to be separately identified in the Company's billing system as PIPP customers; their accounts will not be specifically linked to SCO Suppliers.

3. Each day, the PIPP loads will be forecast and will be included in the SCO Suppliers' DDQ for the day.

4. PIPP Customers' billing will utilize the same SCO Price per CCF used for all other SCO Customers.

55. Customer Load Allocation to SCO Suppliers

1. Each SCO Supplier will be allocated actual customers' loads on a pro-rata basis based on the criteria listed below with the understanding that there will be small differences when customer loads are actually allocated. The criteria to be used is as follows:
   a. Peak Day Usage
   b. Geographical area
   c. Credit Ranking (take in consideration non-Choice eligible)
   d. Residential and Commercial
   e. PIPP Load

2. Enrollments will be generated by VEDO to "enroll" customers with SCO Suppliers.

3. An SCO Supplier will then be linked to each customer's premise. Absent an affirmative election of a specific Choice Supplier, a new Customer moving to the premise at a future date will default to the SCO Supplier who was assigned the premise's load.

4. Loads for customers migrating to Choice will be removed from the SCO Supplier previously assigned to the customer's premise.

5. Absent an affirmative selection of a specific Choice Supplier, loads of new premises in the VEDO territory will be assigned to a SCO Supplier on a sequential basis.

6. SCO Suppliers will have to comply with VEDO's EDI file transaction requirements in order to receive customers' billed usage.

56. Migration to/from Choice – SCO Phase

1. Once the SCO Phase is initiated, upon affirmative election, Choice customers will be able to migrate to SCO Suppliers. Also, SCO Customers may migrate to Choice Suppliers. The process by which customers may migrate from a Choice Supplier to an SCO Supplier is described in Attachment 56A.

2. Any migration will impact the Suppliers' demand profiles, either increasing or decreasing them which in turn will cause a pipeline capacity short position and equally offsetting long position between the among the Suppliers.

3. As with SSO Phase, VEDO released capacity will follow migrating customers. The VEDO portion will represent approximately 75% of the migrating customer's load.

4 The amount and types of capacity that will follow the migrating customers will be as set out in Attachment 25A.

5. The VEDO-released capacity for all affected Suppliers will be adjusted effective the first day of each calendar month, to reflect the updated Capacity Release Percentages for Suppliers based on loads calculated just prior to the end of the month.

6. Although storage capacity will follow a customer, storage inventory will not follow a customer. The Supplier receiving the storage capacity must arrange any acquisition of gas inventory necessary under the circumstances.

57. SCO Supplier Qualifications

1. SCO Supplier Applicants must agree to execution of an SCO Supplier Agreement (see Section 59).

2. SCO Supplier Applicants must meet SCO Supplier Creditworthiness Requirements (see Section 64).

3. SCO Supplier must be CRNG certified and maintain that certification during the period in which the SCO Supplier serves in that capacity and be VEDO Approved. In order to obtain a VEDO approved status, Supplier must pass all testing criteria of EDI files as specified by VEDO.

4. SCO Suppliers must agree to comply with all Merchant Exit Transition rules and requirements as reflected in the Program Outline, SCO Supplier Agreement, VEDO Tariff, Exit Settlement and Commission Orders.

5. The purpose of these requirements – application, creditworthiness, supply – is to be sure that those who participate in the auction have both the wherewithal and the requisite intent to provide supply to VEDO under the SCO Phase.

6. To be eligible to participate in the auction as an SCO Supplier, a potential SCO Supplier would have to meet all deadlines for participation – i.e., timely submission of application and supporting documents is vital and no exceptions will be made.

7. Requirements include the following:
    a. Application Requirements
        i. Company Information, contacts, and alternate contacts
        ii. Other relevant information
    b. Credit Requirements
        i. Creditworthiness requirements as detailed in Section 29
    c. Supply Requirements
        i. Estimated maximum number of tranches for which the applicant may be interested
        ii. Applicant's preliminary capacity and supply plans to supply those tranches
        iii. Other preliminary technical/supply requirements
    d. Acknowledge Receipt of Auction Rules and Procedures and agree to be bound by those rules and procedures
    e. Acknowledge Receipt of Customer Load Profile data
    f. Attend and Participate in Pre-Application Meeting
    g. Attend and Participate in Trial Auction, if held
    h. Acknowledge Receipt from VEDO of the Pre-Qualification Notice (confidential to each potential SCO Supplier and the Auction Administrator) setting forth the maximum number of tranches for which the SCO Supplier is qualified to bid
    i. Execute a Confidentiality Agreement with VEDO (to allow VEDO access to requested financial information for VEDO creditworthiness evaluation and to require non-disclosure of VEDO Pre-Qualification Notice, described above).

57. SCO Supplier Qualifications (cont')

8. Registered bidders may participate in the auction on a stand-alone basis or as the representative of a bidding agreement, joint venture or other arrangement among parties for the express purpose of bidding in the auction and supplying natural gas for any tranches awarded. Any bidders participating in such an arrangement must identify all of the other parties involved.

9. Registered bidders may not participate in more than one manner and may not be associated with another bidder in any supply arrangement intended to provide gas for the tranches being auctioned.

10. Registered bidders may not have a controlling interest or 10% or greater stake in another bidder or have any relationship that would provide financial or other incentives based on the outcome of bidding efforts.

11. In addition to certifying the preceding, registered bidders must also certify that they will maintain the confidentiality of their bidding strategy and not retain any bidding advisors or consultants providing similar service to another registered bidder.

12. Sanctions may be imposed on a registered bidder for failing to abide by any of the preceding certifications. Such sanctions may include, but are not limited to, the loss of:
    a. any rights awarded in the auction
    b. immediate termination of any other arrangements with VEDO
    c. forfeiture of any monies owed to the bidder by VEDO
    d. attorneys' fees and court costs incurred in any litigation that arises from failure to abide by the certifications, and
    e. any other legal actions, including prosecution, as VEDO in its sole discretion deems appropriate under the circumstances.

58. SCO Tariff Revisions

1. VEDO's Tariff will be revised as necessary to incorporate separate and distinct tariff sheets applicable to SCO Service and SCO Suppliers. (See the proposed Tariff Sheets.)

2. *SCO Rider replaces the SSO Rider.*

3. All Rate Schedules listed under Section 51 and all other tariff sheets, as applicable, will reference "SCO Rider" rather than "SSO Rider".

4. Add SCO Supplier Rate Schedules and Terms and Conditions (similar to SCO Service rate schedule and Terms and Conditions) setting forth the requirements of SCO Suppliers providing SCO Service.

59. SCO Supplier Agreement

1. SCO Suppliers must execute an SCO Supplier Agreement containing the terms and conditions applicable to the relationship between VEDO and SCO Supplier. (See Proposed SCO Contract)

60. · SCO Supplier Monthly Statement

1. SCO Supplier Monthly Statement will be rendered each month by the 25th day of the month, for the prior month's activity.

2. VEDO will pay the SCO Suppliers the total SCO dollars **billed** to their SCO customers for each revenue month as well as a pro-rata portion of the PIPP customers' SCO billings.

3. VEDO will pay the Choice Suppliers for the dollars **billed** to their Choice customers for the revenue month (as is currently done).

4. SCO Supplier Monthly Charges are identical to the Charges identified in Section 31 for SSO Suppliers.

61. SCO Customer Billing

1. SCO Customers will be billed at the monthly SCO Price per Ccf for all usage within a calendar month.

2. SCO Customers will continue to be billed on a cycle basis, with SCO Rider rate proration on a calendar month basis. The rate proration is currently done on a Days Use basis which assumes average daily usage over the billing period. The billing system will be revised to reflect Degree Day proration which prorates the heating load based on degree days.

3. Due to SCO Rider rate proration, the SCO Customers will not see on their bills a unit SCO rate equal to the calendar month NYMEX plus the Retail Price Adder, per Ccf. It will be a blended rate crossing two months.

4. SCO Customers will be subject to the Exit Transition Cost Rider.

5. SCO Suppliers names will appear on SCO customers' bills, in a manner determined by the Customer Education working group.

6. VEDO will purchase SCO Suppliers' receivables at no discount.

62. SCO Supplier Candidate Education

1. One or more educational meetings will be held prior to the SCO auctions with those Suppliers interested in bidding on VEDO SCO customer loads.

2. All relevant topics in VEDO's Merchant Exit Transition Program Outline will be discussed in detail.

3. The meeting(s) will be held prior to Supplier's submitting their SCO Supplier Application and undergoing creditworthiness evaluations.

63. POLR Responsibilities – SCO Phase

1. The SCO Phase POLR Responsibilities are identical to the SCO Phase responsibilities as described in Section 36.

64. SCO Supplier Creditworthiness Requirements

1. SCO Suppliers must meet the same VEDO Credit-worthiness requirements as specified for SSO Suppliers in Section 29.

65. SCO Supplier Failure to Perform

1. SCO Supplier Failure to Perform requirements are the same as described for SSO Suppliers in Section 30.

66. SSO Transition to SCO Phase

1. The initial SCO Auction will take place approximately 45 days prior to the end of the SSO phase.

2. An automated process will assign SCO Suppliers to SSO customers' premises on a random basis. Customer loads will be split as equally as possible based on geographical areas and credit ranking.

3. Customers will "enroll" with their assigned SCO Suppliers as of the first of the month upon implementation of the SCO phase.

4. Customer movement to/from Choice will take place on cycle.

5. Going forward, EDI files will be sent to SCO Suppliers notifying them of any new enrollments and drops.

6. PIPP customers will not be "enrolled" with a SCO Supplier, but the total PIPP load will be split proportionally among the SCO Suppliers.

67. Customer Education – SCO Phase

1. A Working Group approach will be used for developing the customer education communication.

2. The message to customers will necessarily depend on the Working Group's decisions on how and whether to communicate the FC Tipping Point and FC Customer Transition Methodology.

3. The costs of Customer Education will be recovered in the Exit Transition Cost Rider.

4. SCO Suppliers' names will appear on customers' bills.

5. Education campaign: preliminary suggestions:

Below are the recommendations for the Ohio Merchant Function education program:

Education objectives for phase 1.5
1. To educate all customers about upcoming auction of customers to select marketers.
2. To demonstrate Vectren's support of customers' choice in selecting a marketer and prepare customers for total exit.

Timeline for phase 1.5
<u>March to April 2009</u>
Prepare pre-campaign survey; gather data; conduct research; and prepare creative for media relations, community relations and advertising campaigns.

<u>May to March 2010</u>
Execute media relations and community relations strategies.

<u>March 2010</u>
Distribute second survey after education campaign; collect data; continue media relations, community relations and advertising campaigns.

Budget estimate for phase 1.5 function education campaign: $1 million

The details for phase 1.5 will be flushed out by the education team (OCC, PUCO and VEDO) as we move forward. The budget will look similar to Phase 1.

TOTALS	
Research	$80,000
Media relations	$80,000
Community relations	$40,000
Advertising	$800,000
TOTAL:	$1 million

68. Reserved for Future Use

69. Reserved for Future Use

70. Disposition of Non-Compliance Charges – Non-Gas Portion

1. A number of charges are potentially assessed as part of the incentives to ensure that SSO/SCO, Choice, and Large Transporters/Pool Operators comply with their various Programs' rules. The non-gas portion of those charges include DDQ non-compliance charges, Imbalance Cashout premiums and discounts, and OFO non-compliance Charges. Those charges currently are credited to all Choice eligible customers via the PIPP Rider. As part of the Exit Settlement, Vectren will prospectively credit those charges proportionately to the Choice and SSO/SCO Suppliers who balance the VEDO system through holding VEDO-released TCO storage capacity

71. Reserved for Future Use

72. Reserved For Future Use

73. New Processes Tested by Phase

1. Phase 1 – SSO Phase:
    a. *Market-based* standard pricing
    b. Collective system balancing, including daily PDA Imbalance allocations and Monthly Volume Reconciliations
    c. VEDO coordinated collective POLR services
    d. Mandatory capacity release for SSO and Choice Suppliers
    e. Capacity follows *migrating customer* – monthly capacity release adjustments
    f. Customer Education – awareness of options

2. Phase 1.5 – SCO Phase:
    a. *Phase 1 processes* a through f, plus,
    b. DDQ forecasting for total system
    c. Customer Information System in near Full Choice mode – supplier for each premise, removal of movement to sales service for disconnects, EDI for all new and transferred customers, etc.

74. Customer Information System (CIS) Changes

1. The settling parties propose that the Commission approve both the SSO Phase and SCO Phase in its order regarding the settlement. The SSO Phase will require Customer Information System (CIS) changes that can be put in place in a relatively short time frame upon receipt of a Commission Order.
   a. The SCO Phase, because of its movement of CIS to a nearly Full Choice mode will require more IT effort and therefore more lead time and expense to revise and test. The IT effort for both phases must therefore begin upon receipt of the Commission Order approving both phases.

2. The costs associated with implementing the CIS changes will be recovered via the Exit Transition Cost Rider.

   a. High Level Systems Development Plan to support SSO Include:
      i. Develop and implement new forecasting model to include daily/monthly storage injection/withdrawal requirements.
      ii. Enhancements to VEDO's EBB in order to post daily/monthly storage minimum/maximum levels in addition to a storage information section which will include the Supplier's proportional share of daily storage balancing volumes and other pertinent information.
         1. Development of SSO and Choice Suppliers' statements to reflect the new tariff charges and balancing provisions.
      iii. Ability to reverse back to GCR.
      iv. Ability to handle defaulting Suppliers (POLR).
      v. Changes to Large Gas Transportation daily/monthly tolerances, and OFO
         1. Cash-out provisions.
      vi. Variance reporting requirements.

3. High Level Systems Development Plan to support SCO includes:
   a. The CIS System will need to be modified to accommodate for non-HB9 requirements for SCO customer enrollments, and drops (e.g. rescission period, enrollment/drop letters, etc.).
   b. Auto-assignment of SCO Supplier to new customers, and customers moving between premises.
   c. Auto-assignment of a Choice Supplier on a sequential basis to Choice customers whose contracts are not being renewed, and have not made an affirmative election to SCO service or a specific Choice Supplier.
   d. Changes to bill print to include SCO and Choice Supplier's names on customers' bills.
   e. Modify system requirement of customer having to bill on VEDO sales service once before it will allow the customer to be eligible for Choice.
   f. Modify system to default the customer back to the SCO Supplier assigned to that premise.
   g. Unbundling of all customer services.
   h. Ability to reverse back to GCR.
   i. Ability to handle defaulting Suppliers (POLR).
   j. Modification to current EDI file transactions to auto-create new enrollments transactions for SCO customer, transfers, and to create auto-drop transactions for SCO customers shut-offs.

k. Various reporting requirements.

75. Reversion to GCR Service

1. The settling parties recognize that the Commission, as it did in the DEO Phase 1 proceeding, will retain the right to order VEDO to revert to GCR Sales Service at any time during the SSO or SCO Phase. VEDO also retains the right to petition the Commission to revert to GCR service.
2. SSO/SCO Supplier Agreements must reflect the possibility of reversion to GCR service as a risk taken on by the Suppliers.
3. Processes for unwinding SSO/SCO/Choice Supplier TCO storage positions would need to be contemplated as well in the event of reversion.
4. As described in the Customer Information System Change Section (section 74), various CIS processes would need to be reverted as well should the Commission Order such a reversion. **The costs of reversion efforts would be considered as costs recoverable through the Exit Transition Cost Rider, absent a determination to the contrary by the PUCO.**

76. Audits – Post GCR

1. The need for a GCR M/P audit and the GCR Financial Audit are eliminated prospectively from the date of the SSO Implementation.
2. A new annual audit would be implemented to review all costs and revenues reflected for recovery/pass back in the ETC Rider.
3. The Uncollectible Expense Rider, formerly reviewed as part of the annual GCR Financial audit, will be audited on the same schedule as the new annual ETC Rider audit.

77. Portfolio Administration/VEDO Hedging

1. Depending on the initiation of Phase 1, VEDO may continue to be responsible for providing GCR sales service after March 31, 2008 and perhaps for the winter of 2008-2009.

2. In the fall of 2007 VEDO issued an RFP for Portfolio Administration Services to begin November 1, 2007. The termination date was set at March 31, 2008. , but that agreement could be extended to a later month-end date depending on the PUCO-approved initiation date of Phase 1.

3. VEDO has hedged winter supply, November 2007 through March 2008, through its Advance Purchases Program, using its standard practice of hedging approximately 75% of its expected winter deliveries. But it has not hedged beyond March 31, 2008, in anticipation of the initiation of SSO Service.

4. VEDO will not restart hedging through advance purchases beyond March 31, 2008, due to the expected implementation of SSO Service by July 1, 2008. If, however, the SSO initiation date is postponed such that VEDO will be supplying GCR service in the winter of 2008-2009, the decision not to make advance purchases will be reevaluated.

Attachment Reference Listing

3A - Phase Comparison

9A - Tranche Sizes

14A – Balancing Cost Rider tariff sheet

14B – UAFG Percentage tariff sheet

14C – Historical Balancing Volumes

14D – TCO – LDC System Balancing Upon Exiting Merchant Function Notice

15A – VEDO Capacity Contracts and Costs

17A – TCO Storage Tolerances Based on HDD

17B – Monthly TCO Storage Volume Targets

20A – DDQ Screen

21A – Forecast Linear Regression Model example

21B – Article on ANNS

21C – Daily Demand Forecast

23A – Current City-gate Allocation Table

23B – Proposed SSO City-gate Allocation Table

24A – Standard BTU

25A – Reassignment of Capacity Example

29A – Collateral Requirements

31A – Receivables Payment Timeline Example

32A - Usage Volume Reconciliation Calculation Example

32B – SSO/SCO Billing Timeline Example

40A – Implementation Costs estimate

47A – Large Gas Transportation Balancing Statistics

56A – Affirmative Election Procedure

58A – Historical PIPP Rider credits/charges From Large GT premium charges

Attachment 3A

		Current	Phase 1 -- SSO	Phase 1.5 -- SCO	Phase 2 -- FC
No.	Item	GCR Sales Service	Standard Sales Offer Service	Standard Choice Offer Service	Full Choice
1	Initiation Date	Current	1-Jul-08	1-Apr-09	Determined in Phase 2 proceeding
2	Service Provider	VEDO, w/Portfolio Administrator	VEDO, w/SSO Suppliers	SCO Suppliers	Choice Suppliers
3	Customers Served	All Sales Customers	Load Tranche (1/6 of sales)	Specific Customer Pools (1/6th of sales initially)	All Choice Customers
4	Customer "Agreement"	Tariff	Tariff	Tariff	Contract
5	Pricing	GCR	NYMEX plus Auction Adder	NYMEX plus Auction Adder	Negotiated
6	Gas Supply Billing	Company	Company	Company-SCO Supplier name on commodity bill	Company or Choice Supplier-- Supplier name on commodity bill
7	Auction Frequency	N/A	1	Annually until Phase 2	None
8	Eligible Auction Bidders	N/A	Any creditworthy Supplier	Any creditworthy Choice Supplier	Any creditworthy Choice Supplier
9	Capacity Release to Suppliers	N/A	Mandatory (about 75% of load)	Mandatory (about 75% of load)	Mandatory (about 75% of load)
10	Daily Forecasting	Full Sales Load	DDQ (Full Sales Load * 1/6)	DDQ (Specific Customer Pools)	DDQ (Choice Pools)
11	System Balancing (TCO Storage)	Company	SSO/Choice Suppliers	SCO/Choice Suppliers	Choice Suppliers
12	Changes to Choice Program	None	Implement Mandatory Capacity Release (about 75% of Load), Increase Various Penalties to Match SSO Penalties	Implement Affirmative Election requirements	No Further Changes
13	Changes to Transportation Program	None	Reduce Monthly Cashout to 0% (from 5%)	No Further Changes	No Further Changes
14	IT Requirements	None	$ 1 million	$ 2.5 million	Not yet known
15	Audits/Filings	MP, Financial, LTFR	Annual Exit Tracker Review	Annual Exit Tracker Review	Annual Exit Tracker Review

Attachment 9A

[redacted]

	7-Nov	7-Dec	8-Jan	8-Feb	8-Mar	8-Apr	8-May	8-Jun	8-Jul	8-Aug	8-Sep	8-Oct	Yearly Totals
Degree Days	22	33	38	34	24	14	5	0	0	0	3	12	
[redacted]													
[redacted]													
Released Interstate Capcity (MDQ)	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	
Panhandle Eastern EFT	1,418	4,215	4,215	4,215	4,215	4,215	1,418	1,418	1,418	1,418	1,418	1,418	
Trunkline/PEPL/TETCO FT	5,400	5,400	5,400	5,400	5,400	5,400	0	0	0	0	0	0	
Potential Incremental FT													
Allocated Storage Capacity (MDQ)													
Panhandle Eastern	6,221	6,221	6,221	6,221	6,221	2,896	2,896	2,896	2,896	2,896	2,896	2,896	
Columbia Gas Transmission	27,000	27,000	27,000	27,000	27,000	13,500	13,500	13,500	13,500	13,500	13,500	27,000	
Allocated Propane Peaking (MDQ)													
Combined Propane Facilities	0	7,020	7,020	7,020	0	0	0	0	0	0	0	0	
Total City Gate Supply Volumes	45,101	54,919	54,919	54,919	47,899	31,074	22,876	22,876	22,876	22,876	22,876	36,376	

[redacted]

BALANCING COST RIDER

APPLICABILITY

The Balancing Cost Rider shall be applicable to Suppliers served under Rate 385 – Pooling Service (Residential and General).

DESCRIPTION

Each month, Supplier shall be assessed the Balancing Cost Rider Rate for all billed Ccf of its Pool Customers for the associated cycle month.

This Rider recovers the costs incurred by Company for interstate pipeline transportation and storage services and any other services needed to provide operational balancing to Suppliers' Pools.

Company shall adjust this Rider annually effective November 1st of each year to reflect changes in the costs to be recovered.

All Balancing Cost Rider revenues recovered shall be credited to the GCR gas costs.

BALANCING COST RIDER RATE

The Balancing Cost Rider Rate for Pool Customer's billed Ccf on and after November 1, 2007 is $.00327 per Ccf.

Attachment 14B

UNACCOUNTED FOR GAS PERCENTAGE

APPLICABILITY

The Unaccounted for Gas Percentage shall be applicable to Choice Suppliers, Pool Operators, and to all non-Pooling Transportation Customers served under Rate 345.

DESCRIPTION

A percentage of the quantities received by Company from applicable parties at a point of receipt on the Company's distribution system shall be retained by Company to compensate for unaccounted for gas.

The Unaccounted for Gas Percentage stated below shall be adjusted periodically by Company, through updating of this Sheet No. 54 after approval by the Commission, to reflect any changes in the system unaccounted for percentage.

UNACCOUNTED FOR GAS PERCENTAGE

The Unaccounted for Gas Percentage is 1.6%.

