141

FILE

The Public Utilities
Commission of Ohio

electric

natural gas

telephone

water

railroad

motor carrier

A report by the Staff of the Public Utilities Commission of Ohio

Vectren Energy Delivery of Ohio, Inc.

Case Nos. 07-1080 GA-AIR
Case Nos. 07-1081 GA-ALT

www.PUCO.ohio.gov
(800) 686-PUCO

STAFF'S REPORT
OF
INVESTIGATION

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters.	)	Case No. 07-1080-GA-AIR
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan for a Distribution Replacement Rider to Recover the Costs of a Program for the Accelerated Replacement of Cast Iron Mains and Bare Steel Mains and Service Lines, a Sales Reconciliation Rider to Collect Differences between Actual and Approved Revenues, and Inclusion in Operating Expense of the Costs of Certain System Reliability Programs.	)	Case No. 07-1081-GA-ALT

Submitted
to
The Public Utilities Commission

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters.	)	Case No. 07-1080-GA-AIR
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan for a Distribution Replacement Rider to Recover the Costs of a Program for the Accelerated Replacement of Cast Iron Mains and Bare Steel Mains and Service Lines, a Sales Reconciliation Rider to Collect Differences between Actual and Approved Revenues, and Inclusion in Operating Expense of the Costs of Certain System Reliability Programs.	)	Case No. 07-1081-GA-ALT

Alan R. Schriber, Chairman
Paul A. Centolella, Commissioner
Ronda Hartman Fergus, Commissioner
Valerie A. Lemmie, Commissioner
Cheryl L. Roberto, Commissioner

To The Honorable Commission:

In accordance with the provisions of R.C. Section 4909.19, the Commission's Staff has conducted its investigation in the above matter and hereby submits its findings in the within Staff Report.

The Staff Report has been jointly prepared by the Commission's Utilities Department and Service Monitoring and Enforcement Department.

In accordance with R.C. Section 4909.19, copies of the Staff Report have been filed with the Docketing Division of the Commission and served by certified mail upon the mayors of all affected municipalities and other public officials deemed representative of the service area affected by the application. A copy of said report has also been served upon the utility or its authorized representative. Interested parties are advised that written objections to any portion of the Staff Report must be filed within thirty (30) days of the date of the filing of said report after which time the Commission will promptly set this matter for public hearing. Written notice of the time, place, and date of such hearing will be served upon all parties to the proceeding.

The Staff Report is intended to present for the Commission's consideration the results of the Staff's investigation. It does not purport to reflect the views of the Commission nor should any party to said proceeding consider the Commission as bound in any manner by the representations or recommendations set forth therein. The Staff Report, however, is legally cognizable evidence upon which the Commission may rely in reaching its decision in this matter. (See *Lindsey v. Pub. Util. Comm.*, 111 Ohio St. 6 (1924))

Respectfully submitted,

Utilities Department

Steven R. Brennen
Director

Service Monitoring and Enforcement Department

Doris E. McCarter

Doris McCarter
Director

STAFF ACKNOWLEDGEMENTS

The Staff Report components reflect the results of investigations conducted by the Staff of the Applicant's rate application. The Staff person responsible for each component is shown below:

Utilities Department

Operating Income and Rate Base	Ross Willis
Rate of Return	Jeff Hecker
Rates and Tariffs	Chuck Goins

Service Monitoring and Enforcement Department

Reliability and Service Analysis Division	Peter Baker
Investigations and Audits Division	Dianne Doss
Facilities and Operation Division	Ed Steele

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

SCHEDULES

BACKGROUND

Vectren Corporation (Vectren), an Indiana corporation, is an energy and applied technology holding company headquartered in Evansville, Indiana. Vectren's wholly owned subsidiary, Vectren Utility Holdings, Inc. (VUHI), serves as the intermediate holding company for its three operating public utilities: Indiana Gas Company, Inc. (Indiana Gas or Vectren North), Southern Indiana Gas and Electric Company (SIGECO or Vectren South), and the Ohio operations, Vectren Energy Delivery of Ohio, Inc. (VEDO or Applicant). Together, Vectren's three utility subsidiaries provide regulated gas and/or electric services to over one million customers in Ohio and Indiana. Applicant's assets include the gas distribution assets of The Dayton Power & Light Company, which Vectren acquired on November 1, 2000. VUHI also has other assets that provide information technology and other services to the three utilities.

The Applicant began gas operations on November 1, 2000 under the rates established by the Commission in Case No. 91-415-GA-AIR. The Applicant provides gas and transportation service to approximately 314,000 customers in Dayton and 87 other communities in 17 counties in west central Ohio. The service territory is bordered on the west by the Indiana/Ohio state line while extending to Mercer County to the north, Logan County to the east, and Highland County to the south.

On September 28, 2007, the Applicant filed a notice of intent to file an application for an increase in rates to be charged for gas service in its entire service area subject to the jurisdiction of the Commission. The Applicant requested that the test period be established as the twelve months ending May 31, 2008, and that the date certain be August 31, 2007. By its Entry of October 24, 2007, the Commission approved the requested date certain and test year. The application to increase rates was filed on November 20, 2007, together with the Standard Filing Requirements.

The Applicant's filing also included a notice of intent to file an application for approval of an alternative rate plan for its gas distribution service under Case No. 07-590-GA-ALT. In this alternative rate application, the Applicant seeks Commission approval for:

- Distribution Replacement Rider (Rider DRR) which included the accelerated bare steel and cast iron pipeline replacement program, an individual riser replacement program and service line ownership proposal which includes installation and maintenance responsibility.
- Sales Reconciliation Rider-B (SRR-B) which provides for the recovery of the difference of actual and approved base revenues.
- The inclusion in base rates of amounts related to enhanced system maintenance improvement activities and an aging workforce succession plan.

By Entry of the Commission dated January 16, 2008, the application was accepted for filing as of November 20, 2007.

The rates proposed by the Applicant, when applied to test year sales volumes, would generate approximately $27,331,071 of additional revenues. This is an increase of 7.31% over current operating revenues.

OPERATING INCOME AND RATE BASE

SCOPE OF INVESTIGATION

On December 5, 2007, the Commission authorized the Staff to issue a request for proposal (RFP) to hire a consultant to attest to the accuracy of the financial data contained in the Standard Filing Requirements Section B through Section E. The selected auditor was required to complete the guideline procedures contained in the RFP and was to complete any additional procedures it considered necessary to complete the review.

On January 16, 2008 the Commission selected Eagle Energy LLC. (Eagle Energy) to conduct the review and the Commission directed Vectren to enter into a contract with Eagle Energy for the purpose of providing payment for its services. The cost of providing these services is included in the Staff's rate case expense recommendation.

Eagle Energy completed its investigation and its report has been docketed in this case.

FORMAT OF THE SCHEDULES

The Applicant provided the Staff and the parties in the case an electronic copy of the standard filing requirements (SFRs), Schedules A through E. The Staff was able to use the operating income and rate base portions of that electronic filing to format its schedules. It saved the Staff significant time preparing the Staff Report and it is a tool that helps put the consumer groups and other parties in the case on equal footing with the Applicant. The Staff commends the Applicant for the efforts it put into the electronic SFRs.

REVENUE REQUIREMENTS

Schedule A-1 presents the Staff's determination of the Applicant's revenue requirements. The Staff recommended revenue increase is shown on Staff's Schedule A-1. This determination is based on the examination of the accounts and records of the Applicant for the twelve months ended May 31, 2008, the test year in this proceeding. The results of its examination are summarized in this report, and the schedules that incorporate the Staff's recommended rate of return, rate base, and adjusted test year operating income.

RATE BASE

The rate base represents the Applicant's investment in plant, materials and supplies, and other assets as of the date certain, March 31, 2004, which were used and useful in providing gas utility service to its customers, and upon which its investors are entitled to the opportunity to earn a fair and reasonable rate of return.

The Staff's analysis of the rate base is divided into Plant in Service, Depreciation, Construction Work in Progress, Working Capital, and Other Rate Base Items. A comparison of rate base submitted by the Applicant and that which is recommended by the Staff is shown on Schedule B-1. Schedules B-2 through B-6 provide additional support for the Staff's findings.

Plant in Service

As a result of Eagle Energy's investigation and the Staff's review of the application, the Staff recommends that certain adjustments be made to the Applicant's date certain plant investment for ratemaking purposes. These adjustments are described below and summarized on Schedule B-2.2, and reflected on Schedule B-2.1.

The Staff recommends the Commission order the Applicant to restate plant in service and book depreciation reserve by plant account to reflect the plant in service and depreciation reserve resulting from all prior rate case adjustments.

Non-Recorded Retirements

Consistent with the Staff's recommendation in Case No. 04-571-GA-AIR, the Staff excluded assets that were not recorded to the Applicant's plant accounting records. This adjustment is shown on Schedule B-2.2a

Miscellaneous Account 303 Plant

Consistent with the Staff's recommendation in Case No. 04-571-GA-AIR, the Staff adjusted plant account 303 to exclude costs deemed inappropriate for inclusion in plant in service. The Staff's adjustment is presented on Schedule B-2.2b.

Plant Exclusions

Consistent with the Staff's recommendation in Case No. 04-571-GA-AIR, the Staff adjusted plant accounts to exclude a computer mapping system, communication equipment, computer desktop equipment, and various tools and shop equipment not located during inspection. This adjustment is shown on Schedule B-2.2c.

Depreciation

Depreciation accounting is the process which distributes the original cost of depreciable assets, adjusted for net salvage, over the normal useful life of the property in a systematic and rational manner. For each accounting period an appropriate accrual rate is applied to each account balance to record and accumulate the depreciation expense into a depreciation reserve. Each of these elements as it pertains to this application is discussed below.

Depreciation Reserve

The Applicant maintains its depreciation reserve on an account basis. In order to determine if the Applicant's booked reserve for depreciation is proper and adequate, the Staff generally finds it useful to compare the booked reserve with a calculated theoretical reserve as a guide to whether past accrual rate calculations have been appropriate. The Staff compared the Applicant's total company booked reserve level with a calculated theoretical reserve based on March 31, 2004 plant balances and the Staff recommended accrual rates. The Staff determined that the overall booked reserve is within reasonable limits with the theoretical reserve calculation. Therefore, the Staff is of the opinion that the Applicant's booked reserve as adjusted and shown on Staff's Schedule B-3 is adequate and should be used for purposes of this proceeding. The Staff's adjustments are summarized on Schedule B-3.1 and correspond with adjustments made to plant in service.

Depreciation Accrual Rates and Depreciation Expense

The Applicant's current depreciation accrual rates were prescribed by the Commission in Case Nos. 91-415-GA-AIR and 91-434-GA-AAM. The Applicant, in Case No. 04-794-GA-AAM, filed a depreciation study utilizing actual data effective at December 31, 2002. Using the information provided in the Applicant's study, the Staff conducted an independent analysis with the results shown on Schedule B-3.2a.

Construction Work in Progress (CWIP)

The Applicant did not request any allowance for construction work in progress in its filing and Staff, as shown on Schedule B-4, did not recommend an allowance.

Working Capital

Working Capital has been generally defined as the average amount of capital provided by investors in the company, over and above the investment in plant and other specifically identified rate base items, to bridge the gap between the time expenditures are required to provide service and the time collections are received for that service. Hence, the objective of including a working capital allowance in rate base is to produce a total rate base that will result in allowing investors the opportunity to earn a fair return on all capital invested by them in utility operations.

The Applicant conducted and submitted a lead/lag study in the prior proceeding. The Staff performed a detailed review of the study. The review included testing the mathematical accuracy, tracing information to source documents, and a detailed review of the assumptions and methodologies made by the Applicant in its study. Based on its review, the Staff made certain adjustments to the Applicant's study to reflect the Staff's position and recent Commission decisions.

The Staff used the lead/lag days from the Opinion and Order (O&O) Settlement work papers from the prior Case No. 04-571-GA-AIR. The only difference between the Settlement Schedule and the current Schedule B-5 is in the revenue lag, a 3 day reduction from 41.50 to 38.50 lag days. This reduction is based on the Applicant's explanation that since the date of the Order, VEDO reduced the number of days that customers have to pay their bills, once rendered, by 3 days.

The Staff's working capital allowance for materials and supplies held for normal operating and repairs purposes is based on a thirteen month average balance ending August 31, 2007. The Staff's calculation of working capital allowance is shown on Schedule B-5.

Other Rate Base Items

The Applicant proposed to adjust rate base by the date certain balance of customers' advances for construction, date certain balance for deferred income taxes and a thirteen month average of the percentage of income payment plan deferred balance. The Staff also reflected a reduction to rate base of the thirteen-month average balance of customers' deposits. The Staff's calculation of other rate base items is presented on Schedule B-6.

JURISDICTIONAL ALLOCATIONS

The jurisdictional rate area affected by this application constitutes the Applicant's entire gas service area. Therefore, the Applicant's service area is 100% directly assignable to this proceeding.

OPERATING INCOME

The Applicant's test year operating income consists of three months of actual data covering the period June 1 to August 31, 2007, and nine months of forecasted data covering the period September 1 to May 31, 2008. The Staff adjusted the Applicant's test year operating income as required to render it appropriate as a basis for setting rates.