Attachment 14C

VEDO 2004-2006 Model vs. Actual Miss												
Absolute Value of Model Error for All Days												
Rank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	107,599	61,466	57,236	109,606	50,360	6,326	13,584	6,401	13,513	47,882	59,183	95,020
2	89,279	56,948	40,312	55,914	35,104	6,205	12,190	5,794	9,671	37,315	50,342	69,291
3	82,269	49,572	38,730	55,658	33,712	6,118	10,993	5,155	9,020	34,609	48,358	51,917
4	77,563	48,751	38,599	53,624	26,399	5,990	9,730	5,109	8,517	34,430	46,697	50,771
5	70,113	47,701	35,715	43,475	26,146	5,821	9,174	4,980	8,466	32,050	46,341	49,052
6	67,416	43,851	35,421	43,169	26,062	5,533	9,085	4,928	8,404	31,987	46,187	47,903
7	64,960	43,302	33,452	33,957	22,496	5,451	8,791	4,475	7,589	28,053	45,248	47,415
8	61,281	42,721	32,875	33,181	20,268	5,124	7,216	4,013	7,210	27,796	42,153	43,716
9	53,138	42,571	32,696	32,862	19,451	4,917	6,846	3,752	6,565	27,309	39,543	43,636
10	45,090	39,389	32,035	31,874	19,232	4,528	6,553	3,731	6,393	26,035	38,525	43,108
11	44,143	37,171	31,353	30,032	19,194	4,433	6,432	3,476	6,270	25,816	36,690	42,860
12	43,475	37,076	29,489	29,129	18,325	4,429	6,400	3,413	6,103	23,552	36,163	42,308
13	43,404	35,405	27,987	28,877	16,206	4,428	5,937	3,388	6,085	22,979	35,796	38,132
14	42,697	35,063	27,617	28,818	15,998	4,409	5,779	3,290	5,606	22,156	33,988	37,754
15	42,042	31,223	27,588	24,529	14,549	4,384	5,626	3,248	5,547	21,772	33,725	29,437
16	40,460	30,865	27,543	23,609	12,424	4,368	5,606	3,193	5,285	20,741	33,147	27,933
17	40,401	29,114	27,513	23,577	12,278	4,355	5,308	3,125	5,129	18,330	32,998	26,988
18	36,795	28,898	26,112	23,548	11,479	4,263	5,162	3,091	5,122	17,361	32,892	26,768
19	35,543	28,503	24,176	23,286	10,966	3,869	5,159	3,076	5,094	15,874	31,282	26,506
20	34,739	28,476	24,081	21,082	10,910	3,508	4,989	2,919	4,939	14,898	29,486	26,465
21	34,115	28,384	24,070	20,393	10,746	3,274	4,932	2,915	4,917	14,783	29,190	26,363
22	33,005	28,362	23,887	19,150	10,685	3,268	4,593	2,858	4,531	14,061	28,187	25,149
23	31,457	25,325	23,144	17,524	9,240	3,210	4,503	2,836	3,739	13,964	27,971	24,962

Attachment 14C Cont'd.

24	30,844	23,678	22,766	17,100	9,036	3,191	4,502	2,493	3,723	13,962	27,574	24,540
25	29,953	23,645	22,251	16,244	8,782	3,097	4,474	2,486	3,719	13,534	25,846	23,207
26	28,449	22,672	21,623	14,665	8,697	3,062	4,256	2,463	3,679	13,491	25,644	22,794
27	28,430	22,357	21,233	13,040	8,557	2,820	4,246	2,453	3,531	13,304	24,140	22,790
28	27,897	22,052	20,982	12,261	8,545	2,758	4,206	2,360	3,383	13,180	23,721	22,452
29	27,059	21,628	20,912	12,181	8,226	2,535	4,000	2,256	3,313	12,469	23,000	22,235
30	26,160	21,181	19,867	11,189	7,786	2,531	3,961	2,211	3,163	12,044	22,507	22,080
31	25,272	20,158	18,978	10,909	7,507	2,509	3,939	2,210	3,005	11,766	22,110	21,633
32	25,134	18,205	18,630	10,182	7,056	2,492	3,741	2,199	2,924	11,762	20,985	20,797
33	24,703	17,019	18,141	10,085	6,921	2,481	3,663	2,189	2,884	11,531	20,622	20,316
34	24,579	17,014	17,111	9,883	6,769	2,398	3,660	2,181	2,839	10,946	20,253	20,176
35	23,817	16,856	16,513	9,858	6,642	2,346	3,633	2,091	2,833	10,934	20,228	19,517
36	22,677	16,843	16,402	9,231	6,597	2,330	3,587	2,007	2,710	10,921	20,112	19,045
37	22,473	16,752	16,192	8,634	6,458	2,220	3,382	1,955	2,708	10,610	18,503	18,049
38	21,906	16,085	16,108	8,615	6,287	2,186	3,085	1,940	2,664	10,425	18,169	17,635
39	21,641	15,396	15,707	8,287	6,267	2,120	3,040	1,861	2,488	10,305	18,006	17,184
40	20,992	15,362	15,684	8,116	6,133	2,112	2,914	1,859	2,404	10,183	17,888	15,520
41	19,976	15,005	15,609	8,042	5,859	2,092	2,914	1,853	2,382	10,061	16,575	14,592
42	19,602	14,663	15,366	8,010	5,694	2,017	2,911	1,838	2,328	9,857	15,825	14,525
43	19,556	14,539	14,924	7,615	5,642	1,876	2,879	1,807	2,313	9,840	15,276	14,260
44	18,937	14,410	14,833	7,445	5,448	1,838	2,866	1,806	2,257	9,567	15,210	14,024
45	18,851	13,594	14,798	6,941	5,287	1,653	2,849	1,782	2,233	9,377	14,281	13,676
46	18,376	13,520	13,561	6,780	5,165	1,618	2,797	1,730	2,218	9,072	13,935	13,577
47	17,832	13,186	12,445	6,617	5,086	1,580	2,729	1,727	2,174	8,989	13,830	13,298
48	17,686	12,980	12,345	6,527	4,764	1,506	2,681	1,651	2,174	8,986	13,657	12,985
49	16,296	12,717	11,996	6,440	4,618	1,502	2,471	1,563	2,141	8,194	13,056	12,460
50	16,213	11,719	11,895	5,948	4,452	1,373	2,450	1,523	2,129	8,082	12,557	12,245
51	16,003	11,691	11,728	5,829	4,422	1,351	2,391	1,471	2,087	7,671	12,032	12,154
52	15,527	11,077	11,515	5,367	4,400	1,332	2,334	1,458	2,077	7,483	11,931	11,879
53	15,249	10,172	11,253	5,311	4,343	1,318	2,266	1,448	2,044	7,310	11,590	11,595
54	14,015	10,044	11,104	5,311	3,991	1,244	2,258	1,425	1,968	7,147	11,410	10,815
55	13,359	9,713	10,495	5,307	3,841	1,206	2,079	1,398	1,872	6,828	11,252	10,707
56	13,310	9,373	10,015	4,949	3,711	1,204	2,039	1,341	1,864	6,721	11,087	10,686
57	13,158	9,220	9,747	4,911	3,625	1,175	2,003	1,334	1,833	6,600	10,712	10,606
58	12,481	9,213	9,190	4,621	3,492	1,161	1,957	1,223	1,802	6,534	10,215	10,565
59	12,402	8,923	9,124	4,234	3,216	1,121	1,821	1,222	1,730	6,501	9,872	10,197
60	12,149	8,871	9,014	4,009	2,879	1,098	1,651	1,120	1,544	6,437	9,808	9,969

Attachment 14C Cont'd.

61	12,108	8,622	8,874	4,001	2,878	1,039	1,647	1,082	1,507	6,311	9,754	9,585
62	12,077	8,133	8,627	3,938	2,788	1,010	1,629	1,021	1,489	6,072	8,722	9,107
63	11,768	7,732	8,132	3,556	2,418	981	1,554	1,018	1,420	5,966	7,966	8,566
64	11,375	7,688	7,964	3,389	2,369	901	1,537	957	1,412	5,669	7,715	8,453
65	11,058	7,586	7,657	3,207	2,358	898	1,509	910	1,409	5,660	7,487	8,181
66	10,208	6,955	7,551	3,173	2,117	888	1,480	904	1,408	5,646	7,403	7,297
67	9,888	6,777	7,447	3,157	1,910	857	1,358	876	1,222	5,498	7,238	7,265
68	9,887	5,899	6,838	3,012	1,907	853	1,244	872	1,167	5,191	6,288	7,059
69	9,611	4,877	6,661	2,686	1,875	822	1,206	839	1,096	5,029	6,286	6,931
70	9,316	4,825	6,382	2,647	1,719	696	1,147	810	1,050	4,916	5,623	6,689
71	8,906	4,760	5,736	2,430	1,662	684	1,139	693	980	4,906	5,614	6,201
72	8,382	4,654	5,467	1,982	1,627	674	1,124	637	938	4,889	5,278	6,175
73	6,895	4,225	5,325	1,922	1,475	672	1,116	602	914	4,460	4,945	5,978
74	6,727	4,216	5,054	1,893	1,399	635	1,059	569	878	4,151	4,801	5,936
75	6,444	3,692	4,639	1,861	1,303	614	1,023	537	839	4,009	4,793	5,721
76	5,478	3,674	4,505	1,858	1,228	597	826	535	780	3,991	4,622	5,424
77	5,448	2,981	4,273	1,737	1,149	565	825	524	739	3,935	4,154	5,192
78	4,267	2,937	3,443	1,523	1,097	515	730	494	687	3,772	3,850	5,131
79	3,522	2,700	3,290	1,513	1,017	463	693	481	658	3,467	3,828	5,043
80	3,465	1,609	3,072	1,316	962	407	671	473	465	3,309	3,462	5,024
81	3,344	1,558	3,002	1,019	874	391	653	453	406	3,028	3,436	4,606
82	2,640	705	2,665	983	872	328	652	437	374	2,661	2,976	4,269
83	2,455	639	2,523	980	793	302	595	409	331	2,421	2,546	4,170
84	2,096	95	2,235	891	771	296	519	391	314	2,264	2,431	3,861
85	1,835	6	1,864	658	689	292	489	319	222	1,721	1,739	3,152
86	1,594		1,807	535	613	258	419	279	147	1,459	1,176	1,940
87	1,505		1,717	345	604	169	382	264	55	1,459	1,030	1,854
88	1,488		1,488	322	549	104	374	185	38	1,353	979	1,823
89	1,161		1,173	312	419	24	362	162	34	1,176	507	1,695
90	479		1,168	131	236	5	246	156	5	1,046	128	1,640
91	390		646		207		228	150		449		1,618
92	374		558		47		100	130		226		1,425
93	49		181		23		93	64		103		721

Attachment 14C Cont'd.

VEDO 2004-2006 Model vs. Actual Miss
Absolute Value of Model Error Excluding Sunday, Monday and Holidays

Rank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	77,563	61,466	57,236	55,914	26,062	6,326	9,730	6,401	13,513	37,315	59,183	50,771
2	70,113	49,572	35,421	53,624	22,496	6,205	9,174	5,794	9,671	34,430	46,697	49,052
3	61,281	47,701	32,875	43,475	19,451	5,990	6,432	4,980	9,020	32,050	46,187	43,716
4	45,090	43,851	32,035	43,169	19,194	5,821	6,400	4,475	8,517	28,053	45,248	43,636
5	44,143	42,721	27,543	33,957	18,325	5,533	5,937	3,752	8,466	27,796	42,153	42,860
6	43,475	42,571	27,513	33,181	16,206	5,451	5,779	3,731	8,404	27,309	39,543	42,308
7	43,404	37,171	26,112	32,862	15,998	4,528	5,626	3,413	7,589	26,035	36,690	38,132
8	42,697	37,076	24,176	29,129	14,549	4,433	5,606	3,388	7,210	25,816	36,163	37,754
9	42,042	35,405	24,081	28,877	12,424	4,429	5,162	3,193	6,393	23,552	35,796	29,437
10	40,460	31,223	24,070	28,818	12,278	4,428	4,989	3,091	6,270	22,979	33,725	26,768
11	40,401	29,114	23,887	24,529	11,479	4,409	4,593	3,076	6,085	21,772	33,147	26,506
12	35,543	28,898	23,144	23,609	10,966	4,368	4,502	2,919	5,606	20,741	29,486	26,465
13	30,844	28,503	22,766	23,577	10,746	4,355	4,474	2,915	5,547	18,330	28,187	24,540
14	28,449	28,476	21,623	23,548	9,240	4,263	4,246	2,493	5,285	17,361	27,971	22,790
15	27,059	28,362	21,253	23,286	9,036	3,508	4,206	2,486	5,129	14,061	27,574	22,452
16	25,134	25,325	20,982	20,393	8,697	3,268	4,000	2,463	5,122	13,962	25,846	22,235
17	24,703	23,678	20,912	19,150	8,545	3,210	3,961	2,453	5,094	13,491	25,644	21,633
18	23,817	23,645	18,978	17,524	8,226	3,097	3,939	2,360	4,939	12,469	23,721	20,797
19	22,677	22,052	18,630	17,100	7,786	2,820	3,741	2,210	4,917	12,044	22,507	20,316
20	21,906	21,181	18,141	16,244	7,507	2,535	3,633	2,199	4,531	11,766	20,985	20,176
21	21,641	18,205	16,513	14,665	7,056	2,531	3,382	2,189	3,739	11,762	20,622	19,045
22	20,992	16,752	16,402	13,040	6,642	2,509	3,085	2,091	3,723	11,531	20,253	18,049
23	19,976	16,085	16,108	12,181	6,597	2,492	3,040	2,007	3,719	10,934	20,228	17,184
24	19,602	15,396	15,707	10,182	6,458	2,481	2,914	1,861	3,531	10,921	20,112	15,520
25	19,556	14,663	15,684	10,085	6,287	2,398	2,914	1,838	3,313	10,610	18,503	14,525
26	18,937	14,539	15,366	9,858	6,267	2,346	2,911	1,807	3,163	10,425	17,888	14,260
27	18,851	14,410	14,924	9,231	6,133	2,330	2,879	1,806	3,005	10,061	15,825	14,024
28	18,376	13,594	14,833	8,634	5,859	2,186	2,849	1,782	2,924	9,857	15,276	13,676
29	17,686	13,520	14,798	8,615	5,694	2,120	2,797	1,730	2,884	9,840	13,935	13,577
30	16,213	13,186	13,561	8,287	5,642	2,112	2,450	1,727	2,839	9,567	13,830	13,298
31	16,003	12,980	12,345	8,116	5,448	2,092	2,334	1,651	2,833	9,377	13,657	12,985
32	15,527	12,717	11,996	8,042	5,287	2,017	2,266	1,471	2,708	8,989	13,056	12,460
33	15,249	11,719	11,895	8,010	5,165	1,838	2,039	1,425	2,664	8,986	11,931	12,245
34	14,015	11,691	11,253	7,445	4,618	1,618	2,003	1,398	2,404	8,082	11,590	11,879
35	13,359	11,077	11,104	6,780	4,452	1,580	1,957	1,341	2,382	7,671	11,252	11,595

36	13,310	10,172	10,495	6,617	4,400	1,506	1,821	1,334	2,328	7,483	11,087	10,815
37	12,481	10,044	10,015	6,440	3,991	1,373	1,647	1,223	2,313	7,310	10,712	10,707
38	12,149	9,713	9,747	5,948	3,492	1,244	1,480	1,222	2,257	6,721	10,215	10,565
39	12,077	9,373	9,190	5,829	3,216	1,206	1,358	1,120	2,141	6,600	9,872	10,197
40	11,375	9,220	9,124	5,367	2,879	1,204	1,244	1,082	2,129	6,534	9,754	9,585
41	11,058	8,923	9,014	5,311	2,878	1,175	1,206	1,021	2,087	6,501	8,722	9,107
42	10,208	8,871	8,874	4,949	2,418	1,121	1,147	1,018	2,077	6,437	7,966	8,566
43	9,888	8,133	8,627	4,621	2,369	1,098	1,139	904	1,872	6,311	7,238	8,453
44	9,887	7,688	7,964	4,234	2,358	1,039	1,124	876	1,864	6,072	6,288	7,265
45	9,611	7,586	7,657	4,009	1,910	1,010	1,116	872	1,832	5,966	6,286	6,931
46	9,316	6,777	7,551	4,001	1,907	901	1,023	839	1,802	5,660	5,623	6,689
47	8,906	5,899	7,447	3,938	1,875	898	826	810	1,544	5,646	4,801	6,201
48	8,382	4,825	6,838	3,157	1,662	888	825	693	1,507	5,498	3,850	6,175
49	6,727	4,654	6,661	3,012	1,627	857	730	602	1,489	5,191	3,436	5,936
50	6,444	4,225	6,382	2,686	1,303	822	693	569	1,408	4,889	2,976	5,721
51	5,478	4,216	5,736	2,647	1,097	696	671	537	1,167	4,460	2,546	5,192
52	5,448	3,692	5,054	2,430	962	684	653	535	1,050	4,151	2,431	5,131
53	4,267	2,981	4,639	1,922	874	672	652	524	878	3,991	1,739	5,024
54	3,344	2,937	4,273	1,893	793	625	595	494	839	3,935	1,176	4,606
55	2,640	1,609	3,443	1,858	689	614	489	481	780	3,309	1,030	4,269
56	2,096	1,558	3,290	1,737	613	565	419	473	658	3,028	979	3,861
57	1,594	705	3,072	1,513	604	515	382	453	465	2,421		1,940
58	1,505	639	3,002	1,316	549	463	374	437	374	1,721		1,854
59	1,488	95	2,665	1,019	419	407	362	409	331	1,459		1,823
60	1,161	6	2,523	983	236	391	228	391	147	1,459		1,425
61	479		2,235	891	207	328	100	279	55	1,353		721
62	390		1,807	658	47	302	93	264	38	1,176		
63	374		1,717	535		292		185	5	449		
64			1,488	322		169		162		226		
65			1,173	312		24		156				
66			646					130				
67			558									
68			181									

Attachment 14D

COLUMBIA GAS TRANSMISSION CORPORATION

NOTICE TO ALL INTERESTED PARTIES
AUGUST 31, 2007

Notice ID: 11643
5 - NO RESPONSE REQUIRED

LDC System Balancing
Upon Exiting Merchant Function

OBJECTIVE:

When a local distribution company (LDC) desires to exit its merchant function the LDC may release as much storage capacity on Columbia Gas Transmission Corporation (TCO) as possible to third party suppliers, while maintaining the ability to balance its system using that storage capacity.

POSSIBLE APPROACH:

1. The LDC can temporarily release all or a portion of its TCO storage capacity to third party suppliers effective for a specified period of time and sell the existing storage inventory to those suppliers at that time. The storage capacity can be released in accordance with the capacity release provisions set forth in Section 14 of the *General Terms* and Conditions (GTC) of TCO's FERC Gas Tariff (Tariff). The inventory can then be transferred through a separate transaction as described in No. 2e below.

2. The LDC can impose conditions on the release of the storage capacity, such as:

a. The third party suppliers must agree to allow their storage capacity (in the aggregate) to be used to balance the LDC's system. The LDC's existing FSS and SST capacity must be released together to the third party suppliers. Predetermined Allocations (PDAs) can be set up proportional to the released

capacity to manage daily balancing/imbalances. Under this scenario, the TCO storage *no-notice* feature is retained within all third party suppliers' allocated storage. In addition, the third party suppliers may perform a nominated storage true-up through TCO's Electronic Bulletin Board (EBB) within one hour after the posting of deliveries for the final hour of the day. The LDC may also perform a true-up upon recall as well.

b. The suppliers must agree to follow LDC-established Min/Max boundaries for daily and monthly storage injection/withdrawal, to ensure sufficient storage inventory/capacity to balance the system each day. The third party suppliers will be accountable for their storage injection/withdrawal limits as determined by their SCQ per Columbia's tariff. The LDC may establish its own *limits/boundaries* with the suppliers through other means not imposed by TCO.

c. The TCO storage capacity may not be re-released. The LDC may prevent the re-release of TCO storage capacity by third party suppliers through the capacity release terms and conditions when the release is made.

d. The LDC must be provided access to information about the third party suppliers' storage balances at all times. The LDC can be designated as agent for each third party supplier in order to access their storage information and administer their storage account if needed provided the third party is agreeable.

e. The third party suppliers must agree to allow the LDC to shift some FSS capacity among the suppliers at the start of each month, due to Customer migrations. Capacity follows the Customer. Using TCO's EBB, the LDC can shift
(re-assign) FSS capacity among suppliers at the start of each month in order to
manage customer migrations through a recall and re-release. No fee Inventory
transfers (FSS to FSS) among suppliers are subject to TCO approval but are normally granted for similarly situated customers barring extraordinary circumstances.

3. On a daily basis, the LDC's total system imbalances will be managed as per
the established PDA in conjunction with the no-notice service as a no-notice
TCO storage injection or withdrawal, as described below in No.4.

4. The LDC will be able to establish PDAs and update them monthly as well as
daily which will assign a percentage of each day's LDC's system imbalance as a
no-notice TCO storage injection or withdrawal to each TCO capacity holder (based on their proportion of total TCO storage).

5. TCO allows no-notice true-up nominations but will allocate imbalances per
the PDA.

6. After month-end, the LDC will calculate actual imbalance responsibility among its third party suppliers and transporters who will then do in-field transfers among themselves to re-shuffle the PDA-allocated imbalance swings.
The LDC understands that in-field transfers can be completed at no cost but are
subject to TCO approval as described in 2e.

7. TCO will assess overruns and/or penalties to the supplier(s) that caused the
overrun and/or penalty in accordance with FSS Sections 6 and 7.

8. The LDC understands that suppliers will have injection/withdrawal capability year round, just like the LDC based on their respective Storage Contract Quantities (SCQs) per the TCO tariff.

9. The Meter Operator's risk under this approach would be limited to any operational flow orders relating to the LDC's delivery points and/or Total Firm Entitlement (TFE) penalties if the LDC holds firm contracts to those delivery points.

10. The "FSS true-up" may be found in the SST Rate Schedule of TCO's Tariff on Sheet No. 116.

11. Nominations from storage will only be required for deliveries to systems other than LDC's system (off system). Off system nominations will not retain the no-notice feature. The total Supplier SCQ based withdrawal limit is reduced by the off system nomination amount. Injections or withdrawals to the LDC's system do not require a nomination.

12. The LDC and third party suppliers understand that all shippers must warrant that they have title to the gas under their respective contracts in accordance with GTC Section 23 of TCO's Tariff.

13. The LDC and third party suppliers understand that the Rate Schedules and GTC of TCO's Tariff govern all transactions.

Attachment 15A

VECTREN ENERGY DELIVERY OF OHIO

Interstate Capacity Portfolio Nov'07 - Oct'08

Pipeline	Svc Type	Contract No.		MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ
Col Gas	Storage Transportation														
	SST			193,525	193,525	193,525	193,525	193,525	100,000	100,000	100,000	100,000	100,000	100,000	200,000
PEPL	Storage Transportation														
	EFT	20351	**See Below	44,588	44,588	44,588	44,588	44,588	21,450	21,450	21,450	21,450	21,450	21,450	21,450
	EFT	20349		36,286	36,286	36,286	36,286	36,286	37,500	37,500	37,500	37,500	37,500	37,500	37,500
TETCO															
	LLFT	870172		10,500	31,225	31,225	31,225	31,225	31,225	10,500	10,500	10,500	10,500	10,500	10,500
TGT															
	FT	26772		40,000	40,000	40,000	40,000	40,000							

** Apr - Oct serves only as maximum storage inj. This number has not been inlcuded in the Total City Gate Deliverability.

Pipeline	Svc Type	Contract	SCQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ	MDQ
Col Gas	Storage Service														
	FSS (SCQ)		7,400,400												
	FSS			193,525	193,525	193,525	193,525	193,525	200,000	200,000	200,000	200,000	200,000	200,000	200,000
PEPL	Storage Service														
	FSS (SCQ)	20350	4,069,100												
	FS			45,212	45,212	45,212	45,212	45,212	46,704	46,704	46,704	46,704	46,704	46,704	46,704
	FTS	20848		10,521	10,521	10,521	10,521	10,521	10,521	10,521	10,521	10,521	10,521	10,521	10,521
Trunkline															
	FTS	19808		10,621	10,621	10,621	10,621	10,621	10,621	10,621	10,621	10,621	10,621	10,621	10,621
TETCO															
	LLFT	870173		23,580	23,580	23,580	23,580	23,580	0	0	0	0	0	0	0
	FT	910555		4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200

Note: Includes IGS Capacity Releases for the period November 2007 - March 2008.

Attachment 15A cont'd

VEDO MONTHLY FIRM TRANSPORTATION DEMAND CHARGES 11/2007 - 10/2008

	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Annual Charges
Panhandle Eastern: #20349													
EFT Demand Charge	$464,824	$464,824	$464,824	$464,824	$464,824	$480,375	$480,375	$480,375	$480,375	$480,375	$480,375	$480,375	$5,686,743
Panhandle Eastern: #20348													
EFT Demand Charge	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$16,097	$193,166
Trunkline: #19808													
EFT Demand Charge	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$56,822	$681,868
Texas Gas: #26772													
FT Demand Charge	$420,000	$434,000	$434,000	$392,000	$434,000	$0	$0	$0	$0	$0	$0	$0	$2,114,000
Texas Eastern: #870172													
LLFT Demand Charge	$35,070	$104,292	$104,292	$104,292	$104,292	$104,292	$35,070	$35,070	$35,070	$35,070	$35,070	$35,070	$766,948
Texas Eastern: #870173													
LLFT Demand Charge	$78,757	$78,757	$78,757	$78,757	$78,757	$0	$0	$0	$0	$0	$0	$0	$393,786
Texas Eastern: #910555													
FT Demand Charge	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$26,040	$312,480
Total FT Demand Charges	$1,097,610	$1,180,832	$1,180,832	$1,138,832	$1,180,832	$683,626	$614,404	$614,404	$614,404	$614,404	$614,404	$614,404	$10,148,991
Note: Includes IGS Capacity Releases for the period November 2007 - March 2008.													
	$3,172,296	$3,255,518	$3,255,518	$3,213,518	$3,255,518	$2,145,087	$2,075,846	$2,075,846	$2,075,846	$2,075,846	$2,075,846	$2,655,546	$31,332,210

Attachment 15A cont'd

VEDO MONTHLY STORAGE DEMAND CHARGES 11/2007 - 10/2008

	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Annual Charges
Columbia Gas: (TCO)													
SST Demand Charge													
Summer MDQ 100,000	$0	$0	$0	$0	$0	$579,700	$579,700	$579,700	$579,700	$579,700	$579,700	$1,159,400	$4,637,600
Winter MDQ 200,000	$1,121,864	$1,121,864	$1,121,864	$1,121,864	$1,121,864	$0	$0	$0	$0	$0	$0	$0	$5,609,322
FSS Deliverability Charge													
MDQ 200,000	$291,255	$291,255	$291,255	$291,255	$291,255	$301,000	$301,000	$301,000	$301,000	$301,000	$301,000	$301,000	$3,563,276
FSS Capacity Charge													
SCQ 7,548,000	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$214,612	$2,575,339
Inj/With Commodity Charge	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	$0.0153	
Storage Injection %	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	
Subtotal TCO Demand Charges	$1,627,731	$1,627,731	$1,627,731	$1,627,731	$1,627,731	$1,095,312	$1,095,312	$1,095,312	$1,095,312	$1,095,312	$1,095,312	$1,675,012	$16,385,537
Panhandle Eastern: (PEPL)													
EFT Demand Charge													
Summer MDQ 21,450	$0	$0	$0	$0	$0	$83,441	$83,441	$83,441	$83,441	$83,441	$83,441	$83,441	$584,084
Winter MDQ 46,080	$173,447	$173,447	$173,447	$173,447	$173,447	$0	$0	$0	$0	$0	$0	$0	$867,237
FS Deliverability Charge													
MDQ 46,704	$134,280	$134,280	$134,280	$134,280	$134,280	$138,711	$138,711	$138,711	$138,711	$138,711	$138,711	$138,711	$1,642,374
FS Capacity Charge													
SCQ 350,280	$139,228	$139,228	$139,228	$139,228	$139,228	$143,978	$143,978	$143,978	$143,978	$143,978	$143,978	$143,978	$1,703,988
Inj/With Commodity Charge	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	$0.0385	
Storage Injection %	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	
Storage Withdrawal %	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	
Subtotal PEPL Demand Charge	$446,955	$446,955	$446,955	$446,955	$446,955	$366,130	$366,130	$366,130	$366,130	$366,130	$366,130	$366,130	$4,797,682
Total Storage Demand Charges	$2,074,686	$2,074,686	$2,074,686	$2,074,686	$2,074,686	$1,461,441	$1,461,441	$1,461,441	$1,461,441	$1,461,441	$1,461,441	$2,041,141	$21,183,219

Note: Includes IGS Capacity Releases for the period November 2007 - March 2008.

Attachment 17A

Historic Maximum MMBTU Miss of Day-Ahead Forecast to Actual

(VEDO 1/1/2004 to 3/31/2007)

		HHDO HDD5	HDD6 HDD10	HDD11 HDD15	HDD16 HDD20	HDD21 HDD25	HDD26 HDD30	HDD31 HDD35	HDD36 HDD40	HDD41 HDD45	HDD46 HDD50	HDD51 HDD55	HDD56 HDD60	HDD61 HDD65	HDD66 HDD70	HDD71 HDD75	HDD76 HDD80
January		16,330	15,330	11,058	43,404	40,460	45,090	31,234	21,906	40,401	43,475	38,669	38,669	12,077			
February		39,898	39,898	39,898	42,721	37,076	47,701	28,503	26,522	23,645	8,686	26,898	27,840				
March		10,015	27,513	16,402	35,421	21,623	67,236	15,366	32,035	21,253							
April		33,957	23,609	24,529	26,430	26,430	8,010	13,040									
May		22,496	18,325	26,062	19,451	5,165											
June		6,326	2,509														
July		9,730															
August		6,401															
September		9,671	8,517	13,513	2,404												
October		11,762	23,562	34,430	28,053	37,315	27,309										
November		6,288	20,112	46,697	44,425	42,153	46,187	45,248	36,690								
December		28,360	28,360	43,716	12,985	22,790	60,771	29,437	49,052	26,768	20,176	43,636					

Green days had no observations. Used avg of two Maximums for HDD incremental slots colder and warmer if available to fill data.

Max Injection Table

Month	TCO Max Inj.	HHDO HDD5	HDD6 HDD10	HDD11 HDD15	HDD16 HDD20	HDD21 HDD25	HDD26 HDD30	HDD31 HDD35	HDD36 HDD40	HDD41 HDD45	HDD46 HDD50	HDD51 HDD55	HDD56 HDD60	HDD61 HDD65	HDD66 HDD70	HDD71 HDD75	HDD76 HDD80
April	45,868	12,000	22,000	22,000	19,000	19,000	25,000	25,000									
May	61,184	39,000	42,000	38,000	42,000	57,000											
June	61,184	55,000	59,000														
July	61,184	52,000															
August	61,184	55,000															
Septembe	39,770	30,000	31,000	31,000	35,000												
October	21,414	10,000															

Max Withdrawal Table

Month	TCO Max W/D	HHDO HDD5	HDD6 HDD10	HDD11 HDD15	HDD16 HDD20	HDD21 HDD25	HDD26 HDD30	HDD31 HDD35	HDD36 HDD40	HDD41 HDD45	HDD46 HDD50	HDD51 HDD55	HDD56 HDD60	HDD61 HDD65	HDD66 HDD70	HDD71 HDD75	HDD76 HDD80
January	200,000	185,000	185,000	185,000	157,000	160,000	155,000	168,000	178,000	160,000	160,000	160,000	160,000	188,000	192,000	196,000	200,000
Early Feb	200,000	160,000	160,000	160,000	160,000	160,000	160,000	171,000	176,000	176,000	176,000	176,000	176,000	182,000	188,000	194,000	200,000
Late Feb	130,000	90,000	90,000	90,000	90,000	90,000	90,000	101,000	106,000	106,000	106,000	106,000	106,000	112,000	118,000	124,000	130,000
March	130,000	120,000	103,000	114,000	95,000	108,000	73,000	115,000	98,000	109,000	116,000	123,000	130,000				
November	200,000	194,000	180,000	154,000	156,000	158,000	154,000	154,000	163,000	173,000	182,000	191,000	200,000				
December	200,000	172,000	172,000	156,000	167,000	177,000	149,000	170,000	150,000	173,000	178,000	160,000	168,000	176,000	184,000	192,000	200,000

Min Withdrawal Table

Month	TCO Max W/D	HHDO HDD5	HDD6 HDD10	HDD11 HDD15	HDD16 HDD20	HDD21 HDD25	HDD26 HDD30	HDD31 HDD35	HDD36 HDD40	HDD41 HDD45	HDD46 HDD50	HDD51 HDD55	HDD56 HDD60	HDD61 HDD65	HDD66 HDD70	HDD71 HDD75	HDD76 HDD80
November	200,000			25,000	25,000	25,000	25,000	25,000	25,000								

ATTACHMENT 17B

VEDO MONTHLY TCO STORAGE REQUIREMENTS

Month	Daily Minimum Required % of SCQ in TCO Storage	Maximum Required % of SCQ in TCO Storage
April	10%	TCO Tariff
May	10%	TCO Tariff
June	10%	TCO Tariff
July	10%	TCO Tariff
August	10%	TCO Tariff
September	10%	TCO Tariff
October	10%	TCO Tariff
November	30%	TCO Tariff
December	30%	TCO Tariff
January	30%	TCO Tariff
February 1 -15	30%	TCO Tariff
February 16 - 28	10%	TCO Tariff
March	10%	TCO Tariff

Note: VEDO will require all the released capacity holders of the VEDO TCO FSS storage service to maintain a minimum balance of 30% of the released TCO SCQ capacity in inventory until February 15th of each year. This is needed in order for VEDO to be assured that the first TCO storage ratchet is not reached prior to February 15th each year.

Directed Delivery Quantity (DDQ) and Related Information

Box 1

Pool:	ABC Choice Pool
Description:	ABC Choice Pool
Supplier:	ABC Company
Effective Date:	January 17, 2007
Last Updated:	January 16, 2007

Modeling Assumptions

Small Gas Transportation Accounts	205,000
General Gas Transportation Accounts	2,000
Average BTU Factor	1.025

Five-Day Forecast

	HDD	DDQ	
01/16/07	31	n/a	Actual
01/17/07	45.00	147,667	Forecast
01/18/07			Forecast
01/19/07	[redacted]		Forecast
01/20/07			Forecast
01/21/07			Forecast

Box 2

	DDQ (Dth)
Expected Demand (using forecasting models)	147,66
+/- Adjustments	
DDQ (Dth):	147,66

DDQ by Delivery Point

	Min	M
Lebanon/Red Lion	10,182	73,53
Derby	12,153	73,53
Columbia Gas	25,655	101,82
Hellensburg	0	12,17
Glen Karn	0	24,38

Adjustments

Propane Supplied by VEDO	
Quarterly Reconciliation	
Annual Reconciliation	
Other*	
Total Adjustments to DDQ (Dth):	

*Please see notices describing the adjustments made to the DDQ

Supply Planning Details

Box 3

Month	Peak Design Day Demand: Total Dth	VEDO Peaking	Supplier Net Dth	Associated HDD
Jan-07	318,544	28,669	289,875	79.50
Feb-07	[redacted]			
Mar-07				
Apr-07				
May-07				
Jun-07				
Jul-07				
Aug-07				
Sep-07				
Oct-07				
Nov-07				
Dec-07				

Box 4

Peak Day City Gate Allocation

Month	Columbia Min	Columbia Max	Lebanon/Red Lion Min	Lebanon/Red Lion Max	Derby Min	Derby Max	Hellensburg Min	Hellensburg Max	Glen Karn Min	Glen Karn Max
Jan-07	66,962	193,282	28,965	102,447	26565	144,837	0	18,179	0	33,366
Feb-07	[redacted]									
Mar-07										
Apr-07										
May-07										
Jun-07										
Jul-07										
Aug-07										
Sep-07										
Oct-07										
Nov-07										
Dec-07										

Box 1 - Shows Supplier, customer counts by class, five day forecast and previous day actual

Box 2 - Shows DDQ, minimum and maximum by delivery point, and any adjustments

Box 3 - Shows peak design day demand and the associated HDD

Box 4 - Shows the peak design day minimum and maximum delivery allocation by delivery point

Attachment 21A

SSO Peak Supply and Cold Day Model

Date	[redacted]	*Enter the date eg. 10/4/03*
Residential Customers	[redacted]	Enter your residential customer count
Small Commercial Customers		Enter your small commercial customer count
Large Commercial Customers		Enter your large commercial customer count
HDD		Enter your HDD
Holiday		Enter 1 if NYEve, NYDay, XmasDay, XmasEve, July4, LaborDay, Thanksgiving, FriAftThanks, MLK, PresDay,
WeekendHoliday	0	ColumbusDay, VeteransDay, MemorialDay and 0 if not
		Automatically Updated
DDQ	147,667	Dth

Section A. Residential Calculation		
Residential	Coefficient	Value
Baseload	0.0621	12724
JanHDD65	0.0126	115792
FebHDD65	0.0124	0
MarHDD65	0.0130	0
AprHDD65	0.0124	0
MayHDD65	0.0101	0
JunHDD65	0.0076	0
SepHDD65	0.0071	0
OctHDD65	0.0106	0
NovHDD65	0.0124	0
DecHDD65	0.0120	0
DecFebHDD50	0.0022	13370
		141887
RUF		0.9500
Apply RUF		134,792
Dth Total		138,162

Section B. Small Commercial Calculation		
Small Commercial	Coefficient	Value
Baseload	0.4338	651
WeekendHoliday	-0.1879	0
JanHDD65	0.0388	2620
FebHDD65	0.0365	0
MarHDD65	0.0496	0
AprHDD65	0.0424	0
MayHDD65	0.0241	0
SepHDD65	0.0156	0
OctHDD65	0.0338	0
NovHDD65	0.0454	0
DecHDD65	0.0366	0
DecFebHDD50	0.0257	1157
		4428
RUF		1.0500
Apply RUF		4,649
Dth Total		4,765

Section C. Large Coml/Indstry Calculation		
Large Commercial	Coefficient	Value
Baseload	2.0270	1014
WeekendHoliday	-0.6130	0
JanHDD65	0.1860	4165
FebHDD65	0.1770	0
MarHDD65	0.1610	0
AprHDD65	0.1340	0
SepHDD65	0.0230	0
OctHDD65	0.1000	0
NovHDD65	0.1460	0
DecHDD65	0.1720	0
		5199
RUF		0.8895
Apply RUF		4,624
Dth Total		4,740

1. Current model used for Choice Supplier Daily Demand and Peak Supply planning.
2. *Model will also be used for SSO Peak Supply Planning.*
3. Model will also be used to validate SSO Neural model on very cold days (>= 66 HDD)

4. Blue Fields are to be input by SSO supplier.
5. Green Field is DDQ in Dth based on supplier input. In Section A., B., and C. there are Green Fields for calculations underlying each customer class.
6. Yellow columns are coefficients provided by *Vectren*. The Relative Usage Factor (RUF) scales each Choice Suppliers' 12 month consumption portfolio to the model.

Attachment 21B

GAS INDUSTRIES
The Authoritative Source for the Natural Gas Industry

February 2000
Back to Article Index

How to forecast daily sendout demand

by Ronald H. Brown, Timothy M. Richardson, and John E. Buchanan

The local distribution company faces many challenges in the business of supplying gas to its customers. The gas supply system of an LDC consists of gate stations, compressors, gas storage, and customers. The LDC must operate these systems to assure delivery of gas in adequate volumes at required pressures under all circumstances. For efficient, economical, and safe operation, the daily gas sendout demanded by the customers must be known with some degree of accuracy.

The customer base of the LDC consists of many individual customers, each with unique demand characteristics. Customers use gas for space heating (known as heating load), for heating water, drying, cooking and baking, and other processes (known as base load), and for electric power generation.

The customer base is generally divided into three categories: residential, commercial, and industrial. The demand characteristics of these three categories differ significantly. The residential customer demands are typically temperature sensitive, increasing on weekends.

The commercial customers are also typically temperature sensitive, but decreasing on weekends. Industrial customer demand is much less temperature sensitive, decreasing significantly on weekends.

Factors affecting demand

Many factors affect gas usage. The most significant factor is temperature, as most gas is used for space heating. Analysis of the daily average temperature and the daily gas consumption for a region in Wisconsin shows the most obvious characteristic is gas consumption increases with decreasing average temperature, while consumption decreases with increasing temperature to a point. Once average temperature reaches a certain temperature, space heating no longer occurs; consumption levels are near some constant value known as base load. This nonlinear characteristic was observed long ago and used to define the heating degree day. Gas consumption versus average temperature for individual days has been plotted and it is also obvious to see that gas consumption is approximately proportional to HDD.

Another important factor is wind, in that buildings lose more heat on a windy day than on a calm day. Heat loss is also a dynamic process, hence weather factors from previous days have been shown to be contributing factors affecting gas consumption. Many industrial customers and some commercial customers shut down over weekends. Thus the day of the week can be used as a proxy to model this characteristic.

Many other potential factors exist such as solar radiation, direction of the wind, tap water temperature, holidays, bill shock, occupancy rates, and industrial production rates, to name a few. Some of these factors can be directly measured, while others cannot.

Methods for forecasting

Through the years, many methods have been used to predict daily sendout demand. Gas controllers have used and still use methods such as looking at usage patterns on similar historical days and scatter plots of usage versus HDD. Often these methods were only successfully applied by experts with years of experience at the LDC.

Along with deregulation of gas prices came the need to more accurately forecast customer demand for natural gas. Many LDCs have developed varying degrees of success. These models are developed using historical demand data along with other historical data and information, such as weather conditions and day of the week.

Multiple Linear Regression. Multiple linear regression is one of the most commonly used methods for prediction models. Its accuracy is limited, however, by the assumption of a linear relationship between the input factors and the output.

Artificial Neural Networks. Artificial Neural Networks are mathematical constructs that are capable of mapping any continuous nonlinear algebraic function. The ANN acquires knowledge through a training process. Modelers of gas consumption have been attracted to ANNs because of this capability of mapping unknown nonlinear relationships between inputs and the output. In addition, the training process builds an input-output relationship that interpolates well to a situation that may not exactly match the training.

While an ANN is quite good at interpolating a solution that was not presented during training, it is not as good at extrapolating outside the domain of the training knowledge. For the gas estimation problem, this means that if the ANN model was not trained with historical data from days of extreme weather, the model will not perform as well on such days.

Introduction to ANNs

A typical ANN is made up of several layers. Layers, in turn, are made up of several neurons. Each neuron consists of interconnecting weights, a summation junction, and an activation function.

The architecture. In neurons, the incoming signals, known as input vectors, are each multiplied by their respective weights and summed along with a weighted offset (this much of the neuron is equivalent to a multiple regression model). The sum is the input to a nonlinear activation function. The output of the activation function is the output of the neuron and is either an input to several other neurons or the output of the ANN.

Several neurons operating on the same inputs form a layer. In a feed-forward ANN, the output of these neurons forms the inputs to the next layer. The ANN is formed by the interconnection of several layers.

Forward Propagation. The ANN is evaluated by setting the inputs to appropriate values. The neurons in the first layer are evaluated producing inputs to the second layer. The second layer is then evaluated producing inputs to the third layer. Finally, the third layer is evaluated producing the outputs of the ANN.

Training an ANN. The weights of the ANN are determined by training the ANN. A training data set, consisting of known input-vector, output-vector pairs, is needed to train the ANN. Initially, the weights are set to random values. The most common method for setting the weights is known as back propagation. This method is a steepest gradient decent algorithm. The method consists of:

1. The input vector is presented to the ANN for forward propagation. The ANN output vector is calculated.

2. The error between the ANN output vector and the training output vector is calculated.

3. The partial derivative of this error with respect to each weight is calculated.

4. Using the partial derivatives of the error, each weight is adjusted in the direction to reduce the ANN output vector error.

A training epoch consists of repeating this procedure for each pair of vectors in the training set. Typically, hundreds, thousands, or even tens of thousands of epochs will be run to train an ANN.

VEDO Daily Demand Forecast

Date		1/16/2007	1/17/2007	1/18/2007	1/19/2007	1/20/2007	1/21/2007
Day of the Week		Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1. Forecasted Total System Demand Dth (ANN Model)	+	307,814	285,015	274,689	314,847	306,445	276,144
2. Forecasted Temperatures		23	27	30	22	22	28
3. Forecasted Degree Days		42	38	35	43	43	37
4. Total Traditional Large GT (Nominations)	-	72,781	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5. *Total Choice* (Nominations)	-	55,989	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
6. Choice Projections (Day ahead Forecasts)			48,822	44,806	55,125	46,867	44,755
7. Net Demand (Future SSO)	=	179,044	163,412	157,102	186,941	186,797	158,608

1. Forecasted demand for the entire VEDO system using an Artificial Neural Network model
2. Forecasted average daily temperature
3. Forecasted degree days
4. Total Traditional Gas Transportation nominations
5. Total Choice Nominations
6. *Total Choice* forecasted DDQs
7. Net SSO Demand - based on ANN model reduced by Choice forecast and LGT nominations.

Attachment 23A

Choice (without PEPL minimums) - Current

HDD	Lebanon & Red Lion Min % of Load	Lebanon & Red Lion Max % of Load	Columbia Min % of Load	Columbia Max % of Load	PEPL @ Holl'burg November - March Min % of Load	PEPL @ Holl'burg November - March Max % of Load	PEPL @ Holl'burg April - October Min % of Load	PEPL @ Holl'burg April - October Max % of Load	PEPL @ Glen Karn November - March Min % of Load	PEPL @ Glen Karn November - March Max % of Load	PEPL @ Glen Karn April - October Min % of Load	PEPL @ Glen Karn April - October Max % of Load	ANR/TET @ Derby Min % of Load	ANR/TET @ Derby Max % of Load
0	0%	50%	20%	75%	0%	14%	0%	10%	0%	30%	0%	30%	0%	50%
1	0%	50%	20%	75%	0%	13%	0%	10%	0%	28%	0%	28%	0%	50%
2	0%	50%	20%	75%	0%	12%	0%	10%	0%	26%	0%	26%	0%	50%
3	0%	50%	20%	75%	0%	11%	0%	10%	0%	25%	0%	24%	0%	50%
4	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	22%	0%	50%
5	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	20%	0%	50%
6	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	18%	0%	50%
7	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	17%	0%	50%
8	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	16%	0%	50%
9	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	15%	0%	50%
10	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	12%	0%	50%
11	0%	50%	20%	75%	0%	10%	0%	10%	0%	25%	0%	11%	0%	50%
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18	0%	50%	20%	75%	0%	10%	0%	7%	0%	25%	0%	8%	0%	50%
19	0%	50%	20%	75%	0%	10%	0%	6%	0%	25%	0%	7%	0%	50%
20	0%	50%	20%	75%	0%	10%	0%	6%	0%	25%	0%	6%	0%	50%
21	0%	50%	20%	75%	0%	10%	0%	6%	0%	25%	0%	6%	0%	50%
22	0%	50%	20%	75%	0%	10%	0%	6%	0%	25%	0%	6%	0%	50%
23	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	6%	0%	50%
24	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	6%	0%	50%
25	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	5%	0%	50%
26	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	5%	0%	50%
27	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	5%	0%	50%
28	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	5%	0%	50%
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31	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	5%	0%	50%
32	0%	50%	20%	75%	0%	10%	0%	5%	0%	25%	0%	5%	0%	50%
33	0%	50%	20%	75%	0%	10%	0%	4%	0%	24%	0%	5%	0%	50%

34	0%	50%	20%	75%	0%	10%	0%	4%	0%	24%	0%	5%	0%	50%
35	0%	50%	20%	75%	0%	10%	0%	4%	0%	24%	0%	5%	0%	50%
36	0%	50%	20%	75%	0%	10%	0%	4%	0%	23%	0%	5%	0%	50%
37	0%	50%	20%	75%	0%	10%	0%	4%	0%	23%	0%	5%	0%	50%
38	0%	50%	20%	75%	0%	10%	0%	4%	0%	22%	0%	4%	0%	50%
39	0%	50%	20%	75%	0%	10%	0%	4%	0%	20%	0%	4%	0%	50%
40	0%	50%	20%	75%	0%	9%	0%	3%	0%	19%	0%	4%	0%	50%
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46	7%	50%	20%	69%	0%	8%			0%	16%			8%	50%
47	7%	50%	20%	69%	0%	8%			0%	16%			8%	50%
48	7%	50%	20%	69%	0%	8%			0%	16%			8%	50%
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57	12%	45%	30%	61%	0%	7%			0%	14%			12%	45%
58	12%	45%	30%	61%	0%	7%			0%	14%			12%	45%
59	12%	44%	30%	61%	0%	7%			0%	14%			12%	44%
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62	11%	43%	30%	60%	0%	7%			0%	13%			11%	43%
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66	11%	41%	30%	59%	0%	6%			0%	13%			11%	41%
67	11%	40%	30%	59%	0%	6%			0%	13%			11%	40%
68	11%	40%	30%	58%	0%	6%			0%	13%			11%	40%
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73	10%	38%	30%	57%	0%	6%			0%	12%			10%	38%
74	10%	38%	30%	57%	0%	6%			0%	12%			10%	38%