The Staff's pro forma operating income is the Staff's adjusted test year operating income modified to reflect the Applicant's proposed increase in revenues and the associated increase in uncollectible expense, Ohio excise taxes, and federal income taxes.

Schedules C-1 and C-2 present the Staff's determination of operating income. The calculations, methodologies, and rationale used to develop the Staff's adjusted and pro forma operating income are detailed on Schedule A-1.1, C-1.1, C-3.1 through C-3.21, and C-4.

Pro forma Adjustments

Schedule C-1.1 shows the Applicant's proposed increase in operating revenues based on the Applicant's proposed rates and associated increase in Ohio excise taxes, and Federal income taxes.

Current Adjustments

Annualized Revenue - Contract Storage Return

The Applicant proposed an adjustment to remove test year gas storage revenue. This revenue is associated with the investment in gas storage which is recovered through the gas cost recovery mechanism. As a result of Eagle Energy's investigation, the Staff agrees with the proposed adjustment and the Staff adjustment is presented on Schedule C-3.1.

Annualized Revenue - Sales Reconciliation Rider (SRR) Revenue

The Applicant proposed an adjustment to eliminate the SRR revenues from the test year on Schedule C-3.2. The Staff agrees with the adjustment based on Eagle Energy's investigation and eliminated the revenue in Staff's Schedule C-3.1.

Annualized Revenue - Customer Count

The Applicant proposed an adjustment to reduce the budgeted assumptions associated with customer count losses expected as a result of an increase in base rates from this case. The Applicant's adjustment is presented on Schedule C-3.3. The Staff's disagrees with the Applicant's hypothetical adjustment. It's unknown if there will be any impact on the current customer count as a result of this base rate case. The Staff excluded the Applicant's adjustment in Staff's Schedule C-3.1.

Annualized Revenue - Adjustment for Average Use Per Customer (AUPC) and Weather

The Applicant reduced test year operating revenues to adjust the average use per customer (AUPC), based on the adjusted customer count levels proposed in Applicant's Schedule C-3.3 and also to weather normalize test year sales. The Applicant proposes to utilize an actual heating degree day average based on a ten year period rather than the 30 years used in the budget. The Applicant presents the adjustment on Schedule C-3.4. The Staff agrees with normalizing test year sales volumes to recognize the AUPC based on a ten year actual heating degree day average. The Staff disagrees with the hypothetical customer count reduction. The adjusted test year base revenue shown on Staff's Schedule C-3.1

Uncollectible Revenue and Expense Synchronization and Percentage of Income Plan (PIPP) Revenue and Expense Synchronization

Both the Applicant and the Staff adjusted test year uncollectible account expense to synchronize test year expense with test year revenue collected through the Applicant's uncollectible and PIPP riders at the most current rates. The Applicant adjustment is presented on Schedule C-3.5. Staff's Schedule C-3.1 details the calculation of the Staff's revenue adjustment.

Annualized Revenue – Customer Migration

The Applicant proposed an adjustment on Schedule C-3.6, to annualize the impact on test year operating income associated with expected customer migration between tariffs. The migration is primarily driven by the creation of the proposed tariff Rate 360. The Staff disagrees with this base revenue adjustment. The Applicant's adjustment is based on hypothetical changes that are unknown.

The base revenue annualization presented on Staff's Schedule C-3.1 excludes the Applicant's customer migration adjustment.

Annualized Revenue – Large Customer Changes

The Applicant proposed an Adjustment on Schedule C-3.7 to reduce operating revenues as a result of known changes to the actual portion of the test year and/or expected changes to the budgeted portion of the test year for large customer changes due to expiring contracts, closed operations and overall customer changes. The adjusted base revenue annualization shown on Staff's Schedule C-3.1 includes all known and measureable large customer changes to test year sales as a result of Eagle Energy's investigation.

Annualized Revenue – Miscellaneous Revenue

The Applicant proposed several adjustments to miscellaneous revenues on Schedule C-3.8. First, the Applicant annualized the proposed increase for reconnect meter and reconnect service line rates. Secondly, the Applicant annualized forfeited discounts revenue by using a three year average of late payment fees as a percentage of operating revenues. Third, the applicant removed unbilled revenues from the actual portion of the test year to present the test year on a billed basis rather than on an unbilled basis. Finally, the Applicant removed the revenue and expense related to gross receipts taxes on customer deposits for main extension projects.

The Staff's adjusted test year revenue reflects the current charges in effect for reconnect meter and reconnect service line. Late payment fees were adjusted to reflect the three year average percentage proposed by the Applicant. The adjusted test year forfeited discounts percentage was then applied to the Staff's adjustments to base, riders, and gas cost revenues. Moreover, Staff removed the unbilled revenues from the actual portion of the test year. The adjustments to miscellaneous revenues are made as a result of Eagle Energy's investigation and presented on Staff's Schedule C-3.1.

MCF Excise Tax Revenue and Expense Synchronization

Both the Applicant and the Staff synchronized the Senate Bill 227 (MCF) Excise Tax revenue and expense. The Applicant's adjustment is presented on Schedule C-3.9. Staff's Schedule C-3.1 details the calculation of the Staff's revenue adjustment.

Gas Cost Recovery (GCR) Revenue and Expense Synchronization

Both the Applicant and the Staff synchronized the gas cost recovery (GCR) revenue and expense to the October 2007 rate of $0.92356. The Applicant's adjustment is presented on Schedule C-3.10. Staff's Schedules C-3.2 and C-3.3 details the calculation of the Staff's revenue and expense adjustment respectively.

Gross Receipts Tax Revenue and Expense Synchronization

Both the Applicant and the Staff synchronized the Ohio Gross Receipts Tax Rider revenue and expense to the tariff rate of 4.867%. The Applicant's adjustment is presented on Schedule C-3.11. Staff's Schedule C-3.1 details the calculation of the Staff's revenue adjustment.

System Integrity and Reliability Programs

The Applicant proposed an adjustment related to distribution maintenance, propane air facilities maintenance, right of way clearance, training and aging workforce. The adjustment also includes additional employees required to administer the programs. Several of the Applicant's witnesses sponsor these programs and the Applicant has requested alternative regulation for some of these adjustments.

The Staff does not support the Applicant's request for alternative regulation of these programs. As discussed in the Gas and Pipeline Safety section of this report, the Staff does not believe that they rise to the standards of alternative regulation. We believe that they are regular construction and maintenance activities and as such should be subject to normal regulation practices for test year expenses.

The Staff adjusted the test year to include expenses incurred during the test year related to regular station maintenance, Ohio minimum gas service standards, and employees hired to administer the programs based on Eagle Energy's investigation. The Staff's adjustment is presented on Schedule C-3.4.

Natural Gas Risers Expense

The Applicant proposed an adjustment to include an estimate of costs to investigate the installation, use and performance of natural gas risers. This adjustment requests recovery of costs that were deferred in Case No. 04-294-GA-AAM. The Applicant expects to complete the investigation during the test year. The Staff Agrees with the adjustment and presents its adjustment on Schedule C-3.5.

Customer Related Expense

The Applicant proposed an adjustment to customer related sales and economic development, safety education, meter reading, and measurement services. The Staff adjusted test year operating expenses to include those employees hired during the test year base on Eagle Energy's investigation. The Staff's adjustment is shown on Schedule C-3.6.

Customer Conservation Expense Program

The Applicant proposed an adjustment to expand the customer conservation program approved in Case No. 04-571-GA-AIR from approximately $1.1 million to $4 million annually. The Staff agrees with the adjustment and presents its adjustment on Schedule 3.7. Further discussion is found in the Management and Operations Review section of this report.

Shared Service Expense

The Applicant proposed an adjustment to shared services provided by VEDO's parent companies, VUHI and Vectren Corporation. One component is human resource personnel and related programs. The proposed adjustment also includes an annualized, allocated expense related to maintenance fees associated with information technology and a corporate administrative employee for support and record maintenance. The final component relates to the allocated cost of the VUHI asset charge adjusted to reflect 2008 costs at the equity level requested by VEDO in this case.

The Staff adjusted Shared Service Expense to include six employees hired during the test year. The asset charge was annualized using the 2007 asset base and the Staff's cost of capital at the mid-point of the rate of return range recommended on Schedule A-1. The Staff's adjustment is based on the recommendations of Eagle Energy and is presented on Schedule C-3.8.

Labor Adjustment

Both the Applicant and Staff adjusted labor expense to reflect the annualization impact of wage increases effective during the test year and to reflect short term performance compensation expense at a target level. The Staff utilized the 2008 load rates in the Staff's annualized labor adjustment based on the recommendation of Eagle Energy. The Staff's adjustment is shown on Schedule 3.9.

Rate Case Expense

The Staff's recommended rate case expense is shown on Schedule C-3.10. It includes the Applicant's estimate of rate case expense plus Staff's estimate of Eagle Energy consultant's costs amortized over five years.

The Staff recommends that the Commission review the Applicant's revised estimate of the rate case expense which should be submitted as a late filed exhibit before making a final determination of the appropriate level of rate case expense for use in this proceeding

Interest on Customers' Deposits Expense

Consistent with the treatment of customers' deposits as an offset to the Applicant's rate base, the Staff reclassified the interest expense associated with these deposits to operating expense. This adjustment is shown on Schedule C-3.11.

Reclassification of PUCO and OCC Assessment Fees

The Staff adjusted test year operation and maintenance expense to reclassify PUCO and OCC assessments to taxes other than income. The Staff's adjustment is presented on Schedule C-3.12.

Miscellaneous Expense

The Staff adjusted the test year to eliminate, or normalize, various operation and maintenance expenses. First, Staff eliminated American Gas Association dues related to lobbying activities. Second, Staff reduced test year injuries and damages expense by using a three-year average. Third, test year office supplies were abnormally high during the month of December 2007. Staff used an average expense for the remaining months of the 2007 budget. Next, Staff excluded actual and budgeted contributions to the Dayton Air Show. Moreover, Staff excluded Chamber of Commerce dues from Account 930.2. Finally, the test year included fifty new employees, but only twenty were hired. Some of the vacancies are accounted for in other adjustments discussed above, but not all. The Staff's adjustment is a result of the investigation of Eagle Energy and is presented on Schedule C-3.13.

Uncollectible Revenue and Expense Synchronization and Percentage of Income Plan (PIPP) Revenue and Expense Synchronization

Both the Applicant and the Staff adjusted test year uncollectible account expense to synchronize test year expense with test year revenue collected through the Applicant's uncollectible and PIPP riders at the most current rates. The

Applicant's adjustment is presented on Schedule C-3.5. Staff's Schedule C-3.14 details the calculation of the Staff's expense adjustment.

Corporate Budget

The Staff adjusted test year operation and maintenance expenses to reflect the approved 2008 operating budget, rather than a budget developed specifically for the rate case. The Staff's adjustment is based on the investigation of Eagle Energy and is presented on Schedule C-3.15

Depreciation Expense

The Staff's calculation of depreciation expense is based on the jurisdictional plant in service balances at date certain and the Staff recommended accrual rates discussed above. This calculation is shown on Schedules B-3.2 and Schedule C-3.16.

MCF Excise Tax Revenue and Expense Synchronization

Both the Applicant and the Staff synchronized the Senate Bill 227 (MCF) Excise Tax revenue and expense. The Applicant's adjustment is presented on Schedule C-3.9. Staff's Schedule C-3.17 details the calculation of the Staff's expense adjustment.

Gross Receipts Tax Revenue and Expense Synchronization

Both the Applicant and the Staff synchronized the Ohio Gross Receipts Tax Rider revenue and expense to the tariff rate of 4.867%. The Applicant's adjustment is presented on Schedule C-3.11. Staff's Schedule C-3.18 details the calculation of the Staff's expense adjustment.

Property Tax Expense

Both the Applicant and the Staff adjusted test year property tax to reflect the assessment associated with the Glen Karn Pipeline (Z-51 pipeline). The Staff's adjustment also recognizes date certain property and the latest known rates. The Staff's adjustment is presented on Schedule C-3.19.

PUCO and OCC Assessments

The Staff adjusted the test year PUCO and OCC tax assessments to the latest known costs. The Staff's adjustment is shown on Schedule C-3.20.

Federal Income Taxes

The Staff computed test year federal income taxes to reflect the recommended adjustments to operating revenues and expenses.

The computation of federal income taxes reflects the inter-period interest allocation, and the normalization of accelerated tax depreciation and certain other tax to book timing differences. The Staff recommends that the Commission authorize the Applicant full deferral tax treatment for all current reconciling items.

Schedule C-3.21 provides the federal income tax adjustment. Schedule C-4 provides the supporting calculation of federal income taxes.

RATE OF RETURN

The Staff recommends a rate of return in the range of 8.45% to 8.98%. The recommended rate of return was developed using a cost of capital approach which reflects a market-derived cost of equity, the Applicant's embedded cost of long-term debt, and a capital structure reflective of companies engaged in gas distribution operations.[1]

Capital Structure

The Applicant, is a wholly-owned subsidiary of Vectren Corporation, which is a publicly traded, public utility holding company. Given that the rates established in this case are for gas distribution services, the Staff used a capital structure for rate of return determination that is commensurate with the risk associated with operating gas distribution services. A comparable group of publicly traded companies primarily engaged in gas distribution was developed to provide an average capital structure, as well as a cost of equity to be used in the Staff's rate of return recommendation.[2] The capital structure arrived at in this manner is 48.66% long-term debt and 51.34% common equity.