75	10%	37%	30%	57%	0%	6%	[redacted]	0%	12%	[redacted]	10%	37%
76	10%	37%	30%	57%	0%	6%	[redacted]	0%	12%	[redacted]	10%	37%
77	10%	36%	30%	56%	0%	6%	[redacted]	0%	11%	[redacted]	10%	36%
78	9%	36%	30%	56%	0%	6%	[redacted]	0%	11%	[redacted]	9%	36%
79	9%	35%	30%	56%	0%	6%	[redacted]	0%	11%	[redacted]	9%	35%
80	9%	35%	30%	56%	0%	6%	[redacted]	0%	11%	[redacted]	9%	35%

Attachment 23B

Choice/SSO/SCO (with PEPL minimums)*	Lebanon & Red Lion		Columbia Market Area 3		Columbia Market Area 6		PEPL @ Holl'burg November - March		PEPL @ Holl'burg April - October		PEPL @ Glen Karn November - March		PEPL @ Glen Karn April - October		ANR/TET @ Derby	
HDD	Min % of Load	Max % of Load	Min Dth	Max Dth	Min % of Load	Max % of Load	Min % of Load	Max % of Load	Min % of Load	Max % of Load	Min % of Load	Max % of Load	Min % of Load	Max % of Load	Min % of Load	Max % of Load
0	0%	50%	1	1	20%	75%	5%	14%	0%	10%	23%	30%	11%	30%	0%	50%
1	0%	50%	1	1	20%	75%	5%	13%	0%	10%	21%	28%	10%	28%	0%	50%
2	0%	50%	1	1	20%	75%	5%	12%	0%	10%	19%	28%	9%	28%	0%	50%
3	0%	50%	1	1	20%	75%	5%	11%	0%	10%	18%	25%	9%	24%	0%	50%
4	0%	50%	1	1	20%	75%	5%	10%	0%	10%	16%	25%	8%	22%	0%	50%
5	0%	50%	1	1	20%	75%	5%	10%	0%	10%	15%	25%	7%	20%	0%	50%
6	0%	50%	1	1	20%	75%	5%	10%	0%	10%	14%	25%	7%	18%	0%	50%
7	0%	50%	1	1	20%	75%	5%	10%	0%	10%	13%	25%	6%	17%	0%	50%
8	0%	50%	1	1	20%	75%	5%	10%	0%	10%	12%	25%	6%	16%	0%	50%
9	0%	50%	1	1	20%	75%	5%	10%	0%	10%	11%	25%	5%	15%	0%	50%
10	0%	50%	1	1	20%	75%	6%	10%	0%	10%	9%	25%	4%	12%	0%	50%
11	0%	50%	1	1	20%	75%	5%	10%	0%	10%	5%	25%	4%	11%	0%	50%
12	0%	50%	1	1	20%	75%	5%	10%	0%	10%	8%	25%	4%	11%	0%	50%
13	0%	50%	1	1	20%	75%	5%	10%	0%	10%	8%	25%	4%	11%	0%	50%
14	0%	50%	1	1	20%	75%	5%	10%	0%	10%	8%	25%	4%	10%	0%	50%
15	0%	50%	1	1	20%	75%	5%	10%	0%	9%	8%	25%	4%	10%	0%	50%
16	0%	50%	1	1	20%	75%	5%	10%	0%	9%	8%	25%	4%	10%	0%	50%
17	0%	50%	1	1	20%	75%	4%	10%	0%	8%	6%	25%	3%	9%	0%	50%
18	0%	50%	1	1	20%	75%	4%	10%	0%	7%	6%	25%	3%	8%	0%	50%
19	0%	50%	1	1	20%	75%	3%	10%	0%	6%	5%	25%	2%	7%	0%	50%
20	0%	50%	1	1	20%	75%	3%	10%	0%	6%	5%	25%	2%	6%	0%	50%
21	0%	50%	1	1	20%	75%	3%	10%	0%	6%	5%	25%	2%	6%	0%	50%
22	0%	50%	1	1	20%	75%	3%	10%	0%	6%	10%	25%	2%	6%	0%	50%
23	0%	50%	1	1	20%	75%	3%	10%	0%	5%	10%	25%	2%	6%	0%	50%
24	0%	50%	1	1	20%	75%	3%	10%	0%	5%	10%	25%	2%	8%	0%	50%
25	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
26	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
27	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
28	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
29	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
30	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
31	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
32	0%	50%	1	1	20%	75%	2%	10%	0%	5%	10%	25%	2%	5%	0%	50%
33	0%	50%	1	1	20%	75%	2%	10%	0%	4%	10%	24%	2%	5%	0%	50%
34	0%	50%	1	1	20%	75%	2%	10%	0%	4%	10%	24%	2%	5%	0%	50%
35	0%	50%	1	1	20%	75%	2%	10%	0%	4%	10%	24%	2%	5%	0%	50%
36	0%	50%	1	1	20%	75%	2%	10%	0%	4%	10%	23%	2%	5%	0%	50%
37	0%	50%	1	1	20%	75%	2%	10%	0%	4%	10%	23%	2%	5%	0%	50%
38	0%	50%	1	1	20%	75%	4%	10%	0%	4%	10%	22%	2%	4%	0%	50%
39	0%	50%	1	1	20%	75%	3%	10%	0%	4%	10%	20%	2%	4%	0%	50%
40	0%	50%	1	1	20%	75%	3%	9%	0%	3%	10%	19%	2%	4%	0%	50%
41	8%	50%	1	1	20%	72%	3%	9%			10%	18%			8%	50%
42	7%	50%	1	1	20%	69%	3%	9%			10%	17%			7%	50%
43	7%	50%	1	1	20%	69%	3%	8%			10%	17%			7%	50%
44	7%	50%	1	1	20%	69%	[illegible]	[illegible]			10%	17%			7%	50%
45	7%	50%	1	1	20%	[illegible]	3%	8%			10%	17%			7%	50%
46	7%	50%	1	1	20%	69%	3%	8%			10%	16%			7%	50%
47	7%	50%	1	1	20%	69%	[illegible]	[illegible]			10%	16%			7%	50%
48	7%	50%	1	1	20%	69%	3%	[illegible]			10%	16%			7%	50%
49	7%	50%	1	1	20%	69%	3%	8%			10%	16%			7%	50%

Page 1

50	6%	49%	1	1	20%	69%	3%	8%		10%	16%		6%	49%
51	6%	49%	1	1	20%	69%	3%	8%		11%	15%		6%	49%
52	6%	48%	1	1	20%	69%	3%	8%		11%	15%		6%	48%
53	13%	48%	1	1	30%	63%	4%	8%		11%	15%		13%	48%
54	12%	47%	1	1	30%	62%	4%	7%		10%	15%		12%	47%
55	12%	46%	1	1	30%	62%	4%	7%		10%	15%		12%	46%
56	12%	46%	1	1	30%	62%	4%	7%		10%	14%		12%	46%
57	12%	45%	1	1	30%	61%	4%	7%		10%	14%		12%	45%
58	12%	45%	1	1	30%	61%	4%	7%		10%	14%		12%	45%
59	12%	44%	1	1	30%	61%	4%	7%		10%	14%		12%	44%
60	11%	44%	1	1	30%	60%	4%	7%		10%	14%		11%	44%
61	11%	43%	1	1	30%	60%	4%	7%		10%	14%		11%	43%
62	11%	43%	1	1	30%	60%	4%	7%		10%	13%		11%	43%
63	11%	42%	1	1	30%	60%	4%	7%		9%	13%		11%	42%
64	11%	42%	1	1	30%	59%	4%	7%		9%	13%		11%	42%
65	11%	41%	1	1	30%	59%	4%	7%		9%	13%		11%	41%
66	11%	41%	1	1	30%	59%	4%	6%		9%	13%		11%	41%
67	11%	40%	1	1	30%	59%	4%	6%		9%	13%		11%	40%
68	11%	40%	1	1	30%	58%	4%	6%		9%	13%		11%	40%
69	10%	40%	1	1	30%	58%	4%	6%		9%	13%		10%	40%
70	10%	39%	1	1	30%	58%	4%	6%		9%	12%		10%	39%
71	10%	39%	1	1	30%	58%	4%	6%		9%	12%		10%	39%
72	10%	38%	1	1	30%	58%	4%	6%		9%	12%		10%	38%
73	10%	38%	1	1	30%	57%	4%	6%		9%	12%		10%	38%
74	10%	38%	1	1	30%	57%	3%	6%		8%	12%		10%	38%
75	10%	37%	1	1	30%	57%	3%	6%		8%	12%		10%	37%
76	10%	37%	1	1	30%	57%	3%	6%		8%	12%		10%	37%
77	10%	36%	1	1	30%	56%	3%	6%		8%	11%		10%	36%
78	9%	36%	1	1	30%	56%	3%	6%		8%	11%		9%	36%
79	9%	35%	1	1	30%	56%	3%	6%		8%	11%		9%	35%
80	9%	35%	1	1	30%	56%	3%	6%		8%	11%		9%	35%

* TCO Nominations will need to be allocated between Market Areas 3 and 6 per TCO nomination requirements

Collective Delivery Levels for Gano Road Station (Dth)

	January	February	March	April	May	June	July	August	September	October	November	December
Collective target	4,200	4,200	4,000	2,720	1,250	1,250	1,250	1,250	1,250	1,800	3,000	4,200

Range of Daily Deliverys (Dth) from Local Producer - Pinnacle Road

	January	February	March	April	May	June	July	August	September	October	November	December
Daily Min Dth	0	0	0	0	0	0	0	0	0	0	0	0
Daly Max Dth	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000

Delivery Volumes for Pepl Rural (Daypl) (Dth)

January	February	March	April	May	June	July	August	September	October	November	December
250	250	250	100	100	100	100	100	100	100	250	250

Attachment 24A

Vectren Energy Delivery of Ohio, Inc.

Monthly Heating Value Factor for 2005

	(MCF DRY)	(MMBTU)	WEIGHTED AVERAGE BTU CONTENT (BTU/CF DRY)
January 2005			1.024
February 2005			1.023
March 2005			1.021
April 2005			1.023
May 2005			1.022
June 2005	1,737,796	1,773,993	1.021
July 2005	1,566,682	1,599,846	1.021
August 2005	1,698,283	1,729,778	1.019
September 2005	1,837,622	1,865,509	1.015
October 2005	3,214,058	3,273,434	1.018
November 2005	5,258,301	5,374,288	1.022
December 2005	8,962,354	9,224,084	1.029
Totals for 2005	24,275,096	24,840,932	1.023

Vectren Energy Delivery of Ohio, Inc.

Monthly Heating Value Factor for 2006

	(MCF DRY)	(MMBTU)	WEIGHTED AVERAGE BTU CONTENT (BTU/CF DRY)
January 2006	6,709,388	6,837,633	1.019
February 2006	7,355,803	7,502,494	1.020
March 2006	6,333,428	6,450,017	1.018
April 2006	2,935,939	2,988,877	1.018
May 2006	2,475,074	2,513,522	1.016
June 2006	1,831,739	1,867,726	1.020
July 2006	1,740,742	1,770,590	1.017
August 2006	1,683,444	1,712,463	1.017
September 2006	1,886,813	1,914,690	1.015
October 2006	3,817,449	3,890,429	1.019
November 2006	5,060,785	5,166,572	1.021
December 2006	6,637,638	6,761,105	1.019
Totals for 2006	48,468,242	49,376,118	1.019

Vectren Energy Delivery of Ohio, Inc.

Monthly Heating Value Factor for 2007

	(MCF DRY)	(MMBTU)	WEIGHTED AVERAGE BTU CONTENT (BTU/CF DRY)
January 2007	8,181,042	8,348,642	1.020
February 2007	10,038,021	10,278,485	1.024
March 2007	5,419,848	5,529,493	1.020
April 2007	4,455,209	4,544,010	1.020
May 2007	1,970,895	2,009,621	1.020
June 2007	1,663,270	1,700,618	1.022
July 2007	1,648,192	1,677,647	1.018
August 2007	1,664,105	1,697,671	1.020
September 2007	1,628,450	1,661,111	1.020
October 2007			
November 2007			
December 2007			
Totals for 2007	36,669,032	37,447,298	1.021

Attachment 25A

Below is an example of how Customer Load would be calculated as the basis for capacity allocation that will follow migrating customers. For simplicity this example demonstrates *the method to calculate residential load. The same method* would be used for small commercial and large commercial class loads as well for inclusion of the monthly allocation. Vectren calculates weighting factors called Relative Use Factor (RUF) for each of the Choice or SSO customer portfolios. RUFs are calculated for each of the three customer classes utilized in VEDO: residential, small commercial and large commercial. The Vectren billing system generates a report of Historic 12 month CCF usage for Choice eligible customers by service class. Included in the report is projected pool migration. From this we calculate the pending month customer counts and usage. An average Use Per Customer (UPC) is calculated for each supplier pool. These are divided by total Choice Eligible UPC to calculate the monthly weighting factor (RUF). Pending customer counts, updated weighting factor and peak design day criteria are used to project the peak load for each class.

Pending Month Residential Customer Base			
	Customer Count	Weighting (RUF)	Resulting Load
Choice 1	12138	1.153956	17,633
Choice 2	14519	1.048096	19,157
Choice 3	51358	1.034333	66,876
SSO	208485	0.979230	257,015
VEDO Total	286500	1.000000	360,682

The Small Commercial and Large Commercial loads would be calculated in the same manner as Residential in order to arrive at each supplier's total peak load and their respective share. The resulting share of peak load would then be used to assign/allocate capacity for Choice and SSO Suppliers.

Pending Month Load Allocation					
	Resulting Residential Load	Resulting Small Com. Load	Resulting Large Com. Load	Forecast Total Peak Load	Share of Peak Load
Choice 1	17,633	5,009	1,055	23,697	4.78%
Choice 2	19,157	9,017	1,898	30,072	6.07%
Choice 3	66,876	6,011	1,265	74,152	14.97%
SSO	257,015	92,002	18,447	367,464	74.18%
VEDO Total	360,682	112,039	22,665	495,386	100.00%

System wide average uses are reported below. *This is data is offered as a benchmark only. Allocation will be based on each Supplier's actual use migration by individual customer.*

Attachment 25A Cont'd.

Typical 12 month Usage By Class (CCF)	
Residential	768.01
Small Commercial	3069.53
Large Commercial	11,850.46

Attachment 29A

PRIVILEGED AND CONFIDENTIAL
FOR SETTLEMENT DISCUSSION ONLY

SSO Supplier Fixed Collateral Requirement

PARTICIPATION COLLATERAL REQUIREMENT (PCR)

FIXED CREDIT REQUIREMENT (FCR)*

PIPELINE CHARGES (PC)

[redacted]

STORAGE CHARGES (SC)

[redacted]

FIXED COLLATERAL REQUIREMENT (FCR)**

*The financial evaluation shall be based off the participating SSO Supplier's ability to meet the credit requirements of two tranches, whether to allow for winning up to two tranches or to ensure that under a default scenario the Supplier's would have adequate credit to.
**Credit is allocated in $50,000 blocks.

PARTICIPATION COLLATERAL REQUIREMENT (PCR)- Shall be the sum of the Fixed Credit Requirement (FCR) plus Liquid Collateral Requirement (LCR).
FIXED COLLATERAL REQUIREMENT (FCR)- Sum of the Pipeline Charges (PC) and Storage Charges (SC) less Maximum Unsecured Credit Limit (MUCL) granted, if any.
PIPELINE CHARGES (PC) - Charges will be estimated per tranche using a historical view of pipeline charges which may include pipeline reservation charges, delivery charges, etc.
STORAGE CHARGES (SC) - Charges will be estimated per tranche using billed invoices to approximate the amount of expected yearly storage charges per tranche including demand, deliverability, and storage.
MAXIMUM UNSECURED CREDIT LIMIT (MUCL) - Amount of unsecured credit granted (if any) through the creditworthiness evaluation process.

In the event of a SSO Supplier default, VEDO reserves the right to offset any costs or penalties incurred by non-defaulting SSO Suppliers, Choice Suppliers, Transport Customers, Pooling Operators or VEDO that are above and beyond the fixed collateral requirement.

Program guidelines dictate that 100% of winter volumes shall be hedged, thus any amount of MTM credit exposure from hedges that "in the money" will be tracked and evaluated against expected Customer Payments for the purpose of determining a Supplier's total credit exposure. If the MTM exposure exceeds the value of the expected Customer Payments, VEDO will take remaining exposure exposure and net it against any remaining unsecured credit granted, if any. If this remaining MTM credit exposure exceeds the unsecured credit granted, then VEDO will margin the remaining amount with cash or a letter of credit.

SSO Supplier Liquid Collateral Requirement

LIQUID COLLATERAL REQUIREMENT (LCR)

[redacted]

YEARLY DEMAND QUANTITY (YDQ)- Forecasted yearly volume of deliveries.
COMMODITY ADDER (CA) - Per Dth price paid per yearly demand quantity to cover the commodity & pipeline risk.
LIQUID COLLATERAL REQUIREMENT (LCR)- Product of Commodity Adder (CA) and the Yearly Demand Quantity (YDQ).

The amount of the Liquid Collateral Requirement can change due to (a) a revised estimate of the volumes remaining in the term of the SSO Supplier Agreement and (b) changes in the volume weighted average of forward NYMEX Henry Hub price curve for the volumes remaining in the term of the SSO Supplier Agreement. For each $1 increase in the volume weighted average of forward NYMEX Henry Hub price curve of remaining volumes, the Commodity Adder will be increased by $0.10. The minimum Commodity Adder shall be $0.25. Collateral requirement decreases due to reduced remaining volumes will occur every three months from the start of SSO Service.

Attachment 31A

VECTREN ENERGY DELIVERY OF OHIO

RECEIVABLES TIMELINE EXAMPLE

Bill Cycle	Scheduled Read Date			Billing Date PM			# of days with SSO Receivables
1	Wed	Mar	28	Fri	Mar	30	0
2	Thu	"	29	Mon	Apr	2	0
3	Fri	"	30	Tue	"	3	0
4	Mon	Apr		Wed	"	4	2
5	Tue	"		Thu	"	5	3
6	Wed	"		Fri	"	6	4
7	Thu	"		Mon	"	9	5
8	Fri	"		Tue	"	10	6
9	Mon	"		Wed	"	11	9
10	Tue	"		Thu	"	12	10
11	Wed	"		Fri	"	13	11
12	Thu	"		Mon	"	16	12
13	Fri	"		Tue	"	17	13
14	Mon	"		Wed	"	18	16
15	Tue	"		Thu	"	19	17
16	Wed	"		Fri	"	20	18
17	Thu	"		Mon	"	23	19
18	Fri	"		Tue	"	24	20
19	Mon	"		Wed	"	25	23
20	Tue	"		Thur	"	26	24
21	Wed	"		Fri	"	27	25

Bill Cycle	Scheduled Read Date			Billing Date PM			# of days with SSO Receivables
1	Thur	Apr		Mon	Apr	30	30
2	Fri			Tue	May	1	31
3	Mon			Wed	"	2	32
4	Tue	May		Thur	"	3	29
5	Wed	"		Fri	"	4	29
6	Thur	"		Mon	"	7	29
7	Fri	"		Tues	"	8	29
8	Mon	"		Wed	"	9	31
9	Tues	"		Thur	"	10	29
10	Wed	"		Fri	"	11	29
11	Thur	"		Mon	"	14	29
12	Fri	"		Tue	"	15	29
13	Mon	"		Wed	"	16	31
14	Tue	"		Thur	"	17	29
15	Wed	"		Fri	"	18	29
16	Thur	"		Mon	"	21	29
17	Fri	"		Tue	"	22	29
18	Mon	"		Wed	"	23	31
19	Tue	"		Thur	"	24	29
20	Wed	"		Fri	"	25	29
21	Thur	"		Mon	"	28	29

Bill Cycle	Scheduled Read Date			Billing Date PM			# of days with SSO Receivables
1	Fri	May		Tues	May	29	29
2	Mon	"		Wed	"	30	31
3	Tue	"		Thu	"	31	29
4	Wed	"		Fri	Jun	1	29
5	Thur	"		Mon	"	4	29
6	Fri	Jun		Tue	"	5	29
7	Mon	"		Wed	"	6	31
8	Tues	"		Thu	"	7	29
9	Wed	"		Fri	"	8	29
10	Thur	"		Mon	"	11	29
11	Fri	"		Tue	"	12	29
12	Mon	"		Wed	"	13	31
13	Tue	"		Thu	"	14	29
14	Wed	"		Fri	"	15	29
15	Thur	"		Mon	"	18	29
16	Fri	"		Tue	"	19	29
17	Mon	"		Wed	"	20	31
18	Tue	"		Thu	"	21	29
19	Wed	"		Fri	"	22	29
20	Thur	"		Mon	"	25	29
21	Fri	"		Tue	"	26	29

NOTE: READ AND BILL DATES ARE FROM 2007 AND ARE FOR EXAMPLE PURPOSES ONLY

Attachment 32A

SSO and Choice Monthly Reconciliation Example

Scheduled Deliveries (Scheduled per DDQ)					4,944,436			
Propane					-			
TCO NNS Activity other than Large Cash Out					80,641			
Effective deliveries					5,025,077	Equal E from allocation of sendout.		
Usage (CIS Billing - Banner allocated to month of use)					5,189,221			
	SSO1	SSO2	SSO3	Choice1	Choice2			
Intial PDA	26.67%	26.67%	26.67%	15.00%	5.00%			
Scheduled Deliveries	1,287,733	1,287,733	1,287,733	810,927	270,309	=	4,944,436	
Propane @PDA	-	-	-	-	-	=	-	
Non Large NNS-TCO @PDA	21,504	21,504	21,504	12,096	4,032	=	80,641	
Effective Deliveries	1,309,238	1,309,238	1,309,238	823,023	274,341	=	5,025,077	
Pool Usage (CIS-Banner)	1,370,868	1,370,868	1,370,868	807,463	269,154	=	5,189,221	
Percent of Billing	26.4176%	26.4176%	26.4176%	15.5604%	5.1868%	=	100%	
Required Delivery	1,327,505	1,327,505	1,327,505	781,922	260,641	=	5,025,077	
Pool Variance (Dth) *1	18,267	18,267	18,267	(41,102)	(13,701)	=	(0.08)	
LGT Balancing								
Pro Rata Share of Dth	15,340	15,340	15,340	8,629	2,876	=	57,526	@index price
Delivery Variance Volumes	18,267	18,267	18,267	(41,102)	(13,701)	=	(0)	
LGT Bal Volumes	15,340	15,340	15,340	8,629	2,876	=	57,526	
Total Volumes to Bill	33,608	33,608	33,608	(32,473)	(10,824)	=	57,526	
Proof = [(Billing % - Deliveries %) X throughput] = pool variance								
Billing %	26.4176%	26.4176%	26.4176%	15.5604%	5.1868%	=	100%	
Deliveries % *2	26.0541%	26.0541%	26.0541%	16.3783%	5.4594%	=	100%	
% Variance	0.3635%	0.3635%	0.3635%	-0.8179%	-0.2726%	=	0%	
Throughput	5,025,077	5,025,077	5,025,077	5,025,077	5,025,077			
Variance Volume	18,267	18,267	18,267	(41,102)	(13,701)	=	0	

*1 Pool Variance is the amount to cashout on Pool operator bill.

*2. PDA percentage if DDQs are made in exact proportion to PDA
In practice DDQ's are not exactly proportionate. SO factor is more
correctly defined as % of effective deliveries.