Cost of Long Term Debt

The Staff used the embedded cost of long term debt of VEDO, as of August 31, 2007, from Applicant's Schedule D-3B. In the calculation of the weighted cost of debt, the annual interest is divided by the carrying value. Staff utilized the embedded cost of long term debt of 7.02% on Schedule D-1.

[1] See Schedule D-1.
[2] See Schedule D-1.10.

Cost of Common Equity

The Staff considered a group of utilities which are representative of the industry for purposes of cost of equity estimation, and to determine capital structure. This group consists of companies publicly traded on the New York Stock Exchange, and are categorized as natural gas distribution companies (Standard Industrial Code = 4924) in Global Energy's Energy Velocity Suite. These companies have operating revenues greater than $500 million. These companies have not had dividend cuts in the past four years, nor have dividends been flat over that period. These companies have Value Line betas of .80 to .90, and Standard & Poor's bond ratings of A, A-, BBB+, or BBB. They have Value Line market capitalizations of between $1 billion and $5 billion. Based on these criteria, the Staff selected the following comparable group of five companies:

Company Name	Ticker
AGL Resources, Inc.	ATO
Atmos Energy Corporation	ATG
National Fuel Gas Company	NFG
Piedmont Natural Gas Company	PNY
South Jersey Industries, Inc.	SJI

The Staff developed a cost of equity estimate for the comparable group companies that is the average of their capital asset pricing model (CAPM) and discounted cash flow (DCF) derived estimates. In calculating its CAPM cost of common equity estimate, the Staff employed the average of the Value Line betas, being .85 and the Ibbotson[3] derived spread of arithmetic mean total returns between large company stocks and long term government bonds (i.e., "risk free return"; 6.5%). These were used in the CAPM formulation with the weighted average of 10-year and 30-year daily closing Treasury yields for the period from March 26, 2007 through March 25, 2008. The weighting was done in a manner that emphasized later quarters to a greater degree. The averaged 10-year yield is 4.09%. The averaged 30-year yield is 4.60%. The average of the two is 4.35%. This was added to the product of the beta and the 6.5% spread, and resulted in a CAPM cost of equity estimate of 9.87%.[4]

In calculating the DCF cost of common equity estimate for each comparable company, the Staff used the annual average stock price, the sum of the last four quarterly dividends, estimates of the expected rate of growth of earnings, and generic issuance costs related to the external equity financing. The stock price used is the average daily closing price for the period from March 26, 2007 through March 25, 2008.

The DCF model assumes that earnings growth and dividends growth are the same. The Staff averaged earnings per share estimates from Reuters, Yahoo, MSN, and

[3] Ibbotson Associates's 2007 Yearbook: Stocks, Bonds, Bills and Inflation; Valuation Edition
[4] See Schedule D-1.2.

Value Line to get DCF growth estimates for each company.[5] The Value Line average incorporates both the explicit long-range earnings estimate and the implicit continuous growth rate calculated from the estimates of earnings per share.

For the Staff's determination of DCF cost of equity, a non-constant DCF growth rate was assumed. Dividends were assumed to grow at a rate derived from financial analysts' growth estimates for the first five years (i.e., long-term growth rate). The Staff's DCF growth estimates were used for the first five years, as they are averages of estimates from various investor news services. From the twenty-fifth year on, the growth rate was assumed to equal the long-term growth rate in GNP. For the sixth through twenty-fourth years, dividends vary between the two rates in a linear fashion.[6] The long-term growth rate in GNP was the average annual change in GNP from the U. S. Department of Commerce for 1929 through 2005.[7]

Based on long-term GNP growth, the respective company DCF growth estimate and dividend, a stream of annual dividends was calculated. The internal rate of return derived from the dividend stream and the stock price was used for Staff's non-constant growth DCF cost of equity estimate.

The comparable group non-constant DCF cost of equity estimates average 10.05%. When averaged with the 9.87% CAPM estimate, the result is 9.96%. Using a one-hundred basis point range of uncertainty, the cost of equity estimate becomes 9.46% to 10.46%.[8] To provide for this return, allowance must be made for issuance and other costs, as shown on Schedule D-1.1, resulting in an adjustment factor of 1.03627. Applying this factor to the baseline cost of common equity range results in a recommendation of 9.80% to 10.84%.

In this rate proceeding, the Company proposed a straight-fixed variable rate design to be phased in over a multiple period of time. Additionally, in Case No. 07-1081-GA-ALT, the Company filed for approval of an Alternative Rate Plan for a distribution replacement rider to recover the costs of a program for the accelerated replacement of cast iron mains and bare steel mains and service lines, a sales reconciliation rider to collect differences between actual and approved revenues, and inclusion in operating expense of the costs of certain system reliability programs.

These measures, if adopted by the Commission, would reduce the risks that the Company faces with respect to revenues and cost recovery. Inasmuch as the costs of capital reflect risks, the reductions in business and regulatory risks should be considered.

---

[5] See Schedule D-1.3.

[6] See Schedules D-1.4 through D-1.8.

[7] See Schedule D-1.9.

[8] See Schedule D-1.1.

RATES AND TARIFFS

By its application in Case No. 07-1080-GA-AIR, the Applicant requests authority to increase rates to be charged and collected for gas service within its service territory.

The Utilities Department Commission Staff has investigated the rate and tariff matters proposed by the Applicant. The results of the Staff's investigation are reported in this section. It is Staff's intent to provide analysis with regard to the acceptability and reasonableness of the changes in revenue recovery mechanisms contained in the proposed tariffs. Proposals made by the Staff may require adjustments based on the revenue and rate structure authorized by the Commission.

Staff's Tariff Analysis addresses changes specific to individual rate schedules, changes which apply to more than one specific rate class, and tariff additions and deletions. Rate Design will analyze the Current, Applicant Proposed and Staff-Recommended mechanisms for rate recovery. Rate and Revenue Analysis is dedicated to the propriety and impact of the rate schedule proposal. Tables which portray the effects of Current, Proposed, and Staff-Recommended rates on typical bills are presented at the end of the report.

TARIFF ANALYSIS

The Applicant is proposing various textual changes to its tariffs. Unless noted, Staff recommends approval of these changes as proposed by the Applicant. In addition, Staff is making recommendations to change certain language to reflect the current minimum service standard requirements of 4901:1-13 of the Ohio Administrative Code, which became effective on January 1, 2007. The proposed changes are provided as follows:

General Terms and Conditions Applicable to Gas Service

Staff believes the tariff should state that the Company is governed by Minimum Gas Service Standards, and therefore recommends that the following language be added to the beginning of this section:

> Minimum Service Standards. Vectren Energy Delivery shall comply with the minimum gas service standards for natural gas companies as set forth in Chapter 4901:1-13 of the Ohio Administrative Code, a copy of which may be viewed on the Public Utilities Commission of Ohio's Web site at www.puco.ohio.gov, or obtained from the Public Utilities Commission of Ohio upon request. Where the Public Utilities Commission of Ohio has granted a waiver to Vectren Energy Delivery for any provision of the minimum gas service standards, Vectren Energy Delivery shall comply with the terms of any Order granting such waiver.

Sheet No. 62 – Termination of Service at Customer's Request: This paragraph concerns disconnection of service and the customer's responsibility for all gas service until the Company disconnects service and obtains a final meter reading. In order to make this paragraph consistent with Rule 4901:1-13-04 (G), Staff recommends the following edits: "Unless there is a provision to the contrary in the service contract or applicable Rate Schedule, any Customer who wishes to discontinue Gas Service because he is vacating the Premises, or for any other reason, shall notify Company at least 72 hours prior to the date of the requested service termination. Customer shall be responsible for all Gas Service supplied to the Premises until Company discontinues Gas Service. At the time Gas Service is discontinued by Company, Company shall read Customer's meter if requested by Customer or if the meter has not been read in the preceding 70 days. If a meter reading is not requested or required, Company shall estimate usage or allow Customer to provide the final meter read, subject to Company's review for reasonableness. As soon as practicable thereafter, Company shall prepare and issue a final bill for all Gas Service supplied to the Premises. If access is required to disconnect service or to obtain an actual reading, Company shall inform Customer of the need to provide Company personnel with access to the meter."

Sheet No. 63 – Disconnection-Reconnection of Service at Customer's Request: The Company has added a Customer Charge Assessment fee to this section. When a customer has previously requested a disconnection and desires to be reconnected at the same address, the Company will charge a Reconnection Charge and a Customer Assessment charge. The Applicant is proposing that the Customer Assessment fee be equal to at least one month's customer charge, up to a maximum of nine months, and is contingent upon the number of months that the service is off due to the voluntarily disconnection. Staff recommends that this new charge be denied.

Sheet No. 63 – Rules, Regulations, and Practices Governing the Disconnection of Gas Service to Residential Customers: Since this section concerns disconnection, Staff recommends a reference to Chapter 4901:1-13 of the O.A.C., which prescribes procedures for disconnection of residential customers for fraudulent practices and tampering.

Sheet No. 63 – Disconnection-Reconnection of Service: Staff recommends that Company include a letter (F) to this section, which should be titled: Rules, Regulations, and Practices Concerning the Disconnection of Gas Service to Small Commercial Customers. This new paragraph should include the following sentence, "All disconnection and reconnection of service, and security deposits involving Small

Commercial Customers shall be governed by the rules, regulations and practices as set forth in Chapter 4901:1-13 of the Ohio Administrative Code."

Sheet No. 66 – Access to Premises: To make this paragraph consistent with Rule 4901:1-13-07, Staff recommends that the Company add a sentence stating the customer's right to request company identification when the Company requires access to the premise. That sentence should read, "Upon request, the Company's employee or authorized agent shall identify himself/herself, provide company photo identification, and state the reason for the visit."

Sheet No. 66 – Company Not Responsible for customer's Appliances: This section advises that service downstream of the meter is the responsibility of the customer. Staff recommends that the Company add language stating that the Company is required to test gas piping downstream of the meter prior to initial operation or reestablishment of service. Staff recommends the following sentence be added to this section, "The Company shall comply with Rule 4901:1-13-05 of the Ohio Administrative Code with respect to testing gas piping downstream of the meter prior to initial operation or reestablishment of residential or nonresidential gas service."

Pooling Services Terms and Conditions Residential and General

Where the Company has provided guidelines relative to supplier interaction with customers that in many instances summarizes or paraphrases Commission Rules, there is a risk of inconsistency between Company tariffs and Commission rules. To reduce this inevitability, Staff believes that the Company should instead reference in its tariffs the Commission's rules that govern customer enrollment, sign up procedures, renewal notifications, customer inquiries and dispute resolutions, and the supplier code of conduct rather than paraphrasing or summarizing Commission rules that are subject to change. Staff, therefore, recommends the following proposed changes.

Sheet No. 52 - Customer Enrollment: The Commission has established rules governing acceptable marketing and solicitation and customer enrollment options for supplier utilization. To ensure that the Company tariff section is consistent with the governing Commission rules, Staff recommends merging the two sections titled: "Enrollment of Non-Mercantile Customers" and Customer Sign-Up Procedures under one title, proposed to read as: ***Customer Sign-up and Enrollment Procedures***. The entire text from the section titled: "Enrollment of Non-Mercantile Customers" and the first paragraph from the section titled: "Customer Sign-Up Procedures" should be deleted. The new section's lead paragraph should be written as follows: "When soliciting and/or enrolling Non-Mercantile Customers, Suppliers must adhere to the Commission's Minimum Service Standards for Competitive Retail Natural Gas Service Rules and coordinate customer enrollment with the Company in accordance with the procedures set forth in Chapter 4901:1-29 of the Ohio Administrative Code."

Sheet No. 52 - Content of Renewal Notices: To make this section consistent with Commission Rules 4901:1-29-10 of the Ohio Administrative Code, Staff recommends that the entire section's text be deleted and replaced with the following language: "In the administration of customer contract renewal notifications, Suppliers must adhere to the Commission's Minimum Service Standards for Competitive Retail Natural Gas Service Rules in accordance with the procedures set forth in Rule 4901:1-29-10 of the Ohio Administrative Code."

Sheet No. 52 - Customer Inquiries and Dispute Resolution: To make this section consistent with Commission Rule 4901:1-29-08 of the Ohio Administrative Code, Staff recommends that the entire section's text be deleted and replaced with the following language: "Suppliers shall investigate customer complaints (including customer complaints referred by the Company) in accordance with the procedures set forth under Commission Rule 4901:1-29-08 of the Ohio Administrative Code."

Sheet No. 52 - Codes of Conduct: As all of the items provided under this section summarize/paraphrase Commission rules that are subject to change, in order to be consistent with Commission Rules, Staff recommends that the entire section's text be deleted and replaced with the following two paragraphs: "In addition to fulfilling the Terms and Conditions of the Company's Supplier Pooling Agreement for Residential and General Transportation, the participating supplier and governmental aggregator shall be certified by the PUCO, as set forth in the Commission's Minimum Requirements for Competitive Retail Natural Gas Service Certification Rule 4901:1-27 of the Ohio Administrative Code."

"The supplier and governmental aggregator shall conduct its activities consistent with the Commission's Minimum Standards for Competitive Retail Natural Gas Service as set forth in Rules 4901:1-27 through 4901:1-34 of the Ohio Administrative Code, which are incorporated herein by reference. The Company shall make copies of the Commission's Minimum Standards for Competitive Retail Natural Gas Service Rules available upon request. Supplier's failure to comply with the Company's tariff and/or Commission Rule requirements may be deemed to be in material default within the meaning of Commission Rule 4901:1-27 (12) (J) of the Ohio Administrative Code, which may be grounds for the Company requesting suspension or termination of the Supplier Pooling Agreement for Residential and General Transportation, pursuant to the Rule."

Riders

The Applicant has retained its current riders with four exceptions:

1. The Gas Cost Recovery Reconciliation Rider has been eliminated. It was established to pass back to customers a specific refund, which has been completed, therefore, the rider is no longer needed.

2. The Distribution Replacement Rider has been proposed to recover the costs of the Applicant's accelerated program related to replacement of certain distribution property, and other costs.

3. The existing Sales Reconciliation Rider has been renamed Sales Reconciliation Rider – A (SRR-A) to differentiate it from the proposed Sales Reconciliation Rider-B (SRR-B). SRR-A is proposed to recover costs deferred from a decoupling mechanism approved by the Commission in Case No. 05-1444-GA-UNC. A further discussion of SRR-A is in the Sales Decoupling section of this Staff Report.

4. The Sales Reconciliation Rider-B has been proposed to be effective with the implementation of new rates in this proceeding. It would replace the SRR, for which deferrals of base revenue differences expire as of September 30, 2008. As discussed in the Sales Decoupling section of this Staff Report, Staff is recommending SRR-B not be approved.

Rate 360 Large Volume Transportation Service

The Applicant is proposing Rate 360, Large Volume Transportation Service, to better reflect the cost to serve its largest transportation customers, those customers using greater than 500,000 Ccf annually, or with maximum daily usages of 10,000 Ccf or greater. Rate 360 Transportation Service is identical to the service provided under Rate 345, except for the different volume threshold, rates, and minimum initial contract term. Qualifying customers have been migrated to this rate class from Rates 330 and 345. Staff recommends approval.

RATE DESIGN AND REVENUE ANALYSIS

Rate and Revenue Guidelines

General guidelines or objectives are followed in Staff's review of rate schedules and design. The applicable schedules should provide the utility the opportunity of recovering an authorized revenue. The various schedules should represent a reasonable distribution of revenue between and among the various customer groups. The particular schedules should be equitable and reasonable, should provide for customer understanding and continuity of rates, and should cause minimal customer impact.

Rate design criteria are to be viewed as a package, in that they are interrelated. Although each item can be separately identified and applied to rate schedule determinations, no single standard is overriding in determining proper rate design. The rate schedules which comprise a particular utility's tariffs should provide for recovery of expenses found proper in the course of a regulatory proceeding. If the rate schedule is designed on the basis of cost causation, it will reflect expense characteristics. Normally, and to the extent sufficient information is available, cost of service studies and related expense analyses are necessary to determine the appropriate level of revenue to be generated and the appropriate recovery of such revenue.

From a practicable rate design standpoint, absolute equality between costs and revenues may be difficult to achieve in the short term. While it may be viewed as equitable to set rates at cost, if there is a substantial divergence in the current rates, the resulting impact on individual customers may be viewed as unreasonable. While desiring cost supporting charges, Staff considers such items as the resulting typical customer billings and resulting revenue increases which would necessarily occur. These tests help provide benchmarks with regard to reasonableness of charges in rate forms. While it is Staff's position that rate schedules reflect costs, it is also important to consider the continuity associated with current and proposed pricing structures. This may result in movement towards more closely aligning revenue with costs rather than an absolute match at a particular time period.

The following general guidelines or objectives are considered in Staff's review of revenue allocations, rate schedules and rate design. The applicable schedules should strive to achieve some, if not all of the following:

- provide the utility the opportunity of recovering the authorized revenue;
- provide economic efficiency;
- provide fairness or equity;
- provide simplicity and administrative ease;
- promote conservation of resources;
- use stability and gradualism where change is needed;
- promote social goals;
- promote environmental protection;
- promote employment opportunities; and
- represent a reasonable distribution of revenue among the various customer groups.

The preceding standards are important and each has value. They are, however subjective, and it is generally impossible to fully accomplish them all. Sometimes one standard (the most obvious being that the rates must provide the utility with the opportunity to recover its authorized revenue requirement supersedes, to a degree, the others). Sometimes the standards are in conflict and to accomplish one, another might be set aside (e.g. in this application, the need for rates to be predicated on costs may cause changes in pricing structures resulting in greater than minimal impacts on some customers).

Cost of Service Analysis

Generally, there are three capacity allocations that are commonly used – coincident demand, non-coincident demand, and average and excess demand. The standard filing requirements allow the selection of any of these approaches, or alternatives, when, in the utility's opinion, the procedure best represents the utility's system characteristics.

The Applicant filed a coincident peak ("CP") method (also known as the peak day responsibility method) which was used to develop the allocation factors used to distribute or allocate capacity-related or demand costs to the various rate classes. The CP method allocates capacity-related costs based on the demands of the various classes of service at the time of the system peak. The rationale for the CP method is that the utility's costs associated with its maximum load should be divided among the customers causing the peak. Staff finds the methodology reasonable.

REVENUE ANALYSIS

Rates and charges shown in the rate schedule tables may require adjustment based on the revenue requirement granted by the Commission, and/or changes in the rate areas, or changes in rate structure approved by the Commission.

Staff recommended revenue, compared with the Applicant's current and proposed increase, is shown Tables 1, 1a, 2 and 2a excluding and including gas.

The values include Gas Cost of $0.92356 per Ccf.

Table 1
Applicant Proposed Total Revenue Distribution Excluding Gas Costs

		Current	Applicant Proposed	Increase
310	Residential Service	$ 60,435,159	$ 78,265,987	$17,830,828
	General Service			
320	Commercial	$ 22,691,114	$ 26,164,040	$ 3,472,926
330	Industrial	$ 1,308,478	$ 816,828	($491,650)
	Other	$ 3,056,430	$ 3,056,430	$0
	Total General Service	$ 27,056,022	$ 30,037,298	$ 2,981,276
341	Duel Fuel	$ 3,800	$ 4,157	$ 357
	Transportation Service			
315	Residential Transportation	$ 15,456,061	$ 20,767,513	$ 5,311,452
325	Firm Transportation	$ 5,339,660	$ 6,029,154	$ 689,494
345	Large General Service	$ 4,235,351	$ 4,203,843	($31,508)
360	Large Volume Trans. Service	$ 5,563,621	$ 6,112,792	$ 549,171
	Total Transportation Service	$ 30,594,693	$ 37,113,302	$ 6,518,609
	Miscellaneous Revenue	$ 3,026,036	$ 3,026,036	$0
	Total	$121,115,710	$148,446,780	$27,331,070

Table 1a

Staff Proposed Total Revenue Distribution Excluding Gas Costs

		Current	Staff Proposed	Increase
310	Residential Service	$ 60,435,159	$ 73,483,963	$ 13,048,804
	General Service			
320	Commercial	$ 22,691,114	$ 28,352,144	$ 5,661,030
330	Industrial	$ 1,308,478	$ 974,889	($333,589)
	Other	$ 3,056,430	$ 3,056,030	($400)
	Total General Service	$ 27,056,022	$ 32,383,063	$ 5,327,041
341	Duel Fuel	$ 3,800	$ 3,887	$87
	Transportation Service			
315	Residential Transportation	$ 15,456,061	$ 19,359,576	$ 3,903,515
325	Firm Transportation	$ 5,339,660	$ 6,685,764	$ 1,346,104
345	Large General Service	$ 4,235,351	$ 5,542,206	$ 1,306,855
360	Large Volume Trans. Service	$ 5,563,621	$ 7,961,267	$ 2,397,646
	Total Transportation Service	$ 30,594,693	$ 39,548,813	$ 8,954,120
	Miscellaneous Revenue	$ 3,026,036	$ 3,026,036	$0
	Total	$ 121,115,710	$ 148,445,762	$ 27,330,052

Table 2
Applicant Proposed Total Revenue Distribution Including Gas Costs

		Current	Applicant Proposed	Increase
310	Residential Service	$ 228,530,306	$ 246,361,134	$ 17,830,828
	General Service			
320	Commercial	$ 103,710,756	$107,183,682	$ 3,472,926
330	Industrial	$ 5,193,399	$ 5,191,719	($ 1,680)
	Other	$ 3,056,430	$ 3,056,430	$0
	Total General Service	$111,960,585	$115,431,831	$ 3,471,246
341	Duel Fuel	$ 25,236	$ 25,593	$ 357
	Transportation Service			
315	Residential Transportation	$ 15,456,061	$ 20,767,513	$ 5,311,452
325	Firm Transportation	$ 5,339,660	$ 6,029,154	$ 689,494
345	Large General Service	$ 4,235,351	$ 4,203,843	($31,508)
360	Large Volume Trans Service	$ 5,563,621	$ 6,112,792	$ 549,171
	Total Transportation service	$ 30,594,693	$ 36,623,332	$ 6,518,609
	Subtotal	$371,110,820	$398,441,890	$27,331,070
	Miscellaneous Revenue	$ 3,026,036	$ 3,026,036	$0
	Total	$374,136,856	$401,467,926	$27,331,070

Table 2a
Staff Proposed Total Revenue Distribution Including Gas Costs

		Current	Staff Proposed	Increase
310	Residential Service	$228,530,306	$241,579,110	$13,048,804
	General Service			
320	Commercial	$103,710,756	$109,371,784	$5,661,028
330	Industrial	$5,193,399	$4,859,809	($333,590)
	Other	$3,056,430	$3,056,430	$0
	Total General Service	$111,960,585	$117,288,023	$5,327,438
341	Duel Fuel	$25,236	$25,323	$87
	Transportation Service			
315	Residential Transportation	$15,456,061	$19,359,576	$3,903,515
325	Firm Transportation	$5,339,660	$6,685,764	$1,346,104
345	Large General Service	$4,235,351	$5,542,206	$1,306,855
360	Large Volume Trans. Service	$5,563,621	$7,961,267	$2,397,646
	Total Transportation	$30,594,693	$39,548,813	$8,954,120
	Subtotal	$371,110,820	$398,441,269	$27,330,449
	Miscellaneous Revenue	$3,026,036	$3,026,036	$0
	Total	$374,136,856	$401,467,305	$27,330,449

The revenue increase and revenue distribution tables are based on Staff's adjustments as shown in the schedules included in this report. These adjustments are carried forward and reflected on all such tables

The Staff-Recommended revenue distribution, compared with the Applicant's current and proposed revenue distribution, is shown in tables 3 and 4, excluding and including gas cost.

Table 3
Total Revenue Excluding Gas Costs

	Current	Applicant Proposed	Staff Proposed
Residential Service	49.90%	52.72%	49.50%
Commerc ial	18.74%	17.63%	19.10%
Industrial	1.08%	0.55%	0.66%
Transportation Service	25.26%	25.00%	26.64%
Other	2.52%	2.06%	2.06%
Miscellaneous Revenue	2.50%	2.04%	2.04%
Total	100.00%	100.00%	100.00%

Current and Company Proposed based on Table 1.
Staff Proposed based on Table 1a.

Table 4
Total Revenue Including Gas Costs

	Current	Applicant Proposed	Staff Proposed
Residential Service	61.09%	61.37%	60.18%
Commercial	27.72%	26.70%	27.24%
Industrial	1.39%	1.29%	1.21%
Transportation Service	8.18%	9.12%	9.85%
Other	0.82%	0.76%	0.76%
Miscellaneous	0.81%	0.75%	0.75%
Total	100.00%	100.00%	100.00%

Current and Company Proposed based on Table 2
Staff Proposed based on Table 2a.

Rate Design

Staff has traditionally recommended and supported a rate design for the natural gas distribution component consisting of a minimal customer charge and a volumetric rate or blocks of rates. That structure, while not truly cost-reflective, sufficed to allow the utility the opportunity to recover the recommended revenue requirement as long as gas consumption remained level or increased. In recent years, due primarily to the volatile and relatively high cost of gas (to be recovered through the Gas Cost Recovery mechanism), the trend of gradually increasing gas consumption per customer, has been reversed. Therefore, Vectren and other gas utilities have seen the recovery of distribution costs deteriorate as the volume of gas used decreased.

In this case, Staff recommends a rather significant change in its rate structure policy. Rather than recovery via a minimal customer charge and relatively high volumetric rates, Staff recommends that the Commission approve a rate structure primarily based on a fixed distribution service charge. In reality, most distribution-related costs are fixed. The distribution facilities required to serve a small residence are most likely the same as those required to serve a larger residence. The distribution facilities required to serve a minimum number of gas appliances in a residential unit are most likely the same as those required to serve a residence with multiple gas appliances. The distribution costs to the utility vary only slightly, if at all, by the volume of gas used.