Attachment 32B

VECTREN ENERGY DELIVERY OF OHIO SSD AND SCO BILLING TIMELINE EXAMPLE																	
Date	Mar-08	SSO Phase Starts Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
		SSO PHASE STARTS	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SSO PHASE	SCO PHASE STARTS	SCO PHASE	SCO PHASE	SCO PHASE
10				May final pipeline reports available - Post May Storage Activity to EBB	June final pipeline reports available - Post June Storage Activity to EBB	July final pipeline reports available - Post July Storage Activity to EBB	Aug. final pipeline reports available - Post Aug. Storage Activity to EBB	Sept. final pipeline reports available - Post Sept. Storage Activity to EBB	Oct. final pipeline reports available - Post Oct. Storage Activity to EBB	Nov. final pipeline reports available - Post Nov. Storage Activity to EBB	Dec. final pipeline reports available - Post Dec. Storage Activity to EBB	Jan. final pipeline reports available - Post Jan Storage Activity to EBB	Feb. final pipeline reports available - Post Feb. Storage Activity to EBB	Mar. final pipeline reports available - Post Mar. Storage Activity to EBB	Apr. final pipeline reports available - Post Apr. Storage Activity to EBB	May final pipeline reports available - Post May Storage Activity to EBB	June final pipeline reports available - Post May Storage Activity to EBB
11					May usage reported	June usage reported	July usage reported	Aug. usage reported	Sept. usage reported	Oct. usage reported	Nov. usage reported	Dec. usage reported	Jan. usage reported	SSO Feb. usage reported	SSO Mar. usage reported	SCO Apr. usage reported	May usage reported
12			Issue Annual Reconciliation of Choice Suppliers imbalances with billed volumes from Jul 2008 thru Mar 2009 booked volumes														
15				Post Effective Deliveries and variances for May	Post Effective Deliveries and variances for June	Post Effective Deliveries and variances for July	Post Effective Deliveries and variances for Aug.	Post Effective Deliveries and variances for Sept.	Post Effective Deliveries and variances for Oct.	Post Effective Deliveries and variances for Nov.	Post Effective Deliveries and variances for Dec.	Post Effective Deliveries and variances for Jan.	Post Effective Deliveries and variances for Feb.	Post Effective Deliveries and variances for Mar.	Post SCO Effective Deliveries and variances for Apr.	Post Effective Deliveries and variances for May	Post Effective Deliveries and variances for June
			Issue Statement for April receivables (approx. 15 days of billed receivables) -	Issue Statement for May receivables and April monthly reconciliation and system balancing charges and system balancing charges	Issue Statement for June receivables and May monthly reconciliation and system balancing charges	Issue Statement for July receivables and June monthly reconciliation and system balancing charges	Issue Statement for Aug. receivables and July monthly reconciliation and system balancing charges	Issue Statement for Sept. receivables and Aug. monthly reconciliation and system balancing charges	Issue Statement for Oct. receivables and Sept. monthly reconciliation and system balancing charges	Issue Statement for Nov. receivables and Oct. monthly reconciliation and system balancing charges	Issue Statement for Dec. receivables and Nov. monthly reconciliation and system balancing charges	Issue Statement for Jan. receivables and Dec. monthly reconciliation and system balancing charges	Issue Statement for Feb. receivables and Jan. monthly reconciliation and system balancing charges	Issue Statement for Mar. receivables and Feb. monthly reconciliation and system balancing charges	remaining Mar. SSO receivables (approx. the last 15 days of the month) - and Mar. SSO monthly reconciliation and system balancing charges - Issue Statements for SCO Apr. receivables (approx. the first 15 days of the month	Issue Statement for SCO May, receivables and initial statement for SCO Apr. monthly reconciliation and system balancing charges	Issue Statement for June receivables and May monthly reconciliation and system balancing charges
	Assign April Capacity	Assign May Capacity			Assign Aug. Capacity	Assign Sept. Capacity	Assign Oct. Capacity	Assign Nov. Capacity	Assign Dec. Capacity	Assign Jan. Capacity	Assign Feb. Capacity	Assign Mar. Capacity		Assign May Capacity		Assign July Capacity	Assign Aug. Capacity
	Publish SSO DDO's for April 1 flow												Publish SCO DDO's for April 1 flow				

Note: Dates are not exact and are for example purposes only

Attachment 40A

VEDO SSO ESTIMATED IMPLEMENTATION COSTS SUMMARIES				VEDO SCO ESTIMATED IMPLEMENTATION COST SUMMARIES		
	LOW END ESTIMATE	HIGH END ESTIMATE			LOW END ESTIMATE	HIGH END ESTIMATE
[redacted]	$223,461	$293,076		[redacted]	$174,580	$217,760
[redacted]	$78,760	$108,540		[redacted]	$104,060	$178,460
[redacted]	$265,906	$291,601		[redacted]	$11,497	$37,897
[redacted]	$27,726	$32,908		[redacted]	$1,047,937	$1,251,267
[redacted]	$154,990	$209,980		[redacted]	$30,700	$57,300
[redacted]	$41,800	$41,800		[redacted]	$203,104	$245,344
[redacted]	$108,185	$134,585		[redacted]	$40,000	$55,000
[redacted]	[redacted]	[redacted]		[redacted]	$3,080	$5,000
Allocations (8.675%)	$78,147	$96,509		[redacted]	$66,220	$92,620
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]
				[redacted]	$145,842	$185,703
				[redacted]	[redacted]	[redacted]
[redacted]	$2,805,995					
[redacted]	$3,535,370					

*Implementation costs are considered estimates until such time as detailed requirement and design sessions are complete.
Budgets will be updated to reflect new projected costs estimates as details become available.

<u>**Attachment 47A**</u>

VEDO Large Transport Tolerance Report	
Tolerance - Total System	*Days out of tolerance*
5%	68
10%	33
15%	20
20%	12
25%	5
30%	2
35%	0
40%	0
45%	0
50%	0
55%	0
60%	0
65%	0
70%	0
75%	0
80%	0
85%	0
90%	0
95%	0
100%	0
[illegible] days > 15%	[illegible]
Peak Daily Imbalance %	32%
Total no of days	122
Total no of months	4

Attachment 56A

In the event that a customer receiving service from a competitive supplier ("CRNGS") desires to terminate or not renew the underlying service agreement with that CRNGS, that customer will be directed to the incumbent CRNGS to effectuate the termination or discontinuation of the agreement. The incumbent CRNGS will provide that customer with two supply options: (a) the institution of service by an affirmative election for Standard Choice Offer ("SCO") Service or (b) default supply by another CRNGS that has agreed to participate in a default allocation procedure pursuant to which a customer who (a) wishes to terminate his agreement with an incumbent CRNGS and (b) does not make an affirmative election to be placed on SCO Service will be allocated to another CRNGS determined by sequential order for month-to-month service priced at the allocated CRNGS' standard monthly variable rate as evidenced on the Public Utilities Commission ("PUCO") Apples-to-Apples Price Comparison Chart. ("Default Allocation Procedure").

In the event that customer affirmatively elects SCO Service, the CRNGS shall memorialize the affirmative election by an audio recording capturing, at a minimum, the following information:

1) Customer Name
2) Customer account number
3) Service location
4) Date of conversation
5) Confirmation that customer has the authority to transfer service to SCO Service
6) A description of the SCO Service, particularly:
   a) that the price will change monthly
   b) that the Customer will be assigned sequentially to one of the approved SCO Suppliers whose name will then appear on future billing.
7) A statement by the customer manifesting affirmative election of SCO Service

In the event the customer fails to make an affirmative election to SCO Service or expresses an interest in service pursuant to the Default Allocation Procedure, the incumbent CRNGS shall memorialize the customer's default allocation by an audio recording capturing, at a minimum, the following information:

1) Customer name
2) Customer account number
3) Service location
4) Date of conversation
5) Confirmation that the customer has authority to effectuate a default allocation.
6) A description of the allocation process and pricing, particularly:
   a) that the customer's account will be allocated in sequential order to a CRNGS participating in the Default Allocation Procedure
   b) that the default allocation service is a month-to-month service which can be cancelled by the customer without penalty or fee
   c) that the price will be the standard monthly variable price offered by the participating CRNGS and posted on the PUCO Apples to Apples Price Comparison Chart
   d) that the customer will be receiving a letter of confirmation from the CRNGS who will be providing service to the customer.
7) A statement by the customer that he understands and agrees to default allocation service.

Attachment 58A

Vectren Energy Delivery of Ohio										
Transportation Cash Out Premiums Activity										
Billed: October 2006 - June 2007										
Gas Flow: September 2006 - May 2007										
	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Total
DSM FUNDING - SSO PHASE										
LARGE GT										
CITY-GATE NON-COMPLIANCE CHARGE	17,141.00	8,303.00	9,414.00	9,179.50	11,492.50	9,221.50	7,692.50	7,886.50	7,023.00	87,353.50
DAILY OVER-DELIVERY PREMIUM	15,931.16	33,460.40	47,430.78	113,624.81	52,852.05	5,247.01	40,568.16	44,097.80	18,313.17	371,525.34
DAILY UNDER-DELIVERY PREMIUM	6,794.72	11,968.91	6,236.28	5,776.01	21,528.45	1,234.81	3,999.19	11,172.26	2,690.77	71,401.40
MONTHLY OVER-DELIVERY PREMIUM	301.10	-	-	509.80	-	456.22	-	-	497.40	1,764.52
MONTHLY UNDER-DELIVERY PREMIUM	1,216.54	2,075.56	968.06	219.10	2,847.94	3,695.13	12,864.93	3,402.48	4,303.46	31,593.20
OFO IMBALANCE CHARGE	-	-	-	-	-	43,530.00	108,000.00	-	-	151,530.00
										-
CHOICE										-
CITY-GATE NON-COMPLIANCE CHARGE	-	-	9.00	250.00	922.00	1,336.00	93.00	431.00	16.00	3,057.00
DDQ NON-COMPLIANCE CHARGE						773.00		172.00	60.00	
OFO NON-COMPLIANCE CHARGE	-	-	1.00	-		30,120.00				30,121.00
	41,384.52	55,807.87	64,059.12	129,559.22	89,642.94	95,613.67	173,217.78	67,162.04	32,903.80	749,350.96
LARGE GT										
DAILY OVER-DELIVERY IMBALANCE CHARGE	(72,892.02)	(163,046.13)	(242,107.32)	(526,120.21)	(246,385.18)	(32,322.81)	(291,689.90)	(225,533.20)	(87,268.69)	(1,887,365.46)
DAILY UNDER-DELIVERY IMBALANCE CHARGE	47,361.33	94,554.13	64,304.90	60,141.19	189,475.39	56,916.64	60,396.48	93,254.28	41,710.58	708,114.92
MONTHLY OVER-DELIVERY IMBALANCE CHARGE	(3,205.27)	-	(23,326.75)	(5,100.10)	-	(4,563.84)	-	-	(4,972.80)	(41,168.76)
MONTHLY UNDER-DELIVERY IMBALANCE CHARGE	24,349.52	41,504.34	45,805.32	4,380.79	56,925.18	73,815.74	257,100.69	67,982.87	86,048.79	657,913.24
										-
CHOICE										-
DAILY NON-OFO CASH-OUT	-	-	(4.63)	-	-	6,706.16	-	1,560.37	538.25	
OFO IMBALANCE CASH-OUT	-	-	-	-	-	8,983.92	-	-	-	8,983.92
	(4,386.44)	(26,987.66)	(155,328.48)	(466,698.33)	15.39	109,535.81	25,807.27	(62,735.68)	36,056.13	(544,721.99)

VEDO Exhibit
1

McNees Wallace & Nurick LLC
attorneys at law

August 1, 2007

Steven R. Brennen
Director, Utilities Department
Doris E. McCarter
Director, Service Monitoring and Enforcement Department
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

NOTICE OF INTENT

Directors Brennen and McCarter:

Pursuant to Rule 4901:1-19-04(A), O.A.C., Vectren Energy Delivery of Ohio, Inc. hereby gives notice of its intent to file an application for exemption of commodity sales service as set forth in Section 4929.04, Revised Code, no sooner than thirty days after the date of this letter.

Very truly yours,

Gretchen J. Hummel

Attorney for Vectren Energy Delivery of Ohio, Inc.

GJH:vlp

cc: [redacted]

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PUCO

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

APPLICATION AND EXHIBITS

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December 21, 2007

Attorneys for Vectren Energy Delivery of Ohio, Inc.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

APPLICATION

December 21, 2007

{C23831:}

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

APPLICATION

Vectren Energy Delivery of Ohio, Inc. ("VEDO"), the applicant in this proceeding, is a natural gas company providing service to 320,000 customers in the state of Ohio, of which approximately 320,000 are expected to be affected by this application.

Applicant submits this application pursuant to Section 4929.04 of the Revised Code, for approval of an exemption from chapters and sections of the Revised Code specified in Section 4929.04, Revised Code, for the provision of all commodity sales services. This exemption will affect customers served by VEDO Rate Schedules 310 (Residential Sales Service), 315 (Residential Transportation Service), 320 (General Sales Service), 325 (General Transportation Service), 330 (Large General Sales Service), 340 (Interruptible Sales Service), 341 (Dual Fuel Sales Service), 345 (Large General Transportation Service), 380 (Pooling Service [Large General]), and 385 (Pooling Service [Residential and General]). Additionally, two new rate schedules applicable to suppliers (Rate 395 – SSO Supplier Service and Rate 396 – SCO Supplier Service) are proposed. Application Exhibits I through VII are attached to this application and are incorporated herein.

This Application is also submitted pursuant to Section 4929.11, Revised Code, for approval of the proposed Exit Transition Cost ("ETC") Rider, the purpose of which is to recover Merchant Function Exit transition costs from affected customers. This rider will recover incremental implementation costs and recover/pass back specified costs. This application is also made pursuant to Section 4905.13, Revised Code, for all applicable accounting authority necessary to implement the ETC Rider.

The Applicant requests the Commission to consider the facts and proposals set forth in this application and to approve the applicant's request for an exemption.

Respectfully submitted,

Jerrold L. Ulrey

Jerrold L. Ulrey
Vice President, Regulatory Affairs and Fuels

Robert L. Goocher

Robert L. Goocher
Vice President and Treasurer

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Gretchen J. Hummel

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614-469-8000
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{C23831:}

VERIFICATION

STATE OF INDIANA)
) SS
COUNTY OF ________________)

I, Jerrold L. Ulrey, Vice President, Regulatory Affairs and Fuels, and I, Robert L. Goocher, Vice President and Treasurer of the Vectren Corporation hereby verify that the information contained in this application is true and correct to the best of our knowledge.

Jerrold L. Ulrey
Vice President, Regulatory Affairs and Fuels

Robert L. Goocher
Vice President and Treasurer

Sworn and subscribed before me this 20th day of December, 2007.

Sharon R. Katterjohn
Notary Public

Sharon R. Katterjohn
Printed

Warrick
County

My term expires: 12-17-2008

(SEAL)

NOTARY PUBLIC SEAL INDIANA

{C23831:}

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Application and Exhibits* was served upon the following parties of record this 21st day of December 2007, *via* electronic transmission, hand-delivery or ordinary U.S. mail, postage prepaid.

Gretchen J. Hummel

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Application Exhibit I

SUMMARY OF APPLICATION

TABLE OF CONTENTS

INTRODUCTION

This Application is the result of a development process engaged in by Vectren Energy Delivery of Ohio, Inc.'s ("VEDO") Merchant Function Working Group, which has been meeting regularly since October 2006. The Merchant Function Working Group included all of VEDO's Choice commodity suppliers, other interested commodity suppliers, the Ohio Farm Bureau Federation, the Ohio Office of Consumers' Counsel, Ohio Partners for Affordable Energy, and the Commission Staff. It is anticipated that continuing discussions of the Working Group will result in a consensus agreement based on the proposals in this Application with revisions to be submitted to the Commission for approval. In response to the requirements of Rule 4901:1-19-04, O.A.C., the following exhibits are submitted with the Application for approval:

Application Exhibit I ....Summary of Application
Application Exhibit II ....Testimony of Jerrold L. Ulrey
Application Exhibit III ....Testimony of Robert Lawson
Application Exhibit IV................................Testimony of Perry M. Pergola
Application Exhibit V................................Testimony of Scott A. Albertson
Application Exhibit VI................................Testimony of Michael Roeder
Application Exhibit VII................................Current and Proposed Tariffs And Supporting Rationale (E Schedules)

A Motion for Waivers ("Motion") of certain requirements of certain provisions of Rules 4901:1-19-06 and 4901:1-19-09, O.A.C. will be sought in light of the extensive discussions which preceded this filing, during which interested parties engaged in significant informal discovery and analysis of the proposals contained herein as they were being developed. This Motion will be filed at the same time as the filing of this Application.

OBJECTIVES

Since VEDO acquired its distribution system in November 2000, when all VEDO customers (except large transport customers) were limited to VEDO sales service subject to gas cost recovery ("GCR") requirements, VEDO has successfully initiated services pursuant to which every VEDO customer has an opportunity to choose an alternative supplier for commodity services. At this point, approximately 75,000 residential and commercial VEDO customers and nearly all of VEDO's large volume customers are served by a commodity supplier other than VEDO. The result is that almost half of VEDO's annual commodity load is already comprised of non-utility sales service.

This Application seeks approval for two phases which are intended to serve as a sequential process pursuant to which VEDO will transition from the provision of commodity service to an environment in which VEDO exits the merchant function and all VEDO customers are receiving commodity from non-utility commodity suppliers. The exit will acknowledge VEDO's business role as a distribution service provider by appropriately relieving it from the sales function from which it, by law, can earn no profit and by providing a measured transition by which the sales function can ultimately be served by non-utility suppliers in a competitive market. There are two primary objectives of Phase I, SSO Service: (1) to encourage a competitive market in which customers can make informed choices among expanded reliable commodity service product alternatives offered by multiple suppliers, and, (2) to initiate a process by which the orderly exemption from VEDO's obligation to provide commodity sales service can ultimately be accomplished. The auction provided for in Phase I will result in SSO

Service and is intended to provide a first step toward the transfer of the remainder of commodity service by VEDO to competitive retail natural gas suppliers ("CRNGS") as outlined in Phase 1.5. The auction provided for in Phase 1.5 will result in SCO Service and is intended to achieve an identifiable tariff-based relationship between eligible customers and CRNGS suppliers through a Choice service offered on PUCO-regulated standard terms and conditions, including a standard price developed at auction. (Based on VEDO consultations with Federal Energy Regulatory Commission staff, VEDO anticipates that prior to any auction, VEDO will have either received further clarifications from the Federal Energy Regulatory Commission concerning capacity release consistent with FERC's recent Notice of Proposed Rulemaking on capacity release, or, in the alternative, that VEDO will have filed a request to the FERC for a waiver of certain of FERC's capacity release provisions.) The final step, not addressed in this application, would be Phase 2, or a "Full Choice", paradigm which would involve a direct retail relationship between all customers and CRNGS suppliers, with customers making service choices from a menu of products offered by suppliers in a competitive market environment.

RATIONALE

Phase I will begin to address and eliminate issues that have challenged the development of a fully competitive market since the inception of VEDO's customer choice program in 2003. Implementation of Phase I will eliminate the confusion and inaccuracies that the constantly-reconciling nature of the gas cost recovery ("GCR") calculation injects into the evaluation customers make about the competitive choices available. Customer education efforts during Phase 1 will begin to inform VEDO customers of the transition from the provision of commodity service by VEDO to alternative suppliers. This transition phase is expected to generate significant, vibrant supplier effort to compete in VEDO's market and to provide a greater variety of products to address customer needs.

Phase 1.5, from a customer perspective, will look very much like Phase 1. The only noticeable difference will be that the customer bill will indicate the CRNGS supplier responsible for providing the customer's commodity. All customers will be billed an auction-determined standard choice price. Customer education will be undertaken so that customers understand the changes to their service. From an operations perspective, many of the IT and mechanical changes required to support SCO Service are those required to support a full merchant function exit in a future Phase 2 environment. Phase 1.5, therefore, provides a low risk opportunity to test and evaluate operational performance levels necessary in order to make a full merchant function exit successful.

TARIFFS AFFECTED

The following is a list of the tariffs affected by SSO Service and SCO Service:

SSO Service

Tariff Sheet No.	Description
2	Tariff Sheet Index
10	Rate 310 Residential Sales Service
11	Rate 315 Residential Transportation Service
12	Rate 320 General Sales Service
13	Rate 325 General Transportation Service
14	Rate 330 Large General Sales Service
15	Rate 340 Interruptible Sales Service
16	Rate 341 Dual Fuel Sales Service

17	Rate 345 Large General Transportation Service
21	Rate 385 Pooling Service (Residential and General)
22	Rate 395 SSO Supplier Service
31	Gas Cost Recovery Rider (suspended)
33	Back up Sales Service Rider (deleted)
35	Migration Cost Rider (suspended)
36	Balancing Cost Rider (suspended)
38	Standard Sales Offer Rider
41	Exit Transition Cost Rider
50	Transportation Terms and Conditions (Large General)
51	Nomination and Balancing Provisions (Large General and Pool Operator)
52	Pooling Service Terms and Conditions (Residential and General)
53	Supplier Pooling Agreement (deleted)
54	Unaccounted for Gas Percentage
55	SSO Supplier Terms and Conditions
59	General Terms and Conditions (T & C) Applicable to Gas Service – Definitions
70	General T & C Applicable to Gas Service – Curtailment Procedures
71	General T & C Applicable to Gas Service – Operational Flow Orders
72	General T & C Applicable to Affiliate Code of Conduct
79	General T & C Applicable to Gas Service – Amendments

SCO Service

Tariff Sheet No.	Description
2	Tariff Sheet Index
10	Rate 310 Residential Sales Service
11	Rate 315 Residential Transportation Service
12	Rate 320 General Sales Service
13	Rate 325 General Transportation Service
14	Rate 330 Large General Sales Service
15	Rate 340 Interruptible Sales Service
16	Rate 341 Dual Fuel Sales Service
22	Rate 395 SSO Supplier Service (deleted)
23	Rate 396 SCO Supplier Service
38	Standard Sales Offer Rider (deleted)
41	Exit Transition Cost Rider
44	Standard Choice Offer Rider
50	Transportation Terms and Conditions (Large General)
52	Pooling Service Terms and Conditions (Residential and General)
54	Unaccounted for Gas Percentage
55	SSO Supplier Terms and Conditions (deleted)
56	SCO Supplier Terms and Conditions
59	General Terms and Conditions (T & C) Applicable to Gas Service – Definitions

70	General T & C Applicable to Gas Service – Curtailment Procedures
71	General T & C Applicable to Gas Service – Operational Flow Orders

APPROACH AND TIMELINE

VEDO understands that customers and other stakeholders may not be prepared to flash cut to a full retail environment in which all eligible commodity customers have a direct retail relationship with a CRNGS supplier and VEDO provides no commodity service. Accordingly, while VEDO remains committed to full exit from the merchant function, this proposal is made to move toward that end in two transitional phases. Phase 1 will be an interim model in which VEDO will continue to provide commodity service from the SSO initiation date until a subsequent March 31st using an auction process. VEDO will conduct a descending clock auction consistent with that conducted by Dominion East Ohio Gas Company as a result of the Commission's Opinion and Order in Case No 05-474-GA-ATA. The details of the auction are set out in Application Exhibit IV. In order to provide a transition from VEDO's current commodity procurement hedging strategy to unhedged standard prices, the SSO Service price during the initial three winter months of the Phase 1 period will be hedged as described in the testimony of VEDO Witness Perry M. Pergola. VEDO's GCR customers will become SSO Service customers on the SSO initiation date, pursuant to the terms and conditions of the relevant proposed tariffs in Application Exhibit VII.

Approximately six weeks prior to the end of the SSO Phase, VEDO will conduct an SCO Service auction, in the same manner as the SSO Service auction, the details of which are set out in Application Exhibit No. IV. The auction will be for a twelve month period. SCO Service will be a Choice Service offered on PUCO-regulated standard terms and conditions, including price, as set out in the relevant proposed tariffs in Application Exhibit VII. Bidders in the SCO Service auction must be certified CRNGS suppliers. VEDO's SSO Service customers will become SCO Service customers on the SCO initiation date. Choice customers will not be permitted to migrate to SCO Service, but SCO Service customers will be encouraged to migrate to competitive Choice Service throughout the period SCO Service is offered. The loads of all former SSO Service customers will be assigned to specific Choice suppliers who will be their SCO Service supplier, except for PIPP Customers, whose load will be served on a proportionate basis by the SCO Service suppliers (similar to SSO Service) but will not be specifically assigned. SCO Service will be offered for the initial year, and if Phase 2 Full Choice settlement is not reached with the parties and approved by the Commission by six weeks prior to the initial SCO period termination, another SCO Service auction will be held for a subsequent annual period, and so on thereafter.