In addition, to better reflect cost causation, the primary fixed-charge-base-rate structure accomplishes other rate objectives. It levelizes the distribution component of a customers' bill, providing rate certainty. It reduces the revenue deterioration of a utility in a time of reduced consumption, thus, reducing the need for frequent rate cases. It alleviates the need for a decoupling mechanism which requires frequent potentially controversial reconciliations and weather adjustments. From the companies' point of view, it eliminates its natural disincentive to promote energy conservation which, when rates are volume-based, causes revenue erosion.

Staff is aware, however, of the pitfalls of this significant change in the design of rates. The biggest negative impact being that the change from a primarily volume-based rate to a primarily fixed charge rate often results in larger price increases to low use customers (or, if the fixed charge is "blocked", to the lower use customers in the block). A secondary disadvantage is that the fixed charge structure reduces the incentive on the part of the customer to reduce its usage. Staff, however, finds that this argument is much less relative in the case of distribution rates. The distribution portion of a customer's bill is relatively small compared to the total bill. The cost of gas to be recovered through the Gas Cost Recovery mechanism will continue to serve as the incentive to a customer to keep its usage to a minimum. Finally, the current rate schedules are designed as "residential" or "general service" in nature. General Service customers are much less homogenous than residential customers and a simple fixed charge may not be the appropriate cost recovery mechanism.

In this proceeding, an initial set of Residential rates are proposed (Stage 1) as well as a second set of rates (Stage 2). Stage 2 rates are revenue neutral in that they utilize the same revenue allocation to Residential rate classes as reflected in the Stage 1 rates. However, in the Stage 2 Residential rates the volumetric charges have been reduced by a approximately 35% and those dollars are then recovered in higher Customer Charges.

Staff proposes and recommends a change in rate design that phases in the change from a primarily volumetric rate to a primarily fixed charge rate. The following table illustrates this concept.

Monthly Billing Determinates						
			Applicant	Staff	Stage 2	Stage 2
Residential Service:		Current	Proposed	Proposed	Applicant Proposed	Staff Proposed
Customer Charge		$7.00	$10.00 - Summer	$10.00 - Summer	$11.96 - Summer	$11.96
			$16.75 - Winter	$16.75 - Winter	$20.04 - Winter	$20.04
Fixed Distribution Service Charge						
0-50 Ccf		0.1199	0.11937	0.09042	0.08754	0.06073
51 and > Ccf		0.1044	0.10397	0.08049	0.07624	0.05276
General Service:						
Customer Charge:	Group 1	$10.00	$20.00	$20.00		
	Group 2	$25.00	$40.00	$40.00		
	Group 3		$80.00	$80.00		
Fixed Distribution Service Charge						
0-50 Ccf		0.1288	0.12002	0.14639		
51 and > Ccf		0.105	0.10284	0.12759		

Staff Discussion of Recommendation

It is apparent that there are a significant number of residential and general service accounts that use such small volumes of gas that it is likely that the usage is for something other than space or water heating. While Staff's proposal attempts to mitigate the rate increase to these customers to alleviate drastic changes, from a cost causation viewpoint, these customers are no different than other customers. Staff recommends that the Applicant work with these customers to notify them that, in the future, they may see significant increases simply by taking limited service.

Finally, it is likely that the traditional "residential/general service" schedules may not be the appropriate mechanisms to reflect cost causation through rates. A more appropriate mechanism for rate differentials may be a more "facilities-based" approach. Staff recommends that the Commission require the Applicant to perform an analysis addressing this issue. If the analysis indicates a change is appropriate, The Applicant should so reflect that change in its next distribution rate case.

TYPICAL BILLS

Monthly typical bills are shown in E-5 Schedules at the end of this report. Calculation of the typical bills uses a gas cost of $0.92356 per Ccf.

SALES DECOUPLING

Sales decoupling has become a significant regulatory issue in recent years as gas utilities attempt to address the revenue erosion that has resulted from a steady decline in average customer usage. Historically, the PUCO has designed distribution rates such that the vast majority of a gas utility's cost recovery is through the volumetric component. The cost of operating and maintaining a utility's pipeline system, however, is largely independent of the volume of gas flowing through that system. As use per customer has fallen in response to rising prices, utilities are under-recovering their fixed costs, resulting in a need to file more frequent base rate cases to reset those rates.

Staff supports the concept of decoupling. We believe that tying a utility's earnings to the volumes of gas consumed and then adjusting the rate of return to reflect the risk of that recovery may well be an outmoded and inefficient regulatory concept. This has become problematic as we have seen steadily declining residential use per customer.

Year	Normalized UPC	Normalized Sales
1990	114.93	29,220,398
1991	108.64	27,833,604
1992	107.64	27,882,478
1993	100.86	26,347,116
1994	105.25	27,789,393
1995	96.66	25,872,357
1996	102.58	27,777,641
1997	97.52	26,796,505
1998	101.09	28,066,582
1999	96.75	27,156,938
2000	92.85	26,350,435
2001	95.95	27,434,254
2002	94.54	27,019,742
2003	89.66	25,490,673
2004	88.03	25,271,072
2005	83.00	24,134,498
2006	80.42	23,462,774
2007	84.07	24,593,191

As the data shows, the declines in use per customer more than offsets the increase in customers since 1990 resulting in a steadily declining throughput on a weather adjusted basis. Making a company's actual earnings a function of future sales volumes rather than what was authorized, increases the likelihood of subsequent base rate cases. Decoupling seeks to break the volumetric underpinnings of that traditional regulatory construct and more directly allows the utility to earn what the Commission determined was a fair return.

Decoupling will also eliminate the disincentive a utility otherwise would have to promote energy efficiency and conservation. Under the existing construct, a utility is incented to increase sales in order to protect its earnings. Once sales volumes and revenues are decoupled, utilities are in position to more aggressively assist customers in their efforts to consume less natural gas. On a national scale, environmental concerns associated with coal fired generating facilities, uncertainty about the future role of nuclear power, and the resulting increased use of natural gas to fuel electric generation, have all combined to put upward pressure on energy prices. In this environment, conservation and energy efficiency have an important role to play in mitigating rising energy costs. Decoupling of sales and revenues can be a key component in encouraging natural gas utilities to promote of that role.

VEDO has proposed to address this issue through a gradual movement to a full Straight Fixed Variable (SFV) rate design. Under this rate design, all fixed costs are allocated to the fixed charge and only the remaining distribution costs, are recovered through the volumetric rate. VEDO has proposed to recover the entire base revenue increase allocated to the residential sector in this rate case through an increase in the fixed customer charge. A second change would occur in November 1, 2010 that would further increase the fixed charge and reduce the volumetric rate such that there is no additional net revenue increase. VEDO proposes to move to a full SFV with no volumetric rate in its next subsequent base rate proceeding. Until such time as the volumetric rate is fully eliminated, VEDO is proposing implementation of a Sales Reconciliation Rider (SRR-B). This rider would recover the monthly differences between actual revenues per customer and the implicit revenue per customer authorized in this rate case. VEDO would defer these monthly differences and recover the accumulated amounts through an annual adjustment to the SRR-B. Any over or under-recovery would be reconciled through future adjustments to the rider.

Staff is recommending that the SRR-B not be implemented in favor of a more direct implementation of a full SFV rate design in this rate case. The Rates and Tariffs section of this Staff Report will address the specifics of those rates. In addition to more accurately reflecting the fixed cost nature of a gas utility's distribution system, movement to a fixed rate eliminates the need for the SRR-B and in so doing greatly simplifies the rate setting process by eliminating the need for annual audits of the decoupling mechanism and subsequent true-ups.

Sales Reconciliation Rider – A

VEDO has proposed two sales reconciliation riders in its application. As discussed above, Staff is recommending SRR-B not be approved. The existing Sales Reconciliation Rider is being renamed Sales Reconciliation Rider - A (SRR-A) and is being proposed to recover costs deferred from a decoupling mechanism approved by the Commission in Case No. 05-1444-GA-UNC. In that proceeding, VEDO was authorized to implement a Sales Reconciliation Rider and was granted authority pursuant to 4905.13 Revised Code to defer the monthly differences between actual revenues per customer and the implicit revenue per customer authorized in Case No. 04-571-GA-AIR. The Commission further ordered that VEDO file the initial rate under that rider as part of an application to increase rates under Section 4909.18 Revised Code. This rate case constitutes that filing. VEDO has provided documentation for deferrals totaling 5,152,213.55 for the residential sector and $483,431.74 for the general service sector through March 2008. The proposed SRR-A initial rate is set to recover, over one year, the deferred amount accumulated during the Commission authorized two-year period ending September 20, 2008. The initial rate is $0.02294 per Ccf for rate schedules 310/315 and $0.00278 per Ccf for rate schedules 320/325. The rider will cease after recovery of all authorized deferral amounts. Staff recommends approval of Rider SRR-A and the initial rates as proposed.

GAS PIPELINE SAFETY REVIEW

Staff conducted gas pipeline safety inspections at Vectren Energy Delivery of Ohio in 2005, 2006, and 2007. Specifically, Staff assessed the compliance of Vectren Energy with the state and federal gas pipeline safety regulations (GPS) outlined in Ohio Administrative Code 4901:1-16. Under 4901:1-16-03 Staff also adopts and enforces federal regulations 49 C.F.R. (Code of Federal Regulations) Parts 191, 192, 199, and 40.

The GPS inspections involved the following:

- Review of records for compliance with gas pipeline safety regulations.
- Physical site visits to verify compliance with safety inspection standards.
- Review of operations plans, emergency plans and associated standards and procedures for compliance with emergency response, construction, operations and maintenance requirements.
- Review of drug and alcohol programs for employees and contractors.
- Review of the Public Awareness Program and associated records.
- Review of Operator Qualification Program and records.
- Inspection of gas pipeline construction projects in the field for code compliance with safety regulations and operator construction procedures.
- Review of the Ohio Utilities Protection Service, Call Before You Dig Program.

Records and field inspections were performed of the company's following locations on yearly basis:

1. East Region
2. North Region
3. Metro Region
4. Vectren Transmission

Operations and Maintenance manuals and Drug and Alcohol records and plans are reviewed for compliance every other year at the following location.

1. Vectren Energy's Operations Center Troy, Ohio

The field portions of the inspections were conducted at several different pipeline sites. These inspections consisted of pressure regulator stations, pressure telemeter, critical valves, corrosion test point stations, rectifiers, leakage survey areas, odorant testing, checking material specifications, and exposed pipe locations in the Vectren Energy pipeline system. GPS inspections are conducted on an annual basis to confirm that Vectren Energy is complying with federal and state gas pipeline safety regulations.

Findings: Scheduled Annual Audit Inspections

During the records and field inspection portion of the inspections, a number of areas are reviewed such as valve maintenance, pressure regulation, pressure telemetering, corrosion control, leakage survey, pipeline patrolling, material and pipeline specifications, drug and alcohol test records, operator qualification, public awareness, damage prevention, pressure testing, odorization, and emergency response. All records were reviewed for the appropriate timeline of inspection and maintenance on the gas pipeline system.

Staff has completed 12 inspections of Vectren Energy facilities in the calendar years 2005, 2006 and 2007. As a result of these inspections the company received three Notices of Probable Non-Compliance (NPNC). The NPNC procedure provides the operator with a 30 day period in which to provide Commission Staff with an action plan to correct any cited condition. Vectren Energy promptly responded to the enforcement actions with an acceptable corrective action plan in each case.

Recommendation:

Staff has no recommendations at this time.

Pipeline Safety Incidents and Outages

In the calendar years 2005 through 2007, there were no reportable incidents that occurred in the Vectren Energy Delivery of Ohio system.
In calendar years 2005 through 2007 Vectren Energy had 2 service failures that affected service to customers. The number of customers affected in these outages ranged from 115 to 420 in each instance. The causes of the service failures were third party damage and operator error. Vectren Energy promptly restored service to the affected customers. No enforcement actions were taken by the Commission on Vectren Energy related to these incidents.

Recommendation

Staff has no recommendations at this time.

Riser Replacement Program

Staff recommended in its report to the Commission in the riser Investigation case,[1] that operators complete a riser identification survey. Vectren Energy completed their official riser survey on April 7, 2008. According to the survey results Vectren has the following types of risers in their system.

Riser Type	Percentage
Bare Steel	3.48%
Coated Steel	55.82%
Normac	24.76%
Perfection w/ Adaptor	11.2%
Perfection w/o Adaptor	1.70%
Rob Roy	1.35%
Uponor	.66%
Continental	.27%
RW Lyall	.20%
Central Plastics	.14%
Other	.50%

During the Commission's riser investigation, Case No. 05-463-GA-COI, the Company reported 123 plastic riser failures and 332 metallic riser failures.

In its report, Staff recommended that distribution operators be put on notice that certain Design-A risers (plastic risers assembled in the field) when subjected to particular conditions, are more prone to failure.[2] Staff therefore recommends that Vectren Energy replace any prone to failure Design-A risers they have in their system.

While Vectren's application states that it does not feel that a wholesale riser replacement program is necessary, Staff believes a riser replacement program is necessary to address a valid safety concern and has recently testified in support of another Ohio LDC's application to systematically replace, over approximately a three year period, all risers identified as prone to fail.[3]

Staff recommends that Vectren Energy submit a plan within 60 days of the Opinion and Order in this case for timely replacement of risers identified as prone to fail that is in conformance with staff's recommendation of an approximate three year time frame. Vectren Energy's riser replacement plan should propose a time frame for riser replacement, identify any operational issues that may impact the time frame, provide a

---

[1] Case No. 05-463-GA-COI, *A Report by the Staff of the Public Utilities Commission of Ohio, In the Matter of the Investigation of the Installation, Use, and Performance of Natural Gas Service Risers Throughout the State of Ohio-and Related Matters, pgs. 14,15.*
[2] Ibid.
[3] Case No. 07-478-GA-UNC, *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of Tariffs to Recover, through an Automatic Adjustment Clause, Cost Associated with the Establishment of an Infrastructure Replacement Program for Approval of Certain Accounting Treatment, Prepared Testimony of Edward M. Steele, submitted: November 19, 2007, pgs. 3 and 4.*

cost estimate for each of the three years and articulate the Company's over all approach to replacing prone to fail risers.

DISTRIBUTION REPLACEMENT PROGRAM

Staff agrees with Vectren Energy's plan for an accelerated distribution system replacement program. This program will enable Vectren Energy to replace its aging mains and related services. From data collected by Staff during the riser investigation, Vectren Energy has reported the most metallic riser failures in the state. Replacement of these lines will help to address this issue and reduce public risks. Staff believes that this program will help to insure greater pipeline safety and a more reliable system. The Commission staff has supported similar programs with Duke Energy (07-589-GA-AIR) and Suburban Natural Gas (07-689-GA-AIR.

According to Staff's review of Vectren's application, the linear footage of bare steel and cast iron mains represents only 9.4% and 3.4% respectively of the Vectren system mains, but these mains contributed to 48% of the system repaired leaks from 2000 to 2006. This part of the system must be improved upon and upgraded. For the period from 2000 to 2006, for every 100 miles of bare steel and cast iron mains, there were six times as many leaks than found on every 100 miles of coated steel and plastic mains. This shows that replacing a small percentage of the system can have a large impact on the overall safety of the system.

In addition, a total of 25,327 bare steel services were in operation in 2006. This represents 7.9% of the total system services, but contributes to 22.6% of the system wide service leaks.

The main concern with the performance of these lines is corrosion. Corrosion is the electro-chemical reaction of a metallic material with its environment. Pipe environments include soil, water, air, and the contents of the pipe itself. Steel, when not otherwise protected and exposed to oxygen and/or water, can corrode. Corrosion can result in small holes in the pipe, or loss of pressure-carrying capacity[4] , resulting in unintended releases of natural gas. Staff believes by replacing the unprotected as well as ineffectively coated piping, Vectren will drastically reduce the amount of leaks that are discovered through leak survey Along with reducing the amount of leakage found in the system and reducing those costs, Vectren will also be able to reduce the frequency of their leak survey to a five calendar year cycle as per the Federal Code of Regulations §192.723. These reductions will contribute to a savings in Vectren's Operations and Maintenance budget (O&M). Staff has supported a similar program at Duke Energy Ohio (Duke) in its Accelerated Mains Replacement Program (AMRP). Staff supports

[4] PHMSA website: Publication titled, *Fact sheet: Cathodic Protection*

Duke's ongoing AMRP for the replacement of all cast iron and bare steel pipeline and resulting improvement it has made to pipeline safety, and notes that customers have realized approximately $8.5 million in O&M savings to date that has been credited back through rider AMRP[5]. Vectren also anticipates significant benefits from a reduced incidence in leak repair expenses, and like Duke, will credit savings in the avoided O&M costs to customers.[6]

Based on Staff's experience and dealing with other utilities, Staff recommends the replacement of all cast iron and bare steel service lines and mains in Vectren's service area.

Staff questions whether Vectren's plan should also include the movement of inside meters to the outside of the customer's home. Given that such moves may not be necessary in all cases, and the complexity of undertaking such activity, Staff recommends that Vectren provide the staff, when it submits its proposed work for the upcoming year, instances of where it proposes to do this; the cost, and the specific rationale for doing so.

Customer Owned Service Lines

Staff supports the concept of Company ownership of customer service lines as indicated in the testimony filed in support of an Ohio LDC's application to take ownership of customer service lines when the Company performs maintenance, repair or replacement work on the lines.[7] In addition Staff, in its report to the Commission, supported another LDC's proposal to assume responsibility for the installation of new customer service lines.[8] Lastly, in the recent staff report in the Suburban Natural Gas Application for an Increase in rates, Staff proposed that the company develop a proposal for the assumption of responsibility of customer service lines.[9] Staff believes LDC assumption of ownership of curb-to-the-meter service lines will significantly enhance pipeline safety and establish a clear line of responsibility between the utility and the consumer, with the customer continuing to have responsibility for all inside pipe and the Company all outside pipe.

---

[5] Case number 07-478-GA-UNC *Duke Energy Ohio Application to increase rates, pg. 39.*

[6] *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, And for Certain Accounting Treatment, and* Case Nos. 07-829-GA-AIR, 07-830-GA-ALT, and 07-831-GA-AAM.

[7] *Ibid. Prepared testimony of Edward M. Steele, submitted October 24, 2007, pgs. 6 and 7.*

[8] *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Rates and Charges,* Case No. 07-589-GA-AIR, *a Report by the Staff of the Public Utilities Commission of Ohio (Dec. 20, 2007) at 43.*

[9] *In the Matter of the Application of Suburban Natural Gas Company for an Increase in Rates and Charges,* Case No. 07-689-GA-AIR, *a Report of the Staff of the Public Utilities Commission of Ohio (Jan. 9, 2008) at 26-27.*

Staff therefore agrees with Vectren Energy's plan that the Company assume the responsibility for the installation, maintenance, repair, replacement of all customer owned service lines and that the costs associated with this activity be considered in this rate case.

System Integrity and Reliability Program

The Gas Pipeline Safety Staff has reviewed the adjustments that Vectren has proposed in this section of their application. Although these are generally prudent activities and Staff has no issue with these proposals, and many of them are already required by the pipeline safety code, Staff does not believe that they rise to the standard required of alternative regulation. Staff believes that these activities constitute regular construction and maintenance activities.

Distribution Replacement Rider

Staff is recommending the Commission approve the accelerated program for the replacement of cast iron and bare steel mains and bare steel service lines in its distribution system as discussed above. The expected cost of this program is $337,500,000 over the twenty years of the accelerated program or an annual capital requirement of approximately $16,875,000. VEDO is proposing to recover these costs through a Distribution Replacement Rider (DRR). The DRR will recover the return of, and on, incremental costs of the cast iron and bare steel replacement program, the costs associated with compliance with the Commission's riser investigation (Case No. 05-463-GA-COI), and the incremental costs attributable to assuming ownership and repair responsibility of service lines. The costs associated with installation of new service lines, however, will not be included in the DRR revenue requirement but will instead be capitalized in VEDO's next subsequent base rate proceeding.

VEDO proposes to make an application by May 1 of each year to revise the DRR to include accelerated replacement program costs incurred in the previous calendar year. The application will include the following information: 1) investment in infrastructure replacement under the Program; 2) pipe mileage replaced (by type); 3) revenue requirement; (4) derivation of rates for the prospective recovery period. The DRR shall become effective on September 1 of each year. The annual revenue requirement for the DRR will be allocated to customer rate schedules based on the distribution mains/service lines allocation (as applicable) determined in the Company's cost of service study in this current base rate proceeding and recovered through either a flat charge per customer or a volumetric charge. The DRR will be recoverable as a fixed monthly charge for customers on rate schedules 310, 315, 341 and Group 1 customers on rate schedules 320 and 325. All other customers will be charge on a volumetric basis. The annual charges will include the reductions in maintenance expenses attributable to the distribution replacement program. In the second year and beyond, the annual DRR charges will also include a reconciliation of actual DRR costs and recoveries and any such under- or over-recoveries will be incorporated into the prospective annual revenue requirement.

As discussed in the Gas Pipeline Safety review section of this Staff Report, Staff agrees with VEDO's assessment of the need for an accelerated distribution replacement program. Staff is further recommending the Commission approve the Distribution Replacement Rider as it is described above to recover those costs. The DRR will initially be set at zero and the first of the annual filings to increase the rider will be filed on May 1, 2009 for recovery of calendar year 2008 costs as well as all costs incurred prior to 2008 in compliance with the Commission's riser investigation. Staff also agrees with VEDO's proposal to submit its construction plans for the latter part of 2008 and all of 2009 at least 90 days in advance of its initial DRR filing, and on May 1 of the prior year thereafter.

Staff recommends the Commission approve the following procedures for review of the annual DRR filing. VEDO will file an annual application beginning May 1, 2009 supporting an initial charge and subsequent adjustments to the DRR. The application will be based on costs incurred for the previous calendar year. Such application shall be filed in the docket of this proceeding (Case No 07-1080-GA-AIR). The Company will bear the burden of proof in its annual cost recovery filings of demonstrating the justness and reasonableness of the level of recovery of expenditures associated with the distribution replacement program. Staff shall conduct an investigation of VEDO's filing and, unless Staff finds the filing to be unjust or unreasonable or if any other party files an objection that is not resolved by August 1 of each year, the Staff shall issue its recommendation on the increase in the rider rate to the Commission to be effective on September 1 of that same year. If the Staff determines that VEDO's application to increase the rider is unjust or unreasonable, or if any other party that filed for intervention files an objection that is not resolved by VEDO, an expedited hearing process will be established in order to allow the parties to present evidence to the Commission for final resolution.

Staff recommends VEDO be further authorized to create the necessary regulatory assets to capture the Post-in-Service Carrying Charges ("PISCC") associated with the distribution replacement program for inclusion in the subsequent year's DRR rider. VEDO shall calculate the PISCC from the date that the applicable assets are used and useful until the next effective date of the DRR rider. Such regulatory assets will be subject to review by all parties in the annual DRR rider filing.

Staff recommends two limitations to Commission approval of the distribution replacement program and DRR. Staff does not believe it appropriate to recommend a one-time approval of a 20 year program. Staff recommends the Commission grant approval for an initial eight years or the filing of a subsequent base rate case whichever comes first. At that time, VEDO can apply for a continuation of the program beyond that initial term. This will allow the Commission to review the operation of the program after it has been in effect for a reasonable period of time and make any adjustments it deems appropriate. Finally, Staff is recommending that the annual increases to the DRR be capped during this initial period. VEDO has estimated that the program will result in an average annual cost of $7.05 per residential customer and for Group 1 customers on rate schedules 320 and 325. This translates to a monthly charge of $0.73 per month including the gross receipts excise tax. That estimate however does not account for the additional requirements on riser replacements that Staff is recommending in the Gas Pipeline Safety section of this Staff Report. To account for this unknown additional cost, Staff will recommend the annual increase to the DRR charge be capped at $0.90 per month.

Commitments

The Company has proposed the accelerated distribution replacement program described above as part of an alternative regulation application. Administrative Code Section 4901:1-19-05(C)(3) requires an applicant filing an alternative rate plan to include in its application those commitments to customers, that it is willing to make in promoting the state policy as defined in Revised Code Section 4929.02. The extent of these commitments should be dependent upon the degree of freedom the applicant is requesting from traditional ratemaking procedures.

As discussed in the Energy Conservation and Demand-Side Management section of this Staff Report, Staff is recommending a total of $4 million be spent on weatherization and Demand-Side Management programs. Staff is here recommending that an additional $1 million should be funded by VEDO shareholders on top of the $4 million included in rates. This additional amount reflects a continuation of an existing shareholder commitment to fund the TEEM 2 program as agreed to in Case No. 05-1444-GA-UNC. The TEEM 2 program is described in the Energy Conservation and Demand-Side Management section of this Staff Report. Staff believes this represents an adequate commitment to comply with 4901:1-19-05(C)(3).

CUSTOMER SERVICE AUDIT

Staff completed a customer service audit in November 2007 regarding the customer service performance, practices, and procedures of the Company. Staff found that overall, the Company was in compliance with the rules and regulations set forth by the Public Utilities Commission of Ohio.

Customer Service Assessment

Staff reviewed the contacts made by the Company's customers to the Commission's call center for the period of January 1, 2006 through February 29, 2008. This review includes nine months of the test year that ends May 31, 2008. The Company's customers made 3,220 contacts to the call center during this time period with 1,587 during 2006, 1,368 during 2007, and 265 during the first two months of 2008. Seven hundred twenty-two customers called the call center before calling the Company. Most of these customers were seeking account information and were directed back to the Company to give the Company the first opportunity to respond to their customers. "Call Company First" was the issue code with the most contacts.

The billing category contained the highest number of complaints. Three hundred sixty-six customers called about billing disputes, which would include contacts regarding an alleged incorrect bill or high bill concerns. Two hundred twenty-one customers called with questions about the content of their bills. The rates and tariffs issues account for 138 inquiries where customers called about rates or to docket comments about pending rate cases. One hundred nineteen customers called about meter reading issues. These include contacts regarding if, how, and when a meter is read, remote meters, access to meters, and estimated bills. Customers inquiring about final or initial bills numbered 118.