In order to minimize the risk and consequences of supplier default in both Phase1 and 1.5, an individual supplier will be limited to serving no more than one third of the total volumes to be acquired through the auction process. As described in Application Exhibit IV, VEDO, SSO Service suppliers (SCO Service suppliers in Phase 1.5), Choice Service suppliers, and Large Transporters/Pool Operators would all be involved in the provider-of-last-resort ("POLR") function, with VEDO serving as coordinator.

CUSTOMER EDUCATION

VEDO will conduct a customer education program developed in consultation with a self-assigned sub-committee of the Merchant Function Exit Working Group. The purposes of the education plan are (a) to provide VEDO an opportunity to explain its exit plans to its customers and (b) to ensure that its customers understand their commodity service options, the implications of their choices, and the available customer protections. The customer education development process and plan are described in Application Exhibit No. VI.

COST RECOVERY

An Exit Transition Cost ("ETC") Rider will be established to recover Merchant Function Exit transition costs from all SSO Service, SCO Service, and Choice Service customers. This reconcilable rider will recover incremental SSO Service and SCO Service implementation and ongoing operating costs (including customer education costs). Additionally, the rider will recover/pass back costs such as residual GCR variances and migration costs, residual incremental POLR costs, and residual transporter imbalance costs. This rider is discussed in detail in Application Exhibit V.

GCR AUDITS AND LONG TERM FORECAST REPORTS ("LTFR")

Pursuant to Section 4929.04, Revised Code, Commission approval of this Application will relieve VEDO from, among other things, the statutory and rule requirements for GCR management performance ("M/P") and financial audits and LTFR filing requirements. While VEDO will no longer be subject to LTFR filing requirements, VEDO will routinely prepare a design day peak forecast which will be updated annually and provided to the Merchant Function Exit Working Group members for review.

MERCHANT FUNCTION EXIT WORKING GROUP PROCESS

VEDO's Merchant Function Exit Working Group will meet regularly as needed throughout Phases 1 and 1.5 to conduct ongoing evaluation of the SSO Service and the SCO Service and to continue ongoing discussions related to the development and implementation of Phase 2. As a part of this evaluation, the group will consider the results of an annual audit that will be conducted to review the costs and revenues arising from the implementation of Phases 1 and 1.5, as described in Application Exhibit V. Parenthetically, the required annual review of VEDO's Uncollectible Expense Rider will be conducted and reported on the same schedule as the new annual audit. The group will also continue discussions for the development of a Full Choice environment.

Application Exhibit II

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

PREPARED DIRECT TESTIMONY
OF JERROLD L. ULREY
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

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December 21, 2007

Attorneys for Vectren Energy Delivery of Ohio, Inc.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Vectren Energy Delivery of Ohio, Inc.	)	
for Approval of a General Exemption of	)	
Certain Natural Gas Commodity Sales	)	
Services or Ancillary Services from	)	Case No. -GA-EXM
Chapters 4905, 4909, and 4935 except	)	
Sections 4905.10, 4935.01, and 4935.03,	)	
and from specified sections of Chapter 4933	)	
of the Revised Code.	)	

PREPARED DIRECT TESTIMONY OF JERROLD L. ULREY

Q. Please state your name and business address.

A. My name is Jerrold L. Ulrey. My business address is One Vectren Square, Evansville, Indiana, 47708.

Q. By whom are you employed and what is your title?

A. I am Vice President, Regulatory Affairs and Fuels for Vectren Utility Holdings, Inc., the parent company of Vectren Energy Delivery of Ohio, Inc. ("VEDO").

Q. Please describe your educational background.

A. In 1975, I obtained a Bachelor of Science Degree in Industrial Management from Purdue University. In 1985, I obtained a Masters of Business Administration degree from Indiana University.

Q. Please describe your professional experience and current responsibilities.

A. I have been employed by Vectren Corporation (or its predecessor company, Indiana Energy, Inc.) since 1981. My primary focus has been in regulatory affairs and gas supply. I assumed my current position in 2001 and am responsible for coordinating the Vectren utilities' involvement in regulatory proceedings. I also oversee Vectren's gas supply activities.

Q. What is the purpose of your testimony in this proceeding?

A. This testimony is responsive to the filing requirements of Section 4929.04(A), Revised Code; and Rule 4901:1-19-04(C)(1), (C)(3), and (C)(5), O.A.C. My testimony describes how VEDO's proposal is in substantial compliance with the State of Ohio's natural gas policies as set forth in Section 4929.02, Revised Code. It should be noted that, in its September 13, 2006, Opinion and Order in Case No. 05-1444-GA-UNC and based on substantially the same information, the Commission has previously found VEDO in substantial compliance with Section 4929.02, Revised Code.

SECTION 4929.02, REVISED CODE REQUIREMENTS

Q. Please describe how the Company's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(1), Revised Code - Promote availability to

consumers of adequate, reliable, and reasonably priced natural gas services and goods.

A. Currently all of VEDO's retail customers, except the PIPP customers, have access to both sales and transportation service options. PIPP customers may receive only sales service, although their supply could be provided by an alternative supplier depending upon semi-annual PIPP RFP results.

Sales service is distribution service coupled with gas supply purchased by the customer from VEDO at regulated prices. Regarding sales service, GCR priced gas supply is currently available to all customers under VEDO's various sales rate schedules. The GCR price is a Commission-approved price that includes balancing accounts reflecting gas costs that were over or under-recovered in prior months based on actual GCR prices billed to customers.

Transportation service is distribution service only, with the customer purchasing gas supply at negotiated prices from a supplier other than VEDO. Transportation service is currently available to all of VEDO's retail customers under one of two programs. In fact, about 50% of VEDO's total annual throughput is pursuant to these two transportation services. First, Choice Transportation is available to Residential and General Service customers under the Residential and General Transportation Service rate schedules. Choice customers become part of a pool of customers that is supplied by customers' selected supplier. Under the second program, Large General Transportation Service, VEDO's largest customers, may select their own gas supplier, and be part of a customer pool as well, at their option. Under both programs, VEDO is the provider of the distribution service.

Under the Company's proposed Standard Sales Offer ("SSO" or "Phase 1") Service, a regulated sales service will continue to be available to all of VEDO's retail customers. SSO customers will pay VEDO's distribution charge as well as a Commission-approved monthly standard market price (without balancing accounts) based on NYMEX natural gas futures prices plus an auction-established retail price adjustment. Under Applicant's proposed Standard Choice Offer ("SCO" or "Phase 1.5") Service, a regulated Choice Transportation service will be available to Choice eligible customers only. The price to be paid by SCO customers will continue to be comprised of VEDO's distribution charge and a Commission-approved monthly standard price based on NYMEX natural gas futures prices plus an auction-established retail price adjustment which is defined in VEDO witness Perry M. Pergola's testimony. However, because VEDO will no longer have a sales service and SCO Service will be available only to Choice eligible customers, any Large General Sales customers will be required to transfer to Large General Transportation Service by the start of the SCO Phase.

The Company's proposal includes mandatory recallable capacity release of approximately 75% of SSO, SCO, and Choice suppliers' loads, firm capacity and supply reviews for the remaining 25%, and well-designed collective approaches to system balancing and Provider of Last Resort ("POLR") service using storage capacity released to suppliers. VEDO's proposal and SCO suppliers assure the continuing adequacy and reliability of gas supply deliveries for all customers.

In addition, Choice suppliers must be PUCO-certified and VEDO-certified in order to provide service to Choice customers. And Choice suppliers must adhere to a Code of Conduct contained in VEDO's tariff. These are important requirements to ensure the reliability of supply to customers.

Applicant's proposals for SSO and SCO Service will maintain the availability to consumers of adequate, reliable, and reasonably priced natural gas services and goods.

Q. **Please describe how the Company's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(2), Revised Code - Promote availability of unbundled and comparable natural gas services and goods that provide wholesale and retail consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs.**

A. In January 2003, VEDO implemented the Choice Transportation service described above to provide unbundled services to Residential and General Service customers. Today, over 75,000 customers, about 25% of those eligible, have elected Choice service and are obtaining gas supply from one of five VEDO-approved Choice suppliers. These Choice suppliers have offered a variety of prices to meet the needs and desires of customers, including fixed rates for 1 and 2 year periods, monthly variable rates, and capped rate products.

A number of potential new Choice suppliers are actively participating in the VEDO Merchant Exit Transition Working Group that led to this Application. Their active participation in VEDO's Choice market can be expected as soon as the Application is approved and the sales service GCR pricing is replaced by the standard market pricing for SSO (and subsequently SCO Services), creating a more "level playing field". The level playing field results from the SSO and SCO prices (collectively "Standard Pricing") which reflects market prices and eliminates the GCR balancing accounts, thereby becoming more comparable to unbundled service (Choice) pricing. The new participants will increase the number of suppliers available to offer unbundled service to Choice-eligible customers. The Customer Education sub-group, described in VEDO witness Michael Roeder's testimony, is developing plans for two years of media communication to promote customer awareness of the availability of comparable gas services to Residential and General Service Sales customers.

VEDO's Large General Transportation Service has been in place for many years. Creditworthy suppliers may act as Pool Operators per VEDO's Rate 380. Eleven suppliers are selling unbundled gas supply to approximately 628 Large General Transportation customers in VEDO's service area. The Company's proposal for SSO and SCO Services would impact the Large General Transportation Service only tangentially, as described in the testimony of VEDO witness Scott E. Albertson. Customers under this service would continue to receive unbundled and comparable service.

VEDO does not provide transportation or sales service to wholesale customers.

Q. Please describe how VEDO's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(3), Revised Code - Promote diversity of natural gas supplies and suppliers, by giving consumers effective choices over the selection of those supplies and suppliers.

A. All of VEDO's customers have effective choices over the selection of services today, as described above. VEDO recognizes that the GCR pricing, with its balancing accounts, can make the comparison to Choice pricing offers difficult. The two proposed Exit Transition Phases will utilize standard market pricing (without balancing accounts) which will provide price transparency and improve the comparability of the Standard Pricing to the Choice price offers.

Q. Please describe how the Company's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(4), Revised Code - Encourage innovation and market access for cost-effective supply and demand side natural gas services and goods.

A. Regarding demand side natural gas services, VEDO has a base rate-funded (at $1.1 million per year) low-income weatherization program administered by Ohio Partners for Affordable Energy ("OPAE"). The Company also has a VEDO-funded Demand Side Management ("DSM") program, also administered by OPAE, applicable to customers with incomes up to 300% of poverty level, roughly 60% of VEDO customers, at $1.0 million per year.

The Standard Pricing service utilized in both the SSO and SCO Phases, including the retail price adjustment auction, is an innovative approach for the transition to merchant exit. It provides competitive market-priced supply that is more easily compared to Choice offers, thereby encouraging more Choice suppliers to enter VEDO's market. A more competitive supply market in the VEDO service area should induce the innovations in natural gas services and goods that will meet various customer needs.

Q. Please describe how VEDO's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(5), Revised Code - Encourage cost-effective and efficient access to information regarding the operation of the distribution system of natural gas companies in order to promote effective customer choice of natural gas services and goods.

A. VEDO currently provides a number of reports to the Commission regarding the operation of its distribution system. An Annual Report is filed with the Commission each year. SG Reports containing sales and revenue information are provided monthly to the Commission. Monthly, VEDO provides current Choice Statistics Reports to PUCO and OCC staff.

In addition, through its Merchant Exit Transition and Transportation Matters Working Groups, which include both Commission and OCC staff participants, VEDO provides information regarding the operation of its distribution system.

In the SSO and SCO phases, VEDO will provide additional reports on information relating to Choice customers and suppliers, as well as the functioning of the SSO and SCO phases, as described in the testimony of Mr. Albertson.

Q. Please describe how the Company's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(6), Revised Code - Recognize the continuing emergence of competitive natural gas markets through the development and implementation of flexible regulatory treatment.

A. The various merchant exit discussions of several large local distribution companies demonstrate the continuing emergence of competitive natural gas markets in Ohio. There has been increased interest from potential Choice suppliers in the Ohio markets because of the merchant exit discussions and, in particular, the Phase 1 Exit proceeding of Dominion East Ohio ("DEO"). Further, new suppliers to VEDO's service area have actively participated in VEDO's Merchant Exit Transition Working Group.

The Merchant Exit Transition proposed by this Application appears to be fully contemplated by the Commission's Regulation at 4929.04, which allows for exemption from commodity sales service for natural gas utilities, pursuant to flexible alternative regulatory treatment.

Q. Please describe how VEDO's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(7), Revised Code - Promote an expeditious transition to the provision of natural gas services and goods in a manner that achieves effective competition and transactions between willing buyers and willing sellers to reduce or eliminate the need for

regulation of natural gas services and goods under Chapters 4905 and 4909 of the Revised Code.

A. VEDO's Choice program has been in place for 4½ years. About 25% of VEDO's eligible customers are now served under retail agreements with Choice suppliers. VEDO has well designed and soundly operating systems and procedures to ensure delivery of reliable supply to those Choice customers while maintaining overall system reliability. The Choice operating and information systems are in place and fully capable of accommodating increased Choice customer participation as expected as the SSO and SCO phases create a level playing field for Choice suppliers and customers.

The VEDO Merchant Exit Transition plan as reflected in the Application is designed to provide an expeditious transition up to full competition ("Full Choice" or "Phase 2") through two phases, SSO ("Phase 1") and SCO ("Phase 1.5"). Both phases provide incremental progress to full competition, testing different aspects of the systems and procedures applicable to a Full Choice environment. Although the two phases are meant to prepare the VEDO service area for Full Choice, through attraction of additional Choice suppliers and the growth in numbers of Choice customers, Phase 2 is not part of this Application. Any final movement to Full Choice would be the subject of continuing collaborative efforts of the working group and another Commission proceeding in the future.

Q. **Please describe how the Company's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(8), Revised Code - Promote effective competition in the provision of natural gas services and goods by avoiding subsidies flowing to or from regulated natural gas services and goods.**

A. VEDO and the working group have continuously pursued removal of any subsidies between regulated (sales) and non-regulated (Choice) natural gas services. The result of this effort has included the development of the Balancing Cost Rider at the outset of the Choice program to properly recover the costs of balancing Choice customer loads and crediting that recovery to the GCR customers, who were paying through the GCR for the storage used to balance Choice loads. It also includes the subsequent revision of that Balancing Cost Rider when its reserve margin component was eliminated. Most recently, based on working group discussions and the recommendation of the GCR auditor, VEDO moved contract storage carrying costs recovery from base rates to the GCR. This revision was necessary and appropriate because sales customers were being subsidized by Choice customers, who were paying for storage-related carrying costs that benefited only the sales customers. On top of the subsidy, the Choice customers were also paying any storage carrying costs imbedded in their Choice suppliers' commodity offers. This change removed a large subsidy being provided to the sales customers by the Choice customers.

Under the SSO and SCO services, the GCR will be eliminated and all standard service customers will receive the standard market price, so the balancing account will no longer interfere with current market pricing. Because VEDO's pipeline capacity will be released on an equivalent basis to all SSO, SCO, and Choice suppliers, who will collectively provide system balancing services, the Balancing Cost Rider can be eliminated and SSO, SCO and Choice suppliers can each consider identical system balancing costs in their pricing.

The remaining disparity between the SSO and Choice customers may be the taxes applicable to the supply portion of their bills. The SSO customers, who are utility sales customers, will pay a Gross Receipts Excise Tax on the supply portion of their bills, whereas the Choice customers, who receive commodity from non-utility suppliers, will continue to pay the state and local use taxes. This disparity will be eliminated in the SCO phase, when all customers will receive supply from non-utility standard choice suppliers and will therefore pay the state and local use taxes.

Q. Please describe how VEDO's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(9), Revised Code - Ensure that the risks and rewards of a natural gas company's offering of non-jurisdictional and exempt services and goods do not affect the rates, prices, terms, or conditions of non-exempt, regulated services and goods of a natural gas company and do not affect the financial capability of a natural gas company to comply with the policy of this state specified in this section.

A. VEDO's Choice program implemented in 2003 reflected terms and conditions found appropriate by the Commission. Any impacts on the existing sales customers were considered in the development and approval of VEDO's Choice tariff. As described above, subsequently the working group identified and the Commission has approved changes to the Choice program to eliminate identified disparities between Choice and Sales customers' services.

Under the Application, revisions to the current Choice and Large General Transportation Service rate schedules and related terms and conditions are required to implement the proposed Merchant Exit Transition plan. The changes are described in detail in the testimony of Mr. Albertson. None of these changes would materially impact the services provided to Choice and Large General Transportation customers or their suppliers.

The Merchant Exit Transition plan will require one group of current sales customers to convert from sales service to transportation service prior to Phase 1.5. Large General Sales Service customers may remain sales customers during the proposed Phase 1, the SSO phase, but will be required to select an alternative supplier prior to the initiation of the SCO phase.

Approval of the Application should not affect the financial capability of VEDO to continue to comply with the natural gas policy of this state. There are some costs that will arise due to the Merchant Exit Transition plan – billing system changes, customer education, consulting and legal fees, etc. – but those costs will be recovered through the proposed Exit Transition Cost Rider.

Q. Please describe how VEDO's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(10), Revised Code - Facilitates the State's competitiveness in the global economy.

A. VEDO's well functioning Large General Transportation Program ensures gas supply is a positive factor for Large General Customers located in or considering locating in VEDO's service area.

A level playing field, which would be established by the standard market pricing in the SSO/SCO phases, should attract more Choice suppliers, increasing the innovative services available to small and medium sized businesses in VEDO's service area.

Q. Please describe how the Company's proposal is in substantial compliance with the State of Ohio's natural gas policy as set forth in Section 4929.02(11), Revised Code - Facilitate additional choices for the supply of natural gas for residential consumers, including aggregation.

A. Municipal aggregation is currently and will prospectively be available to residential customers of electing communities in VEDO's service area. The Choice program systems and procedures can readily accommodate aggregation customers.

As described above, the standard market pricing in the SSO/SCO phases replaces the GCR price, and provides an option that a customer can more easily compare to competitive Choice product and price offers. VEDO's Merchant Exit Transition plan should attract more Choice suppliers to provide additional choices to Choice-eligible customers.

RULE 4901:1-19-04, O.A.C., REQUIREMENTS

Q. Is VEDO currently subject to effective competition in the provision of each commodity Sales Service, and do its customers currently have reasonably available alternatives for each commodity service?

A. Yes. As described in detail above, and as supported by the testimony of VEDO witness Dr. Robert Lawson, VEDO is subject to effective competition in the provision of its commodity sales services. All VEDO customers currently have alternatives to VEDO Sales Service, with their ability to participate in the appropriate VEDO transportation program – Choice or Large General Service transportation.

It is VEDO's belief, and one of the guiding principles behind its decision to exit the merchant function, that the competition to sell supply to Residential and General Service customers can be made much more effective through standard market pricing in the SSO and SCO phases. In addition, new suppliers should be attracted to VEDO's service area due to its Exit Transition Plan, which should result in increased alternatives to each commodity service.

Q. Does VEDO have clear and accurate written materials related to service and product offerings, which promote effective customer choice and provision of adequate service?

A. Yes. Choice information is currently available to customers via Vectren's website and its call center. Competitive suppliers supplement VEDO's informational efforts through solicitation materials sent to potential customers. VEDO's Call Center representatives provide a list of current Choice suppliers upon customer request. No advertising currently takes place.

Please see the testimony of Mr. Roeder for a discussion of the planned Customer Education program to be implemented in the SSO and SCO phases.

Q. Please describe VEDO's commodity sales service, the potential number of customers for each service, and the availability of upstream capacity needed to support the service.

A. Each of the commodity sales services is reflected in VEDO's tariff for gas service, as shown in the testimony of Mr. Albertson.

Residential Gas Sales Service (Rate 310), which has approximately 224,000 customers, is a full requirements sales service currently priced at GCR rates. This class consumes approximately 18,670,000 Mcf per year. General Gas Sales Service (Rate 320), which has approximately 21,000 customers, is also a full requirements service priced at GCR rates. Rate 320 is available to non-residential customers using less than 15,000 Ccf per year. This class consumes approximately 8,771,000 Mcf per year. Large General Gas Sales Service (Rate 330), which has approximately 20 customers, is a full requirements sales service priced at GCR rates. This class consumes approximately 620,000 Mcf per year. Dual Fuel Sales Service (Rate 341), which has two customers, is an interruptible sales service priced at GCR rates. This class consumes approximately 4,500 Mcf per year.

Under the Merchant Exit Transition plan reflected in the Application, upstream capacity, including storage, will be allocated to suppliers equal to approximately 75% of each supplier's projected loads. The remaining 25% of capacity must be provided by the suppliers themselves and will be subject to periodic firm capacity reviews.

Q. Does VEDO offer distribution services in a fully open, equal, and unbundled basis to all of its customers and may customers reasonably acquire commodity sales service from suppliers other than VEDO?

A. Yes. Please see my testimony above which describes in detail VEDO's service offerings and compliance with this requirement.

Q. Will the proposals contained in this Application result in undue discrimination for similarly situated customers?

A. No. VEDO's public utility services are available on a comparable and non-discriminatory basis. VEDO offers its regulated service or goods to all similarly situated customers, including any persons with whom it is affiliated or which it controls, under comparable terms and conditions. Such services, terms, and conditions and rates have been reviewed and approved by the Commission and are currently incorporated in VEDO's tariff.

The above will continue to be true under the SSO and SCO Services proposed in the Application.

Q. How will the proposals in this Application apply to VEDO's PIPP customers?

A. VEDO's PIPP customers will receive standard pricing in both the SSO and the SCO phases, which could result in reductions from current rates due to the retail price adjustment being set in a competitive auction. However, PIPP customers will still not be able to select an alternative Choice supplier in that they do not qualify for Choice service.

Q. Please describe the internal process VEDO will have in place for addressing customer complaints and inquiries.

A. VEDO's Call Center representatives will receive training on standard market pricing, providing eligible Choice supplier names to customers in both the SSO and SCO phases, and explaining the SCO supplier's role in the SCO phase. The complaint escalation process internal to the VEDO Call Center is as follows. Should a call not be resolved at the first point of contact the call center specialist will seek assistance from VEDO's customer service help desk. This help desk is staffed with more senior level agents and team leaders to assist in the resolution of customer calls. Should this step of the internal process fail to achieve a satisfactory outcome, then the caller will be transferred to a call center supervisor to attempt resolution. If a complaint is registered through the PUCO or OCC consumer affairs areas, then VEDO follows the Ohio Administrative Code for complaints and complaint-handling procedures (4901:1-13-10).

Q. Does VEDO have a code of conduct which is compliant with the requirements of Sections 4905.32 and 4929,02, Revised Code, which, among other things, addresses the flow of information between employees involved in providing exempt and non-exempt services?

A. Yes. VEDO currently has an Affiliate Code of Conduct in the Choice section of its tariff for gas service which has been reviewed by the Commission for compliance with all applicable regulations, first in Case No. 02-1566-GA-ATA, in which VEDO's customer choice program was established, and most recently in VEDO's last base rate case, Case No. 04-571-GA-AIR. In the current Application, in the proposed tariff changes, this Affiliate Code of Conduct has been moved to the General Terms and Conditions section of VEDO's tariff as Sheet No. 72.

Q. *Does this conclude your direct testimony?*

A. Yes.

Application Exhibit III

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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PREPARED DIRECT TESTIMONY
OF DR. ROBERT LAWSON
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

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December 21, 2007

Attorneys for Vectren Energy Delivery of Ohio, Inc.

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Vectren Energy Delivery of Ohio, Inc.	)	
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Chapters 4905, 4909, and 4935 except	)	
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and from specified sections of Chapter 4933	)	
of the Revised Code.	)	

PREPARED DIRECT TESTIMONY
OF DR. ROBERT LAWSON

Q. Please state your name and business address.

A. Robert A. Lawson
Professor of Economics & George H. Moor Chair
Department of Economics and Finance
School of Management
Capital University
1 College and Main
Columbus, Ohio 43209-2394

Q. On whose behalf are you offering direct testimony?

A. I am testifying on behalf of Vectren Energy Delivery of Ohio, Inc. (VEDO).

Q. Would you please summarize your educational, publications and work experience?

A. I earned a B.S. degree (summa cum laude) in economics from the Honors Tutorial College at Ohio University in 1988, and an M.S. and Ph.D. in economics from Florida State University in 1991 and 1992 respectively.