The significant numbers in the payment issues category include assistance programs and disconnection complaints. One hundred twenty-six customers called seeking information on assistance programs. Three hundred forty-four customers called about disconnection issues. These customers had received a disconnect notice, already had service disconnected, or had issues concerning the emergency winter reconnect order or the Company's turn off procedures. There was a significant decrease in the disconnect issues from calendar year 2006 to calendar year 2007. In 2006, 194 customers contacted the call center and in 2007, that number decreased to 121. The Company explained that it will grant extensions if needed so a customer and the Company avoid a disconnection. Seventy-three customers inquired about payment arrangements and 59 made contacts about the Percentage of Income Payment Plan. Only eight had questions about medical certifications.

Vectren customers showed interest in competition with 124 requesting the Apples to Apples matrix to help them with their choice of a natural gas supplier and 205 calling to discuss issues regarding competition.

The significant issue in the service category is new service. In 2006, 59 customers contacted the call center and in 2007, that number increased to 105. The Company reported in the Data Request that it does comply with the requirements of installing new service as described in Ohio Administrative Code 4901:1-13-05, effective January 1, 2007.

Management and Operations Review

Section 4909.154 of the Ohio Revised Code states that the Public Utilities Commission shall consider the management policies, practices, and organization of public utilities in fixing the just, reasonable, and compensatory rates, joint rates, tolls, classification, charges or rentals to be observed and charged for service of any public utility.

In 1985, the Commission approved an amendment to the Standard Filing Requirements. This amendment (4901-7-01) requires medium and large utilities to include in their rate filings a concisely written summary of their management policies, practices, and organization. Among other things, the summary is to include a discussion of policy and goal setting, strategic and long range planning, organization structure, decision making and controlling, and communications for the company's executive management process (Schedule S-4.1) as well as for numerous functional areas common to most large utility companies (Schedule S-4.2).

Staff routinely reviews the S-4.1 and S-4.2 schedules, applicant performance, and various events relating to the applicant's management. As a result of these review activities, Staff selects certain management topics for rate case reporting. In the current rate case, Staff reports on VEDO programs for Energy Conservation and Demand-Side Management (DSM).

ENERGY CONSERVATION & DEMAND-SIDE MANAGEMENT (DSM)

Energy conservation and DSM, as a tool of utility company strategy and as a public policy direction has had an inconsistent history in Ohio over the last twenty years. Commission Staff has traditionally viewed DSM programs as organized electric utility activities that are intended to affect the amount and timing of customer *electricity* usage. DSM programs include peak clipping, strategic conservation, load shifting, valley filling, and strategic load growth options. A DSM program is a series of measures intended to encourage specific groups of customers to modify their energy usage patterns in a manner consistent with the utility's objectives while maintaining customer satisfaction.

DSM for natural gas utilities has not enjoyed comparable support as that for electric utility industry DSM. Natural gas as a commodity cost is directly passed to the consumer via the utility company's gas cost recovery mechanism. Thus, the consumer is directly rewarded for any conservation measures they can implement on their own. Socializing the costs of implementing individual conservation measures has been viewed as a controversial policy as only those receiving the conservation measure benefit, while all the utility company's ratepayers pick up the costs for the programs.

In the past, Staff has expressed the opinion that natural gas DSM programs do not provide benefits to customers other than those who participate in the programs – i.e. there are no system-wide benefits. Consequently natural gas DSM has rarely been endorsed by the Commission while natural gas conservation programs have largely been limited to only those targeted to low-income customers who would lack the resources to make efficiency improvements absent the DSM program. Nevertheless, in the last few years, the Commission has approved some conservation measures for natural gas.

To review VEDO's current conservation and DSM programs, Staff developed a comprehensive data request to gather the significant information related to each energy conservation and DSM program. In response, VEDO supplied information relating to their energy conservation program. Staff reviewed the Company reports and interviewed VEDO personnel for clarification and additional information. Staff also interviewed Company personnel relating to VEDO's proposed natural gas DSM program as outlined in the Company's current rate filing.

VEDO'S PROJECT TEEM PROGRAM

Project TEEM (Teaching Energy Efficiency Measures) is a low-income weatherization program funded by VEDO as a result of the stipulated agreement for Case No. 04-571-GA-AIR, approved in April 2005. This program provides single family home weatherization services for customers with incomes up to 200% of the federal poverty guidelines. The Community Action Partnership of the Greater Dayton Area (Dayton CAP) administers the program and subcontracts with three smaller CAP agencies to deliver services to all of VEDO's service territory. The program is funded annually at $1,100,000 with any unused administrative funds rolled over to the following year for weatherization programs, as well as up to $165,000 of unused weatherization funds by Dayton CAP.

Customers in the 0-150% income level accounted for 273 participants or nearly 80% of the premises completed. At the end of 2007, 344 total premises had been completed, 17 of which were rental properties. In 2006 the average weatherization cost per premise was $2,296 for the 0-150% category and $3,003 for the 151%-200% category. In 2007 the average job cost per premise increased significantly from 2006. In the 0-150% income range weatherization costs rose by $225 per premise and $623 for the over 150% income range. During 2006, Dayton CAP identified a need to perform minor roof repairs as part of the TEEM program. This addition of 5 roof repairs as well as the increased installation of water heater repairs (up 10%), furnace repairs (up 10%), and ceiling insulation to R-38 (up 30%) contributed to the increase in per premise cost.

The projected number of program participants was 365 and 344 homes were weatherized, 21 less than projected. With the increased cost per premise, overall participation was lower than predicted. VEDO estimated that costs per premise would increase but under-estimated in the 0-150% range and over- estimated in the 151-200% range.

The goal for on-site quality checks is 5% of the jobs completed for the 0-150% income range and 15% for customers in the 151% to 200% category. The actual on-site quality assurance visits for the 0-150% range was 13 homes and 11 homes in the 151-200% category. Further, 77 of the 136 (57%) homes that had a furnace, water heater, or both installed were reviewed off-site. The goal for 2008 is to increase this percentage of verification to ensure that permits and inspections are being performed on the majority of homes that have had one of these measures installed.

The total 2007 budget for VEDO's Project TEEM was $1,274,709; $1.1 million annually plus a rollover addition from 2006 of $174,709. For 2008, the budget amount for the TEEM program is $1.1 million plus a rollover from 2007 of $94,089 for a total weatherization program budget of $1,194,089. The 2007 to 2008 rollover of $94,089 derived from a Dayton CAP 2007 surplus of $16,036 and a 2007 VEDO surplus due to reduced marketing costs of $78,053.

In addition to VEDO's Project TEEM Program, VEDO agreed to an additional funding level for energy conservation and weatherization as part of Case Number 05-1444-GA-UNC. Referred to as the TEEM 2 Program, VEDO agreed to expend a total of $2 million during the term of October 1, 2007 through September 30, 2008. If a portion of the $2 million remains unspent after the September 30, 2008 deadline, the funds shall remain available for an agreed upon extension of time. This additional funding allowed for the expansion of the Project TEEM Program to include households with incomes at 201% to 300% of the federal poverty level. Implemented in September 2007 with the assistance of the Dayton CAP, the low-income program could include 60% of VEDO's customers in terms of economic eligibility.

PROPOSED VEDO DSM PROGRAM

VEDO proposes to supplement its energy conservation weatherization program with a DSM program designed to assist customers affected by rising energy costs with various natural gas conservation measures designed to reduce ratepayer energy bills. VEDO proposes a DSM program comprised of 5 residential DSM measures and 3 commercial DSM measures. The total costs for these 8 programs, designed to be implemented over a 5-year time frame, sum to $12,376,000 plus an additional amount for overall marketing, training, and program outreach totaling $14,330,700 or an average of approximately $2.9 million per year.

The 5 residential DSM measures proposed by VEDO include a *High Efficiency Furnace and Boiler Program* for $3,500,000 which will provide incentive payments to 16,550 customers to encourage customers to install increasingly more energy efficient furnaces or boilers; an *High Efficiency Gas Water Heating Program* for $530,000 which will provide rebates to 5,760 customers to promote the installation of very high efficient gas water heaters; and an *On-Line Audit and Water Heating Kit Program* for $908,000 which will provide energy usage information and a kit which includes various measures to provide savings to 9,500 natural gas water heating customers who are not ready to replace their existing system. In addition, VEDO proposes an *Energy-Efficient New Construction Program* for $1,061,000 to target new home builders to promote efficient energy design and equipment in 700 new homes; and an *Audit and Home Performance Pilot* Program for $955,000 to perform thorough home audits and follow-up with whole-home performance technologies and efficiency upgrades to 650 participants.

The 3 commercial DSM measures proposed by VEDO include a *High Efficiency Boiler and Furnaces Program* for $3,402,000 which will provide rebates to promote the installation of high efficiency boilers and furnaces for 1,550 commercial and small industrial customers in the replacement market; a *Commercial High Efficiency Water Heating Program* for $1,565,000 to promote installation of energy efficient commercial water heating systems to 1,290 participants; and a *Commercial Re-Commissioning Program* for $455,000 to address the proper operation, maintenance, and replacement of energy systems in existing buildings for 80 high-gas consuming business participants.

It should be noted that the $2,475,200 per year for the above listed 8 DSM programs includes administrative and evaluation costs for each DSM measure. As currently proposed, VEDO expects evaluations to be completed at an average of 7% of measure costs. Overall program marketing, training, and outreach totaling $390,940 annually will bring VEDO's proposed DSM Program to approximately $2.9 million per year.

Conclusion:

VEDO's Project TEEM (Teaching Energy Efficiency Measures) low-income weatherization program, in partnership with Dayton CAP, has proven to be a valuable and worthwhile investment. VEDO's analysis showed that after factoring in weather conditions, the work performed in 2006 reflected results of approximately 25% consumption savings for low income customers.

VEDO's proposed DSM Program appears to be well conceived and designed providing a variety of DSM measures for residential and commercial customers. These incentives should promote greater efficiency in the usage of natural gas in the VEDO service market while assisting customers in reducing their natural gas energy bills.

Recommendation:

Staff recognizes that conservation and energy efficiency have a positive role in controlling energy costs. Staff recommends VEDO continue the *Project TEEM Program,* in coordination with the Dayton CAP, at the current funding level of $1.1 million. Staff also recommends that VEDO continue to work with their collaborative group for guidance in managing and implementing the program for maximum impact. Furthermore, Staff recommends that VEDO's *Project TEEM 2 Low-Income Weatherization Program* funding of $1 million be continued and funded from VEDO shareholders as its commitment to comply with 4901:1-19-05(C)(3).

Staff also recommends that VEDO's proposed DSM Program be approved and implemented as planned with the goal of providing customers conservation measures and incentives to help restrain ratepayer energy costs. Staff recommends that VEDO's DSM Program include coordination with their DSM stakeholder or collaborative group for guidance in managing and implementing the DSM Program for maximum effect in reducing ratepayer energy costs. Staff recommends that VEDO's proposed DSM Program receive the funding level proposed by the Company in base rates as reflected in Staff's Schedule C-3.7.

Finally, Staff recommends that the Company submit a comprehensive annual report to the Director of the Utilities Department detailing the investments, progress, and results of the VEDO's energy efficiency and DSM program efforts.

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
OVERALL FINANCIAL SUMMARY
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	DESCRIPTION	SCHEDULE REFERENCE	APPLICANT	STAFF LOWER BOUND	STAFF UPPER BOUND
1	Jurisdictional Rate Base	B-1	$231,897,623	$232,135,650	$232,135,650
2	Current Operating Income	C-1	$4,989,460	$12,651,907	$12,651,907
3	Earned Rate of Return (Line 2 / Line 1)		2.15%	5.45%	5.45%
4	Requested Rate of Return	Rate of Return Section	9.36%	8.45%	8.98%
5	Required Operating Income (Line 1 x Line 4)		$21,705,618	$19,615,462	$20,845,781
6	Operating Income Deficiency (Line 5 - Line 2)		$16,716,158	$6,963,555	$8,193,874
7	Gross Revenue Conversion Factor	C-10 / A-1.1	1.6175096	1.5384615	1.5384615
8	Revenue Deficiency (Line 6 x Line 7)		$27,038,546	$10,713,161	$12,605,959
9	Revenue Increase Requested (Derived from Noticed Rates)		27,331,071	10,713,161	12,605,959
10	Adjusted Operating Revenues	C-1	374,136,856	442,038,111	442,038,111
11	Revenue Requirement (Line 9 + Line 10)		$401,467,927	$452,751,272	$454,644,070
12	Percent Increase (Line 9 / Line 10)		7.31%	2.42%	2.85%

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
COMPUTATION of GROSS REVENUE CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE				PERCENT OF INCREMENTAL GROSS REVENUE
1	Operating Revenues					100.000%
2						
3	Uncollectible Accounts Expense (1)	WPC-10			0.000%	
4	PUCO Maintenance Assessment	WPA-1.1a			0.000%	
5	Consumers' Counsel Assessment	WPA-1.1b			0.000%	
6						
7	Statutory Ohio Excise Rate	WPC-3.11a		0.000%		
8	Uncollectible Accounts Expense (1)		0.000%			
9	Statutory Ohio Excise Rate (Line 7)		0.000%			
10	Remove Ohio Excise from Uncollectible (1)			0.000%		
11	Percent Exempt Revenue	WPA-1.1c	0.000%			
12	Statutory Ohio Excise Rate (Line 7)		0.000%			
13	Remove Ohio Excise from Exempt Revenue			0.000%		
14						
15	Effective Ohio Excise Rate				0.000%	
16	Revenue Related Expense and Taxes					0.000%
17						
18	Income before Federal Income Tax (Line 1 - Line 16)					100.000%
19						
20	Federal Income Tax (Line 18 x 35%)					35.000%
21						
22	Operating Income Percentage (Line 18 - Line 20)					65.000%
23						
24	*Gross Revenue Conversion Factor (100% / 65.%)*					1.5384615

(1) Assumes continuation of Bad Debt Tracker.