I taught at Shawnee State University in Portsmouth, Ohio from 1992-1996. Since then, I have been a professor at Capital University in Columbus, Ohio, and have been promoted first from assistant to associate professor in 1999 and then to full professor in 2002. In 2001, I was named the George H. Moor Chair at Capital University. I have taught over a dozen different courses but specialize in teaching political economy, price theory-microeconomics, public finance, labor, and comparative systems. I have worked with various public policy institutes including the Buckeye Institute, the Fraser Institute (Canada), the Cato Institute, the National Center for Policy Analysis, the Mackinac Institute and others. I have previously testified as an expert on behalf of the Ohio Gas Marketing Group (Case No. 05-474-GA-UNC).

I have co-authored 11 editions of the *Economic Freedom of the World*, an annual report that benchmarks the progress toward economic liberalism around the world. This report has been cited widely in the popular press (including for example, *The Economist*) and in over 300 academic journal articles and books. I am the author or co-author of 27 journal articles, 9 articles published in edited volumes, 5 book reviews, 12 policy reports and numerous other shorter works.

Q. What is the purpose of your testimony today?

A. The purpose of my testimony is to demonstrate the degree of competitive behavior in the market for natural gas in relation to the proposed VEDO Merchant Exit Transition ("MET"). This testimony is responsive to the filing requirements of Section 4929.04(B), Revised Code; and Rule 4901:1-19-04(C)(2), O.A.C.

Q. Please describe the standard market pricing relationships that are proposed by VEDO in this Application.

A. In the Standard Sales Offer ("SSO") phase, standard service pricing will be based on the results of a wholesale auction. The auction will determine a retail price adjustment that will be added to the settlement NYMEX price for a given month to develop that month's standard market price. The winning SSO suppliers will be awarded an undifferentiated share of the total sales requirements. In the Standard Choice Offer ("SCO") phase, customers will again be served through auction-driven standard market pricing. However, rather than the suppliers being awarded an undifferentiated share of total sales requirements, suppliers will be allocated tranches based on requirements of identified customers. The identity of the SCO supplier will be made known to the consumer and the identity of the consumer will be made known to the SCO supplier, thus a nascent, non-contractual relationship will be developed, giving the consumer an opportunity to seek other competitive products offered by the SCO supplier and the SCO supplier an opportunity to offer alternative competitive products to the consumer.

Q. Can you comment on benefits of a market based pricing in general?

A. The simplest and most primitive function of prices in any market is to serve as a rationing device to equate the quantities of a good available from suppliers with the quantities desired by the buyers. One risk associated with any scheme to charge non-market based prices is that the price will be set so that these two quantities do not meet and there will be a shortage (if the price is "too low") or a surplus (if the price is "too high"). But this function of "clearing the market" is in many ways not the most important function of prices.

The real advantage of market based pricing is how market prices communicate information and provide proper incentives to buyers and sellers. Nobel Laureate F.A. Hayek best described this function of prices in his 1945 article, "The Use of Knowledge in Society." If the supply of a particular commodity is temporarily down or if the demand is temporarily high (it does not matter which and it is important that it does not matter which), the price of this commodity will rise. This price increase will immediately communicate to people all that they need to know: They had better economize on the use of this commodity. Market prices also send important, and underappreciated, signals to suppliers. Higher prices encourage producers to try to expand production or divert it from other areas to the area of the highest value. Natural gas and other utility markets often face significant shifts in both supply (e.g., Katrina) and demand (e.g., hot summers and cold winters) that need to be dealt with in some manner. The decentralized market price system, as Hayek argued, handles these things more efficiently than any other centralized method.

Generally speaking, government set rates try to mimic market rates so that if supply and demand conditions dictate an increase in price then the government will eventually increase the price; and if the supply and demand conditions dictate a decrease in price then the government will eventually decrease the price. The problem lies in the word eventually. The fact of the matter is that we have less natural gas and nothing can be done to alter this fundamental fact at least in the short run. Consumers have to cut back on the use of gas. There is no other option. The question is how to achieve this. If we are using market pricing, then the problem is easily solved by increasing the price. People will see the higher price and will find ways to use less. To be sure, this is a very difficult thing to do, and people are inclined to blame the price or the market in general for this disruption to their daily lives and pocketbooks, but the price is merely the messenger. The problem was that gas supply was disrupted. If we have government set pricing, then what happens to price during the period of this disruption? The answer is nothing. The price has been set for the period in question and that is that. Consumers will not get the information to economize on gas and so they will not. Shortages are one possible result. Another possible outcome is that the government would have to step in to arbitrarily reduce use by some users (one example of this is rolling brownouts in electricity markets). In short, government based pricing fails to send the proper signals to consumers (and producers) when supply and demand conditions change. To be sure, the government price will eventually catch up to the market, but it will do so *in the wrong time period.*

Q. Are there times that market based pricing would not be appropriate?

A. Yes. Market pricing is less than fully efficient in four important areas: monopoly, public goods, externalities, and information asymmetries. The latter three are not factors in the natural gas market and are not relevant to this testimony. The argument about monopoly can be broken down into two parts: natural monopoly and collusion.

A natural monopoly can be defined as a situation in which a single firm can effectively supply an entire market place at lower average cost than could be achieved using any larger number of firms. This is an argument about economies of scale. The nature of technology may exist so that having more than one firm in the market would result in higher average costs for everyone. The cost advantages of the single large firm would dictate that a single large firm would prevail in the competition of the market. An argument for government price regulation often rests on the desire to regulate such natural monopolies. A plausible argument can be made that the natural gas distribution network (at the local, retail level) is a natural monopoly. Having multiple competing gas lines running to homes and businesses is likely to be more expensive for everyone than having a single gas line network. But this case is not about the distribution network; it is about the production and sale of the natural gas itself, as distinguished from the problem of transporting the gas to peoples' homes and businesses. There is no argument that I am aware of that suggests that there are significant economies of scale in the production of natural gas itself. Many natural gas suppliers can simultaneously exist in the market without causing an increase in average costs for the gas itself.

Even if the market is not a natural monopoly we still would be concerned with the prospect that firms will collude to act like a monopoly. In the case of natural gas, my understanding is that the number of wholesale suppliers is sufficiently large that collusion is not likely and, most importantly, the market is structured to be open to new entrants should collusion take place.

The bottom line is that there are special cases in which market-based pricing is problematic. The good news is that these cases do not apply in the case of the production/sale of natural gas.

Q. Can you comment on the degree to which the product is of substantially the same quality provided by any or all of the sellers?

A. The product in question, natural gas, is homogeneous in the eyes of consumers regardless of the regulatory rules of the game. That is, there is no significant ability on the part of natural gas providers to differentiate their products on the quality dimension, though in a choice-driven environment, natural gas providers may offer differentiated pricing plans or customer services of other kinds. It should be noted that gas consumers will be similarly treated in every respect related to the distribution network. That is, the distribution charges for standard service and Choice service are essentially identical.

On the supplier side, all standard service suppliers (currently, as well as under the SSO and SCO phases) are similarly situated in terms of the requirements to enter the market and provide services. VEDO will coordinate the provider-of-last-resort (POLR) and system balancing functions. Currently, as well as during the SSO and SCO phases, VEDO will handle commodity issues with standard service customers and Choice providers will handle commodity issues with their customers. VEDO will continue to handle distribution issues for customers at all times.

Q. Can you comment on the degree to which buyers and sellers are readily able to enter or leave the market and switch between buyers and sellers (i.e. entry and exit barriers)?

A. Historically, the ability of new firms to enter natural gas markets was heavily restricted by regulatory barriers that guaranteed local public utilities monopoly rights over their service areas. With the current Choice Plan, new firms are encouraged to enter to compete directly for customers against the public utility. The SSO phase of the VEDO MET would allow gas providers to indirectly compete for all customers by buying at auction the right to provide certain portions of VEDO's default supply. In the SCO phase, firms would compete to purchase the rights to supply loads for identified customers. After certain basic certification requirements (set by PUCO and VEDO) are satisfied, any qualified natural gas provider should be allowed to bid in the SSO or the SCO phase auctions.

Q. Can you comment on the degree to which buyers and sellers have readily available information about the "market"?

A. The smooth functioning of markets requires that participants have information about the choices they face. But information is scarce and market participants will <u>never</u> have completely perfect information. Nevertheless, compared with many other everyday product markets (e.g., cell phones) that offer a dizzying array of products and terms, the natural gas market is one where we can safely assume consumers understand the nature of the market reasonably well. Natural gas has the characteristic of being homogeneous so consumers have no particular difficulty judging the quality of the gas provided by firm A versus firm B. It is also a product with which consumers have a lot of experience. There is little doubt that they understand that turning up the heat in the winter will cause the gas bill to increase at the end of the month.

One of the advantages of the SCO phase over the SSO phase of the VEDO MET is that it provides consumers with more information about the nature of the natural gas market. Currently VEDO is the default provider for the consumers in its service area. But few consumers may understand that VEDO is really just the middleman between the gas producers and regional/national distributors and its customers. Even under the SSO phase where VEDO's standard pricing would be based on the auction bids of these firms, the consumers could still suffer the misimpression that VEDO actually purchases and transports natural gas for ultimate use of its customers. In fact, in the SSO phase, VEDO merely distributes gas from its city gate to the local consumers and handles the billing, emergency, and customer service functions. In the SCO phase, when consumers are matched with identifiable gas providers, consumers would have more information about the market. The SCO phase is, in essence, more transparent than the SSO phase (or the current system).

Opponents of market-driven pricing and consumer choice in the natural gas market are generally eager to argue that consumers need to have more information about markets. But more market prices, competition and choice give consumers more information not less. The fallback position of opponents seems to be that competition is too confusing for consumers to understand. This is an odd position to take in a nominally free society that allows people to freely engage in a wide array of complicated transactions such as contracting for cell phone services with almost no "protection" from government. In a choice environment, natural gas consumers will choose from among a handful or perhaps more providers selling a homogeneous product with a limited range of pricing options. How hard is that for consumers to understand? Yes, people make mistakes in markets because of limited information, but of all the markets to worry about in this regard, the natural gas market would be pretty far down the list.

Q. **Can you comment on how and to what degree the product is available in the relevant market from alternative providers (Alternative providers in the relevant market (i.e. number of sellers), respective share of the market, expected growth in the market, expected growth in suppliers and their respective shares, affiliations between suppliers)?**

A. Currently, VEDO services approximately 70% of the service area as the natural gas supplier while approximately 26% is handled by one of four Choice providers, two of which are non-regulated VEDO affiliates (one of which serves only commercial customers). These figures alone tell us very little about the degree of competitiveness in the VEDO service territory. Ultimately, the question of competitiveness addresses the relationship between the availability of alternative providers and the degree of competition. In this context, there are several different common approaches used to determine whether a market is competitive.

Number of Firms/Concentration Measures. First, one approach would look simply at the number of firms engaged in selling natural gas and assume that a large number of firms in a market means we have competition, whereas only one firm (i.e., a monopoly) means no competition. Economists however are not clear on how many firms you need to have to achieve a competitive result. To be sure, the greater the number of firms, the better the likelihood of securing a competitive price in the market, but there is no "magic number" of firms beyond which we can say with certainty that we will have a fully competitive result. In some cases, two firms may be enough to result in competitive price. Of course having only two firms invites an opportunity for collusion between the firms so we may instead get monopoly-like prices. There is no well-defined economic theory to help us predict which result we will get in the real world. It is also not easy to determine the definition of the market in terms of counting firms. Is it the number of natural gas firms only or is it the number of natural gas, electricity, and heating oil firms in the market that we should count? After all, electricity and heating oil are competing products with natural gas and could be considered a part of the "energy market" broadly defined. An equally problematic approach, for all the same reasons, would be too look at market share concentration ratios for the top firms or other measures of market concentration (e.g., Herfindahl-Hirschman index).

Pricing/Profit Margins. Second, one may attempt to measure directly the degree of competition by looking at the margins between price and average (or sometimes marginal) cost. This is the approach taken when using a Lerner index. If we have competition, then there should be no profit margin (in an economic sense) but if we have monopoly we would expect to find a profit margin. There are serious problems with this approach. One problem is that the no profit result applies in the "long run" and we simply do not know how long the economic concept of the long run is in terms of actual time; we do know however that the length of time necessary for long run adjustments to take place will vary considerably from industry to industry. Short run profits do happen in competitive markets all the time (as do short run losses) and their existence at a point in time is absolutely no evidence of collusion or a lack of competition. A second problem is that calculating profit margins requires detailed knowledge of the costs and risks facing the firm that no outsider can possibly know and indeed the firm itself may have only a vague idea about.

Contestability. Third, we can try to judge the competitiveness of a marketplace by its "openness" to new entrants. If a market has only one firm, but faces potential competition from new entrants (i.e., it is "contestable"), it may still charge a competitive price in order to deter entrants. In many ways this is the most satisfactory way to view the issue. If we had a contestable market in which only one firm or a small group of colluding firms were charging high monopoly-like prices, we would expect the new entrants to come in and compete away the high prices. The key thing from this point of view is to determine how open the market is to new entrants. If new entrants can enter a market easily, then my view is that we may rest easy that the market will approximate a competitive result in the long run.

The SSO and SCO auctions are essentially designed to maximize the amount of contestability in the market. By opening up the service area to bidders, the goal is to increase the number of firms interested in the market, both in terms of entities interested in the bid processes and in terms of traditional competitive retail suppliers. The relatively large number of firms in the VEDO MET working group seems to testify favorably toward this point. This does not necessarily mean that all natural gas providers will decide to bid in any ensuing auctions; the important point is that they *could*. If there is little interest at first in the VEDO auctions and prices increase a bit, then other firms will sense a profit opportunity in the next auction. Of course, bidding firms know that if they take advantage of any short run opportunity to increase prices, they will only succeed in attracting more competitors in the next round. This sort of entry and exit competition is highly effective in keeping prices near competitive levels even if the number of firms in the market at any point in time appears low.

Q. Can you comment on the data and calculations necessary to measure market concentration (Four-firm concentration ratio, Herfindahl-Hirschman index, Lerner index, etc.)?

A. For the reasons cited above, static measures of concentration ratios, HH indexes, or Lerner indexes are not very useful in understanding the degree of competitiveness in a dynamic market.

Q. Does this conclude your testimony?

A. Yes, it does.

Application Exhibit IV

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

PREPARED DIRECT TESTIMONY
OF PERRY M. PERGOLA
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

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December 21, 2007

Attorneys for Vectren Energy Delivery of Ohio, Inc.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.)	Case No. -GA-EXM

PREPARED DIRECT TESTIMONY
OF PERRY M. PERGOLA

Q. Please state your name and business address.

A. Perry M. Pergola
One Vectren Square,
Evansville, Indiana, 47708

Q. By whom are you employed?

A. I am Director, Gas Supply for Vectren Utility Holdings, Inc. ("VUHI"), the immediate parent company of Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "the Company"). I hold the same position with two other utility subsidiaries of VUHI - Southern Indiana Gas and Electric Company ("Vectren South") and Indiana Gas Company, Inc. ("Vectren North").

Q. Please describe your educational background.

In 1982, I graduated from Duquesne University with a Bachelor of Science degree in Accounting. In 1988, I graduated from Robert Morris University with a Master of Business Administration degree, majoring in Finance.

Q. Please describe your professional experience.

A. I have 23 years of natural gas industry experience, primarily in the areas of gas supply and capacity management. Prior to my current position at VUHI for the last four years, I worked for 14 years in numerous positions at Consolidated Natural Gas Company, which is now part of Dominion Resources. My responsibilities were primarily with the interstate pipeline affiliate and local distribution companies. I also have 5 years of energy trading experience with unregulated affiliates of Duke Energy Corporation and PG&E Corporation.

Q. What are your present duties and responsibilities as Director, Gas Supply?

A. I am responsible for the management of the activities of the Gas Supply department including gas supply planning, hedge strategy, and the acquisition of capacity and gas supplies for VUHI's three gas distribution utilities.

Q. What is the purpose of this testimony in this proceeding?

A. The purpose of my testimony is to provide explanation on the following topics for both the Standard Sales Offer ("SSO") Service and the Standard Choice Offer ("SCO") Service phases of VEDO's proposed Merchant Exit Transition:

- SSO and SCO Pricing Mechanism;
- SSO and SCO Auction Process;
- VEDO's ability to maintain reliability during both the SSO and SCO Phases including the Provider-of-Last-Resort ("POLR") coordination; and
- Exemption from the current GCR regulations

My testimony will be organized into the sections described above.

I. SSO and SCO Pricing Mechanism

Q. What are the SSO and SCO prices?

A. The SSO and SCO price each month will compensate SSO and SCO Suppliers for all of their costs of providing the respective standard offer service for the entire term of each phase. In addition, these prices, adjusted to Ccf, will be billed to SSO and SCO customers for the volumes used during each calendar month.

Q. What are the components of the SSO and SCO prices for each month?

A. With the limited exception of December 2008 through February 2009 which I will address later, the SSO and SCO price each month will be based on the NYMEX *natural gas futures settlement price* for such month converted to Mcf using a standard BTU value plus the retail price adjustment determined in the respective SSO and SCO auctions. This will be a price per Mcf. It will be converted to a price per Ccf for SSO and SCO customer billing purposes. The SSO and SCO customer price per Ccf will then be used for the Commission's "Apples-to-Apples" price comparison posting.

Q. Why does the Company propose that the SSO and SCO prices be a function of the NYMEX natural gas futures settlement for the upcoming month?

A. NYMEX prices are the most visible indicator of natural gas futures prices available. The NYMEX, or New York Mercantile Exchange, is the world's largest physical commodity futures exchange on which contracts for future déliveries of multiple forms of energy, including natural gas, are traded. The Commission recognized the NYMEX as the best source of future pricing information in its January 12, 2005, Entry in Case No. 04-1912-GA-UNC when it made the NYMEX price the *de facto* benchmark for monthly GCR filings. Using a NYMEX-based price will provide continuity in the overall pricing approach and will enable the SSO and SCO prices to reflect current market pricing thus sending accurate price signals to consumers.

Q. Please explain the retail price adjustment component of the SSO and SCO prices.

A. The retail price adjustment will be determined for the term of the applicable exit transition phase by the outcome of the respective auction process for each phase. The retail price adjustment will compensate Suppliers for all interstate pipeline demand and variable costs, VEDO system balancing responsibilities, unaccounted for gas volume variances, actual variations from the average BTU values used in price and daily delivery volume determinations, volume variations resulting from proration of SSO and SCO prices among calendar months in monthly customer billing, volume risk associated with winter SSO price hedging, other hedging costs if any, and all other aspects of cost and risk relating to the provision of SSO and SCO service.

Q. Other than the monthly NYMEX settlement price and the retail price adjustment, are there any other components for either the SSO or SCO price for each month?

A. There will be no other components of the SCO price. However, in the SSO Phase, for the three winter months of December 2008 and January and February 2009, the SSO price will be hedged by using a costless collar. The SSO price for these three months will be established at the weighted average of 40% of the NYMEX settlement price and 60% of the collared NYMEX price.

Q. Why has VEDO proposed to hedge a portion of the SSO prices during the three winter months?

A. VEDO has proposed that a portion of the SSO price during the initial winter months of the SSO phase be hedged to serve as a pricing transition for the sales (SSO) customers from the current GCR sales service. Under the current GCR pricing mechanism, VEDO has typically hedged a portion of projected normal winter season deliveries for GCR customers via the combination of withdrawals of gas supply from storage at the weighted average cost of gas inventory and fixed priced purchases made in advance of the month of delivery.

II. <u>SSO and SCO Auction Process</u>

Q. Please describe the SSO auction process that VEDO proposes.

A. VEDO proposes an auction approach based largely on the Request for Proposal ("RFP") process that was utilized by Dominion East Ohio ("DEO") in Case No. 05-474-GA-ATA. The SSO auction will determine the SSO price applicable to VEDO's sales customers' usage requirements (including PIPP customers), with pre-qualified, creditworthy suppliers bidding for the right to serve a "tranche", or portion of those requirements.

As described in greater detail in the Application, VEDO will conduct this SSO auction approximately six weeks before the SSO phase is initiated.

Q. How will VEDO select which suppliers to invite to participate in the SSO auction?

A. As VEDO has done with its PIPP RFP process, VEDO will send the bid package to all suppliers currently providing commodity service to customers through VEDO's pooling programs, all suppliers who have participated in VEDO's merchant exit working group process, and any supplier serving the DEO market. In addition, VEDO will send the information to any wholesale supplier that has sold gas to the Company for system supply during the prior twelve months. Because VEDO's existing wholesale suppliers are not required to be certified by the Public Utilities Commission of Ohio ("PUCO" or "Commission"), VEDO will not include a requirement that bidders be a Commission-certified competitive retail natural gas supplier to participate in the SSO auction. The bid packages distributed to potential suppliers will require submission of information that will demonstrate a supplier's technical and financial capabilities to perform as required during the term of the applicable phase.

Q. Can VEDO conduct the SSO auction and award tranches to suppliers without Commission approval?

A. No, after an initial determination by VEDO of the integrity of the auction and the acceptability of the results, VEDO will request Commission approval of the awards after they have been reviewed with Staff. That oversight gives the Commission an opportunity to assess the bidding process and resulting prices before approving the recommended awards.

Q. Please describe the type of auction VEDO proposes to conduct in order to choose the SSO Suppliers.

A. VEDO proposes to conduct a descending clock auction which will proceed in a series of rounds, very similar to the SSO auction performed by DEO. At the beginning of each round, the auctioneer announces the price per Mcf, and each potential supplier bids the number of tranches it is willing and able to supply at that price. As the price declines from one round to the next, in this case at $.05/Mcf decrements, a bidder can bid the same or fewer numbers of tranches than it bid in the preceding round, but cannot bid more tranches. The auction ends when the number of tranches bid equals the number of tranches being awarded.

However, if the number of load tranches bid in the latest round is less than the number being procured, the descending clock auction reverts to the price at the previous round and begins using $.01/Mcf decrements. The auction continues with $.01 decrement rounds until the number of tranches bid matches those offered. If the auction reaches a point where the tranches bid once again are less than the tranches offered, the auctioneer will award tranches to the final round bidders at the previous round price on a percentage basis using their bids from the previous round.

Q. Will the process for the SCO auction be any different than for the SSO auction?

A. The process for the SCO auction will be identical to the SSO auction. The only difference being proposed by VEDO is the requirement that each bidder be a Commission-certified competitive retail natural gas supplier.

III. VEDO's Ability to Maintain System Reliability

Q. What measures has VEDO included in its exit transition program in order to maintain reliability of supply during the SSO and SCO phases?

A. There are several ways that the Company will ensure continued reliability of gas supplies for all Choice eligible customers. First and foremost, the Company will require all SSO, SCO, and Choice Suppliers to take mandatory capacity assignment of all the Company's interstate firm transportation and storage capacity for the entire term of the respective SSO and SCO phases. The combination of this released interstate firm capacity and the allocation of capacity from VEDO's on-system propane air facilities will equal approximately 75% of the total system peak day demand requirements for all of VEDO's Choice eligible customers. VEDO will retain recall rights to all of this released capacity. This mandatory capacity release requirement:

- enables the VEDO released capacity to follow the customer to the new supplier upon customer's migration to/from a Choice Supplier;
- enables the utilization of VEDO released storage to achieve a collective approach to balancing the VEDO operating system and providing POLR services in the SSO and SCO phases, which reduces costs to customers; and
- enhances reliability resulting from VEDO's ability to recall 75% of the capacity from a defaulting Choice or SSO/SCO Supplier.

In addition to the mandatory released capacity described above, for the term of the applicable SSO and SCO phase, VEDO will require each SSO/SCO Supplier to obtain sufficient firm interstate pipeline transportation and/or storage capacity with the primary delivery points to the VEDO city gates and/or city-gate firm gas supply arrangements to meet 100% of the monthly design peak day demands for its tranches, less the capacity released to each supplier by VEDO. This requirement assures that the suppliers replacing VEDO as the commodity provider have the wherewithal to make deliveries under the same design day conditions that the Company uses in its gas supply planning process. Further, the Application states that VEDO will coordinate the POLR provisions in the event of a Choice, SSO, or SCO Supplier default.

VEDO proposes to have the supply requirements in both the SSO and SCO phases bid out in six equally sized tranches. By bidding out supply responsibilities in tranches, VEDO is able to mitigate the impact of any one supplier defaulting on its delivery obligation. VEDO will limit the SSO and SCO tranches awarded to any individual supplier to one-third of the total supply requirement. Other standard service offer auctions have successfully used a tranche approach to avoid concentrating too much supply responsibility to any one supplier.

Q. How will system balancing be impacted in the SSO and SCO phases in comparison to today's environment?

A. Currently, VEDO provides system balancing for all of its customers – GCR, Choice, and Large Transportation. This balancing is accomplished primarily through the use of VEDO's Columbia Gas Transmission (TCO) storage, with a no-notice injection or withdrawal each day to cover any system imbalance.

In the SSO and SCO phases, VEDO will not retain any portion of TCO storage to perform the system balancing function. Instead, the holders of VEDO's released TCO storage capacity will collectively provide system balancing by receiving an allocation of daily system imbalances through Pre-determined Allocations (PDAs). The collective system balancing will be accomplished through the following conditions on the TCO storage capacity release:

- Suppliers must agree to allow their storage (individually, and in the aggregate) to be used to balance the VEDO system.

- Suppliers must agree to follow VEDO-established minimum and maximum bandwidths for daily storage injection or withdrawal, and minimum inventory levels, to ensure sufficient storage inventory and capacity to balance the VEDO system each day.
- The TCO storage capacity may not be re-released by the Supplier.
- VEDO must be provided access to information about the Supplier's TCO storage nominations and balances at all times. All SSO/SCO and Choice Suppliers will be required to enter into a TCO Agency Agreement giving VEDO the rights to access all nomination, contracts and storage information.
- Suppliers must agree to allow VEDO to shift released capacity among the Suppliers at the start of each month to reflect monthly Choice load migrations, or intra-month if a large Choice migration occurs.

The PDA agreement with TCO will be updated monthly and will assign a percentage of VEDO system imbalances each day to each TCO capacity holder, based on their proportion of total VEDO-released TCO storage capacity. TCO will treat those PDA amounts as daily storage activity for each of the Suppliers.

Q. How will POLR responsibilities be impacted during the SSO and SCO phases?

A. The current POLR responsibility involves temporarily providing supply to Choice customers in the event of a Choice Supplier default. The Choice Supplier Agreement and relevant tariff sheets also hold the defaulting Choice Supplier financially responsible. Eventually, the customers of a removed Choice Supplier are assumed by non-defaulting Choice Suppliers or revert to sales service.

In the SSO/SCO phases, the POLR responsibility will expand to include temporarily providing supply to cover tranche loads in the event of an SSO/SCO Supplier default. The SSO/SCO Supplier Agreements and relevant tariff sheets will hold the defaulting Supplier financially responsible. Defaulting Suppliers will be required to reimburse for any incremental POLR costs incurred. Any incremental costs not recovered from defaulting Suppliers will be included in the proposed Exit Transition Cost Rider.

The following approach to POLR will be used during the SSO/SCO phases:

- VEDO, SSO/SCO Suppliers, Choice Suppliers, and Large Transporters/ Pool Operators will all be involved.
- VEDO will act as the POLR Coordinator, identifying the need for POLR supply and notifying the non-defaulting SSO/SCO and Choice Suppliers.

- In the event of supplier default or other need for POLR Service, VEDO will take the following short-term action with regard to obtaining POLR supply.

    1. SSO/SCO/Choice Suppliers collectively will provide supply to meet POLR needs, using their individual TCO storage inventories. The withdrawn storage inventory will be subsequently replaced with the cost assessed to the defaulting Supplier, when appropriate.
    2. If VEDO determines that the daily quantity of POLR gas needed may affect the reliability of the system, an Operational Flow Order ("OFO") will be issued to ensure that Large Transporters/Pool Operators are not under delivering versus their Transport Customer usages during the OFO period.
    3. Next, as soon as possible, all transportation and storage capacity released to a defaulting Supplier will be recalled by VEDO, who will use it to meet some portion of the immediate needs of the defaulting Supplier's customers. VEDO will claim a predetermined portion of the defaulting Supplier's storage inventory as needed to meet the defaulting Supplier's customer loads.
    4. VEDO will fill any remaining shortfall by acquiring additional temporary capacity and supply or city-gate deliveries.

5. In the event of a Supplier default, VEDO will coordinate the provision of POLR service for the defaulting Supplier's customer loads for the remainder of the billing month in which the default occurs, and the subsequent month, or until an alternate solution is effectuated.

In the event of a Supplier removal, VEDO will take the following action with regard to an alternate solution:

- If a Choice Supplier defaults, per the Choice Tariff, VEDO will offer non-defaulting Choice Suppliers the option of assuming the customers of the defaulting supplier. If there are no takers, the customers will revert to standard service (SSO or SCO).
- If an SSO/SCO Supplier defaults or Choice Suppliers do not assume the customers of a removed Choice Supplier:
    1. The existing SSO/SCO Suppliers' loads will be increased to cover the defaulted load on a pro rata basis. Incremental load will be limited to 50% of the initial tranche size.
    2. For the portion of load quantity greater than 50% of initial load tranche size, that load will be assigned to a new SSO/SCO Supplier based on an abbreviated auction process.

IV. <u>Exemption from the Current GCR Regulations</u>

Q. From what GCR regulation requirements will VEDO be exempt with this transition from the current GCR sales service to the SSO sales service?

A. With the transition from GCR sales service, VEDO will no longer need to formally file an annual Long Term Forecast Report of Natural Gas Demand, Gas Supply, and Resources. As currently performed, VEDO will continuously update its peak day demand model to reflect changes in customer counts, customer usage patterns, and model variables in order to have the proper mix of capacity assets to meet customer demands.

Additionally, VEDO will not be regularly subject to the GCR management performance audit as it is today. While the proposal calls for an end to management performance audits upon exemption from the GCR regulations, VEDO understands that the Commission has the authority to order a special management performance audit at any time as it deems necessary.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

Application Exhibit V

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

PREPARED DIRECT TESTIMONY
OF SCOTT E. ALBERTSON
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

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December 21, 2007

Attorneys for Vectren Energy Delivery of Ohio, Inc.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services from Chapters 4905, 4909, and 4935 except Sections 4905.10, 4935.01, and 4935.03, and from specified sections of Chapter 4933 of the Revised Code.	)))))))))	Case No. -GA-EXM

PREPARED DIRECT TESTIMONY
OF SCOTT E. ALBERTSON

Q. Please state your name and business address.

A. Scott E. Albertson, One Vectren Square, Evansville, Indiana, 47708.

Q. By whom are you employed?

A. I am Director of Regulatory Affairs for Vectren Utility Holdings, Inc. ("VUHI"), the immediate parent company of Vectren Energy Delivery of Ohio, Inc. ("VEDO"). I hold the same position with two other utility subsidiaries of VUHI -- Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South") and Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North").

Q. Please describe your educational background.

A. I received a Bachelor of Science degree in mechanical engineering from Rose-Hulman Institute of Technology in 1984.

Q. Are you a Registered Professional Engineer?

A. Yes. I have been a professional engineer in Indiana since 1990 (registration number 900464).

Q. Please describe your professional experience.

A. I have over 23 years experience in the utility industry, primarily in the operations and engineering areas. I began my career with Ohio Valley Gas Corporation in a project engineering position. I have worked at VUHI and its predecessor companies since 1987 in a variety of positions including Operations Staff Manager, Assistant Chief Engineer, Director of Engineering Projects, and Director of Engineering. Prior to assuming my current role in 2004, I was Director of Technical Services with responsibility for engineering and technical support for all VUHI utility operations

Q. What are your present duties and responsibilities as Director of Regulatory Affairs?

A. I have responsibility for the regulatory matters of the regulated utilities within VUHI, including proceedings before the Public Utilities Commission of Ohio ("the Commission") and the Indiana Utility Regulatory Commission.

Q. Have you previously testified before the Commission?

A. Yes. I filed testimony in Case Nos. 04-220-GA GCR and 05-220-GA-GCR on VEDO's Financial and Uncollectible Expense Audits. I also filed testimony in Case No. 07-1081-GA-ALT related to VEDO's proposal to implement a Distribution Replacement Rider.

Q. What O.A.C. filing requirements is this testimony responsive to in this proceeding?

A. My testimony is responsive to the filing requirements of Rule 4901:1-19-04(C)(6), O.A.C.

Q. What is the purpose of this testimony in this proceeding?

A. The purpose of my testimony is to support VEDO's Tariff for Gas Service ("Tariff") attached to the Application as Application Exhibit No. VII. I am responsible for and sponsor the E-1, E-2, and E-3 schedules. My testimony will also discuss: 1) proposed changes to the Choice Program and associated tariff sheets, 2) proposed changes to the Large General Transportation Program and associated tariff sheets, 3) the addition of Rate Schedules applicable to Standard Sales Offer ("SSO") and Standard Choice Offer ("SCO") Suppliers, 4) the new Exit Transition Cost ("ETC") Rider, 5) changes, if any, to cases with special customer arrangements pursuant to Section 4905.31, Ohio Revised Code, that are affected by this application, 6) the proposed annual financial audit, and 7) periodic *reporting to the Commission during the SSO and SCO Phases of* VEDO's Exit Transition.

Q. How is your testimony organized?

A. My testimony is organized as follows:

I. Changes to Choice Program

II. Changes to Large General Transportation Program

III. Tariff Changes

  A. Introduction

  B. Changes to Choice Tariff Sheets

  C. Changes to Large General Transportation Service Tariff Sheets

  D. SSO/SCO Supplier Service

  E. ETC Rider

IV. Description of cases with special arrangements pursuant to Section 4905.31, Ohio Revised Code affected by this application

V. Annual Financial Audit

VI. *Periodic Reporting*

I. <u>CHANGES TO CHOICE PROGRAM</u>

Q. Please summarize the proposed changes to the Choice Program resulting from the Exit Transition Plan.

A. The proposed changes are described in the Schedule E-3 Narratives. The following highlights some major changes:

1. VEDO's existing Balancing Cost Rider, applicable to Choice Suppliers, recovers a portion of Columbia Gas Transmission Corporation ("TCO") storage costs to compensate GCR customers for balancing provided to Choice customers. In its Exit Transition Plan, VEDO proposes to release its TCO storage to each Choice, SSO and, in the future, SCO Supplier on a pro-rata basis. The holders of VEDO-released TCO storage capacity will collectively provide system balancing by receiving an allocation of daily system imbalances through Pre-determined Allocations ("PDAs") with TCO. Because they will be paying for TCO storage directly through the release, Choice Suppliers will no longer pay balancing costs for their Choice pools through the Balancing Cost Rider and the Rider will therefore be suspended.

2. Release of VEDO's capacity will no longer be optional for Choice Suppliers. As of the start of the SSO Phase, Choice Suppliers will take mandatory release of VEDO's contracted pipeline capacity at that time. VEDO will release such capacity to Choice Suppliers based upon approximately 75% of the peak design day demand of each Choice Supplier's pool. Terms and conditions of the capacity release will be specified in pipeline capacity release forms.

3. Choice Suppliers will no longer receive annual and quarterly delivery and usage volume reconciliations. VEDO will perform reconciliations for each Choice Supplier on a monthly basis, the second month following the end of the month of flow.

Q. When will the proposed changes to the Choice Program become effective?

A. All changes to the Choice Program will become effective upon the initiation date of the SSO Phase.

II. CHANGES TO LARGE GENERAL TRANSPORTATION PROGRAM

Q. Please summarize the proposed changes to the Large General Transportation Program.

A. The proposed changes are described in the Schedule E-3 Narratives. The following highlights the major changes:

1. Large General Transportation Service customers will no longer carry forward any over/under delivery imbalance quantities to the following month. The monthly allowed carryover for Large General Transportation customers will be revised from 5% to 0%. Therefore, effective with the start of the SSO Phase, all monthly over/under delivery imbalance quantities less than 5% will be cashed out with VEDO with no premium or discount applied.

2. Daily Balancing Provisions will apply to over-deliveries during a Cold Weather OFO and to under-deliveries during a Warm Weather OFO unless VEDO determines that the over/under deliveries in excess of the daily tolerance are helpful to the system.

3. The gas cost portion of all Large Transportation Program cashout charges, currently applied to the GCR, will be recovered from/passed back to SSO/SCO and Choice Suppliers in their monthly statements.

4. Creditworthiness evaluations will be conducted for Large General Transportation customers to mitigate risk exposure to SSO/SCO and Choice Suppliers for monthly balancing services.

Q. When will the proposed changes to the Large Transportation Program become effective?

A. All changes to the Large Transportation Program will become effective upon the initiation date of the SSO Phase.

III. TARIFF CHANGES

A. Introduction

Q. Please describe Schedule E-1.

A. Schedule E-1 consists of four parts. Schedule E-1A (SSO) is a clean copy of the proposed changes to the VEDO tariff to implement the SSO Phase. Schedule E-1A (SCO) is a clean copy of the proposed changes from

Schedule E-1A (SSO) to implement the SCO Phase. Schedule E-1B (SSO) and Schedule E-1B (SCO) are red-lined ("track changes") copies of the proposed tariff changes to implement the SSO and SCO Phases as described above.

Q. Please describe Schedule E-2.

A. Schedule E-2 contains a clean copy of the current tariff sheets that VEDO is proposing to update.

Q. Please describe Schedule E-3.

A. Schedule E-3 provides the rationale for the proposed tariff changes included in this filing. Schedule E-3 (SSO) and Schedule E-3 (SCO) are included and describe the rationale for the changes to implement each Phase of the exit. These schedules provide cross-references to Schedules E-1 and E-2 through the use of the Tariff Sheet Identifier, which indicates whether the tariff sheet being described is in the proposed SSO tariff (E-1) or the current tariff (E-2). The Schedule E-3 narratives explain in detail the proposed changes and the rationale behind those proposed changes. My testimony highlights the most important changes reflected in the Schedule E-3 narratives.

B. Changes to Choice Tariff Sheets

Q. Is VEDO proposing to make any administrative changes to its existing Choice tariff sheets?

A. Yes. Under the existing Choice Rate Schedules (Rate 315, Sheet No. 11; Rate 325, Sheet No. 13; and Rate 385, Sheet No. 21) and the Pooling Service Terms and Conditions (Sheet No. 52), the term "Supplier" has been changed to "Choice Supplier".

Q. Please describe the proposed changes to Rate 315 (Sheet No. 11).

A. The ETC Rider has been added to the "Riders" section of this tariff sheet.

Q. Please describe the proposed changes to Rate 325 (Sheet No. 13).

A. The ETC Rider has been added to the "Riders" section of this tariff sheet.

Q. Please describe the proposed changes to Rate 385, Pooling Service (Residential and General) (Sheet No. 21).

A. Following are the proposed changes to Rate 385:

1. Additional charges and credits have been added to the newly-named "Monthly Statement" section as follows: Nomination Error Charge, City-Gate Allocation Non-Compliance Charge, Storage Non-Compliance Charge, Monthly Reconciliation Amount, Meter Operator Charges, System Balancing Amount, POLR Amount, Customer Billing Amount and Related Charges (pages 1 and 2 of 4).

2. "Peaking Supplies Charge" has been changed to "Propane Supplies Charge" and additional language has been added (page 2 of 4).

3. The Balancing Cost Rider has been eliminated from the "Riders" section (page 2 of 4).

4. The "Requirements for Choice Supplier Participation" section has been updated to reflect the additional credit exposure resulting from the release of storage and pipeline capacity to Choice Suppliers and the desire to clarify that the creditworthiness requirements of Choice Suppliers shall be consistent with those of Large General Transportation Service Customers, Pool Operators, SSO/SCO Suppliers and other entities who have a direct impact on the reliability of VEDO's system (pages 3 and 4 of 4).

Q. Please describe the proposed changes to the Balancing Cost Rider (Sheet No. 36).

A. The Balancing Cost Rider will be suspended beginning with the initiation date of the SSO Phase, as discussed previously.

Q. Please describe the proposed changes to the Pooling Service Terms and Conditions (Residential and General) (Sheet No. 52).

A. Following is a list of proposed changes to the Pooling Service Terms and Conditions:

1. Additional definitions have been added to the "Definitions" section as follows: Load Tranche or Tranche, Pre-determined Allocation ("PDA") and SSO/SCO Supplier (pages 1 and 2 of 16).

2. Additional language has been added to the "Pool's Usage" definition (page 2 of 16).

3. The "Mandatory Assignment of Pipeline Capacity" section has been updated to reflect mandatory release of pipeline capacity to Choice Suppliers (page 10 of 16).

4. A "Monthly Reassignment of Capacity" section has been added to describe that transportation and storage capacity released to suppliers will follow customers to their new suppliers upon their migration to and from Choice service with monthly reassignment of capacity to suppliers based on their Peak Design Day Demands (page 10 of 16).

5. An "Operational System Balancing" section has been added to describe that holders of VEDO's released TCO storage (Choice and SSO/SCO Suppliers) will collectively provide system balancing (page 10 of 16).

6. A "Provider of Last Resort ("POLR") section has been added explaining that Choice and SSO/SCO Suppliers are required to temporarily provide supply to cover Choice and SSO/SCO Suppliers loads in the event of a default by another supplier (page 11 of 16).

7. Added language to "Daily Scheduling of Directed Delivery Quantities" section to reflect TCO storage capacity conditions that have been established for the purpose of Choice and SSO/SCO Suppliers collectively balancing the system (pages 13 and 14 of 16).

8. The "Volume Reconciliations" section has been changed to "Monthly Volume Reconciliations" and updated to reflect that reconciliations will be done on a monthly basis instead of a quarterly and annual basis (page 14 of 16).

9. The "Allocation of Propane Supplies" and "Supplier Withdrawal or Termination" sections have been updated with changes to be effective beginning with the initiation date of the SSO Phase (pages 13, and 15 of 16).

10. The "Operational Flow Orders" section has been deleted and a new Section 12 has been added to the General Terms and Conditions (Sheet No. 71) applicable to Choice and SSO/SCO Suppliers and Large Transporters.

Q. Please describe the proposed changes to the Supplier Pooling Agreement (Sheet No. 53)

A. A significant rewrite of the Supplier Pooling Agreement will be necessary to reflect the Exit Transition Plan and is the subject of on-going discussion among VEDO's Exit Working Group participants. The Supplier Pooling Agreement has been deleted from the Tariff in its entirety.

C. <u>Changes to Large General Transportation Service Tariff Sheets</u>

Q. Please describe the proposed changes to Rate 345, Large General Transportation Service (Sheet No. 17).

A. The "Creditworthiness Evaluation" section has been added to reflect that VEDO shall perform creditworthiness evaluations of Large Transportation customers consistent with VEDO's standard creditworthiness evaluation practices (page 3 of 3).

Q. Please describe the proposed changes to Large General Transportation Terms and Conditions (Sheet No. 50).

A. Following is a list of proposed changes to the Large General Transportation Terms and Conditions:

1. The "Backup Sales Service" section has been deleted in its entirety. There are no longer any customers taking Backup Sales Service, and given VEDO's proposed transition away from sales service, this service will cease as of the start of the SSO Phase (page 2 of 5).

Q. Please describe the proposed changes to Large General Transportation and Pool Operator Nomination and Balancing Provisions (Sheet No. 51).

A. Following is a list of proposed changes to the Large General Transportation and Pool Operator Nomination and Balancing Provisions:

1. The over/under delivery imbalance cashout percentage has been changed from 5% to 0%. There will be no carry forward of any over/under imbalance quantities to the following month (page 4 of 6).

2. The "Operational Flow Order Imbalance Provisions" section has been changed to reflect that Daily Balancing Provisions will apply to over-deliveries during a Cold Weather OFO and to under-deliveries during a Warm Weather OFO unless VEDO determines that the over/under deliveries in excess of the daily tolerance are helpful to the system (page 5 of 6).

3. Gas cost portions of all cashouts relating to imbalances and all incremental gas costs and pipeline penalties will be recovered from or credited to suppliers providing system balancing through Company-released storage, (page 6 of 6). Nomination Error Charges, City-Gate Non-Compliance Charges and the non-gas cost portion of imbalance cashouts will be also be credited to the suppliers.

Q. Please describe the proposed changes to Pooling Service Terms and Conditions (Residential and General (Sheet No. 52).

A. The Affiliate Code of Conduct language has been moved to a new tariff sheet, Sheet No. 72.

D. <u>Rates 395 and 396 – SSO/SCO Supplier Service</u>

Q. Please describe the new Rate Schedules 395 (Sheet No. 22) and 396 (Sheet No. 23).

A. New Rate Schedules 395 and 396, similar to Rate 385, are being established to describe SSO and SCO Supplier Service. Associated SSO and SCO Supplier Terms and Conditions are reflected on Sheet Nos. 55 and 56, respectively.

E. <u>Exit Transition Cost ("ETC") Rider</u>

Q. Please describe the ETC Rider (Sheet No. 41).

A. The ETC Rider has been established to recover various incremental implementation costs and other costs of VEDO's Exit Plan from all sales and Choice customers. This Rider is proposed to be applicable to the following Rate Schedules: Rates 310, 315, 320, 325, 330, 340 and 341.

Q. What costs and revenues will be recovered/passed back through the ETC Rider?

A. This rider will recover all incremental SSO/SCO Phase implementation costs which include: 1) Business system (e.g. information technology) development costs, 2) Informational and educational costs, 3) Call center costs, 4) Billing costs and 5) Other implementation costs, such as tax consulting, and FERC legal fees as required to obtain authority to engage in the Application proposals as designed.

The ETC Rider will also recover/pass back the following: 1) GCR variances remaining as of the implementation of SSO service, 2) any stranded gas supply costs related to customer migration to Choice, 3) any incremental POLR costs not recovered from a defaulting SSO/SCO or Choice Supplier, 4) any imbalance costs not recovered from Large General Transportation customers/Pool Operators, 5) gas costs incurred by Company when diverting customers' transportation gas quantities during a curtailment (see Sheet No. 70, paragraph 11.B1.(9)), and 7) other costs applicable to all SSO/SCO and Choice customers.

Q. Please describe the ETC Rider filing process with the Commission.

A. The ETC Rider will be filed with the Commission quarterly and will reflect the reconciliation of actual costs recoverable and actual costs incurred, with any under or over recoveries being recovered or returned through the ETC Rider over a subsequent twelve month period.

Q. What are the estimated implementation costs for the SSO and SCO Phases?

A. The current estimates for implementation of the SSO and SCO Phases are approximately $1.1 million and $2.4 million, respectively. VEDO continues to refine these estimates, and actual costs may vary as additional implementation requirements are finalized. Additionally, as discussed by VEDO witness Michael F. Roeder, customer education costs are expected to be approximately $1 million in each Phase.

Q. Are there any planned additional expenses for the implementation of the SSO and SCO Phases?

A. Additional annual O & M expenses, approximately $800,000 initially, will be incurred in order to implement and operate during the SCO Phase.

Q. Does VEDO propose to roll the Choice Program Migration Costs into the ETC Rider?

A. Yes. VEDO plans to incorporate the existing Migration Cost Rider Balance as part of the ETC Rider. The Migration Cost Rider recovers all costs incurred for VEDO's gas supply commitments that are no longer required due to customer migration from Residential or General Sales Services to Residential or General Transportation Services, including but not limited to the costs associated with no longer needed pipeline capacity entitlements. Currently the Migration Cost Rider balance is approximately $492,000, which will be credited to customers via the ETC Rider.

IV. CASES WITH SPECIAL ARRANGEMENTS PURSUANT TO SECTION 4905.31, OHIO REVISED CODE, AFFECTED BY THIS APPLICATION

Q. Are there any Cases with special arrangements pursuant to Section 4905.31, Ohio Revised Code, that will be affected by this application?

A. No.