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
JURISDICTIONAL RATE BASE SUMMARY
AS OF AUGUST 31, 2007

LINE NO.	RATE BASE COMPONENT	SUPPORTING SCHEDULE REFERENCE	APPLICANT PROPOSED AMOUNT	STAFF PROPOSED AMOUNT
1	Plant In Service	B-2	$466,295,537	$464,537,560
2	Reserve for Accumulated Depreciation	B-3	(216,710,346)	(215,704,885)
3	Net Plant In Service (Line 1+ Line 2)		249,585,192	248,832,675
4	Construction Work in Progress	B-4	0	0
5	Working Capital	B-5	0	990,545
	Other Items:			
6	Customer Advances for Construction	B-6	(6,108,903)	(6,108,903)
7	Customer Service Deposits	B-6	(5,179,137)	(5,179,137)
8	PIPP Deferred Asset	B-6	5,969,191	5,969,191
9	Deferred Income Taxes	B-6	(12,368,720)	(12,368,720)
10	Jurisdictional Rate Base (Line 3 thru Line 12)		$231,897,623	$232,135,650

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PLANT IN SERVICE SUMMARY BY MAJOR PROPERTY GROUPINGS
AS OF AUGUST 31, 2007

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedule B-2.1

LINE NO.	MAJOR PROPERTY GROUPINGS	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	Intangible	$14,661,760	100.00	$14,661,760	(18,452)	$14,643,308
2	Manufactured Gas Production	4,493,931	100.00	4,493,930	0	4,493,930
3	Transmission	15,630,510	100.00	15,630,511	0	15,630,511
4	Distribution	404,077,681	100.00	404,077,681	(170,014)	403,907,667
5	General	27,431,655	100.00	27,431,655	(1,569,511)	25,862,144
6	TOTAL	$466,295,537	100.00	$466,295,537	(1,757,977)	$464,537,560

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF AUGUST 31, 2007

INTANGIBLE PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Applicant's Schedule B-3 and Staff's Schedule B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	303	603	Miscellaneous Intangible Plant	$14,661,760	100.00	$14,661,760	(18,452)	$14,643,308
2			Total Intangible Plant	$14,661,760	100.00	$14,661,760	(18,452)	$14,643,308

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF AUGUST 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Applicant's Schedule B-3 and Staff's Schedule B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	304	604.1	Land and Land Rights	$192,203	100.00	$192,203		$192,203
2	305	605.1	Structures and Improvements - Production	590,665	100.00	590,665		590,665
3	305	605.2	Structures and Improvements - Storage	0	100.00	0		0
4	311	611.1	Liquefied Petroleum Gas Equip. - Production	2,643,965	100.00	2,643,965		2,643,965
5	311	611.2	Liquefied Petroleum Gas Equip. - Storage	92,189	100.00	92,189		92,189
6	311	611.3	Liquefied Petroleum Gas Equip. - Lines	974,908	100.00	974,908		974,908
7			Total Manufactured Gas Production Plant	$4,493,931	100.00	$4,493,930		$4,493,930

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF AUGUST 31, 2007

TRANSMISSION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Applicant's Schedule B-3 and Staff's Schedule B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	365.1	665.1	Land and Land Rights	$40,565	100.00	$40,565		$40,565
2	365.2	665.2	Rights-of-Way	37,804	100.00	37,804		37,804
3	366	666.2	Measuring and Regulating Station Structures	37,437	100.00	37,437		37,437
4	367	667	Mains	14,776,178	100.00	14,776,178		14,776,178
5	369	669	Measuring and Regulating Station Equipment	719,900	100.00	719,900		719,900
6	371	671	Other Equipment	18,627	100.00	18,627		18,627
7			Total Transmission Plant	$15,630,510	100.00	$15,630,511		$15,630,511

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF AUGUST 31, 2007

DISTRIBUTION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Applicant's Schedule B-3 and Staff's Schedule B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	374	674.1	Land	$232,650	100.00	$232,650		$232,650
2	374	674.2	Land Rights	3,952,237	100.00	3,952,237		3,952,237
3	375	675	Structures and Improvements	884,560	100.00	884,560		884,560
4	376	676	Mains	212,922,048	100.00	212,922,048	(92,541)	212,829,507
5	378	678	Meas. & Reg. Station Equipment - General	10,529,365	100.00	10,529,365	(3,099)	10,526,266
6	379	679	Meas. & Reg. Station Equipment - City Gate	1,478,269	100.00	1,478,269		1,478,269
7	380	680	Services	129,639,305	100.00	129,639,305	(519)	129,638,786
8	381	681	Meters	33,081,615	100.00	33,081,615	(73,855)	33,007,760
9	382	682	Meter Installations	5,045,730	100.00	5,045,730		5,045,730
10	383	683	House Regulators	5,015,650	100.00	5,015,650		5,015,650
11	384	684	House Regulator Installations	911,201	100.00	911,201		911,201
12	385	685	Industrial Meas. & Reg. Station Equipment	346,311	100.00	346,311		346,311
13	387	687	Other Equipment	38,740	100.00	38,740		38,740
14			Total Distribution Plant	$404,077,681	100.00	$404,077,681	(170,014)	$403,907,667

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PLANT IN SERVICE BY ACCOUNTS AND SUBACCOUNTS
AS OF AUGUST 31, 2007

GENERAL PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Applicant's Schedule B-3 and Staff's Schedule B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	389	689.1	Land	$1,850,367	100.00	$1,850,367		$1,850,367
2	390	690	Structures and Improvements	8,887,927	100.00	8,887,927		8,887,927
3	391	691.1	Electronic Equipment	491,397	100.00	491,397	(59,760)	431,637
4	391	691.2	Office Furniture & Fixtures	2,900,826	100.00	2,900,826	(798,223)	2,102,603
5	392	692.1	Automobiles	76,841	100.00	76,841	(20,727)	56,114
6	392	692.2	Light Trucks	1,251,549	100.00	1,251,549	(19,271)	1,232,278
7	392	692.3	Trailers	510,233	100.00	510,233		510,233
8	392	692.4	Heavy Trucks	2,003,053	100.00	2,003,053		2,003,053
9	394	694	Tools, Shop and Garage Equipment	2,236,589	100.00	2,236,589	(610,536)	1,626,053
10	396	696	Power Operated Equipment	722,317	100.00	722,317		722,317
11	397	697	Communication Equipment	5,867,799	100.00	5,867,799	(60,994)	5,806,805
12	398	698	Miscellaneous Equipment	632,757	100.00	632,757		632,757
13			Total General Plant	27,431,655	100.00	27,431,655	(1,569,511)	25,862,144
14			Total Gas Plant	$466,295,537	100.00	$466,295,537	(1,757,977)	$464,537,560

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ADJUSTMENTS TO PLANT IN SERVICE
AS OF AUGUST 31, 2007

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.2a & b

SCHEDULE B-2.2

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
			Intangible Plant			
1	303	603	Miscellaneous Intangible Plant	(18,452)	100.00	(18,452)
			Total Intangible Plant			
			Distribution Plant			
2	376	676	Mains	(92,541)	100.00	(92,541)
3	378	678	Meas. & Reg. Station Equipment - General	(3,099)	100.00	(3,099)
4	380	680	Services	(519)	100.00	(519)
5	381	681	Meters	(73,855)	100.00	(73,855)
				(170,014)		(170,014)
			General Plant			
7	391	691.1	Electronic Equipment	(59,760)	100.00	(59,760)
8	391	691.2	Office Furniture & Fixtures	(798,223)	100.00	(798,223)
9	392.1	692.1	Automobiles	(20,727)	100.00	(20,727)
10	392.2	692.2	Light Trucks	(19,271)	100.00	(19,271)
4	394	694	Tools, Shop and Garage Equipment	(610,536)	100.00	(610,536)
5	397	697	Communication Equipment	(60,994)	100.00	(60,994)
			Total General Plant	(1,569,511)		(1,569,511)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
NON-RECORDED RETIREMENTS
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).: Opinion & Order Working Papers, Case No. 04-571-GA-AIR

LINE NO.	PURPOSE and DESCRIPTION	AMOUNT
	PURPOSE and DESCRIPTION: To reflect non-recorded retirements	
1	Exclusion of Gas Mains - Account 376	(92,541)
2	Exclusion of Meas. And Reg. Station Equip.- Gen. - Account 378	(3,099)
3	Exclusion of Gas Services - Account 380	(519)
4	Exclusion of Gas Meters - Account 381	(73,855)
5	Exclusion of Transportation Equip. Automobiles - Account 392.1	(20,727)
6	Exclusion of Transportation Equip. Light Trucks - Account 392.2	(19,271)
7	Total Plant Adjustment (Line 1 Thru Line 6)	(210,012)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
MISCELLANEOUS INTANGIBLE PLANT
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).: Opinion & Order Working Papers, Case No. 04-571-GA-AIR

LINE NO.	PURPOSE and DESCRIPTION	AMOUNT	
	PURPOSE and DESCRIPTION: To remove certain miscellaneous intangible plant.		
1	Miscellaneous Intangible Plant - Account 303	($18,452)	To Sch B-2.2 Summary

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
GENERAL PLANT EXCLUSIONS
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).: Opinion & Order Working Papers, Case No. 04-571-GA-AIR

LINE NO.	PURPOSE and DESCRIPTION	AMOUNT	
	PURPOSE and DESCRIPTION: To exclude computer mapping system, communication equipment, computer desktop equipment, and various tools and shop equipment.		
1	Computer Mapping Equipment - Account 391.1	(59,760)	
2	Computer Desktop Equipment - Account 391.2	(798,223)	
3	Tools and General Equipment - Account 394	(343,797)	
4	Work Equipment - Account 394	(266,739)	
5	Communication Equipment - Account 397	(60,994)	
6	Total Adjustments (1 - 5)	(1,529,513)	To Sch B-2.2 Summary

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF AUGUST 31, 2007

INTANGIBLE PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3.1, and Applicant's Schedule B-3

LINE NO.	F.E.R. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	RESERVE BALANCES TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	303	603	Miscellaneous Intangible Plant	$14,643,308	$6,271,975	100.00	$6,271,975	(8,878)	$6,263,097
2			Total Intangible Plant	$14,643,308	$6,271,975		$6,271,975	(8,878)	$6,263,097

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF AUGUST 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3.1, and Applicant's Schedule B-3

LINE NO.	F.E.R. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	RESERVE BALANCES TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	304	604.1	Land and Land Rights	$192,203	$0	100.00	$0		$0
2	305	605.1	Structures and Improvements - Proc	590,665	520,711	100.00	520,711		520,711
3	305	605.2	Structures and Improvements - Stor	0	452,032	100.00	452,032		452,032
4	311	611.1	Liquefied Petroleum Gas Equip. - Pr	2,643,965	2,680,270	100.00	2,680,270		2,680,270
5	311	611.2	Liquefied Petroleum Gas Equip. - St	92,189	221,750	100.00	221,750		221,750
6	311	611.3	Liquefied Petroleum Gas Equip. - Li	974,908	1,265,466	100.00	1,265,466		1,265,466
7			Total Manufactured Gas Producti	$4,493,930	$5,140,228		$5,140,229	0	$5,140,229

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF AUGUST 31, 2007

TRANSMISSION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3.1, and Applicant's Schedule B-3

LINE NO.	F.E.R. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	RESERVE BALANCES: TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	365.1	665.1	Land and Land Rights	$40,565	$0	100.00	$0		$0
2	365.2	665.2	Rights-of-Way	37,804	0	100.00	0		0
3	366	666.2	Measuring and Regulating Station S	37,437	581	100.00	581		581
4	367	667	Mains	14,776,178	24,148	100.00	24,148		24,148
5	369	669	Measuring and Regulating Station E	719,900	20,602	100.00	20,602		20,602
6	371	671	Other Equipment	18,627	2,036	100.00	2,036		2,036
7			Total Transmission Plant	$15,630,511	$47,366		$47,367	0	$47,367

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF AUGUST 31, 2007

DISTRIBUTION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3.1, and Applicant's Schedule B-3

LINE NO.	F.E.R. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	RESERVE BALANCES TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	374	674.1	Land	$232,650	$0	100.00	$0		$0
2	374	674.2	Land Rights	3,952,237	0	100.00	0		0
3	375	675	Structures and Improvements	884,560	364,092	100.00	364,092		364,092
4	376	676	Mains	212,829,507	81,322,589	100.00	81,322,589	(109,753)	81,212,836
5	378	678	Meas. & Reg. Station Equipment - G	10,526,266	5,028,924	100.00	5,028,924	(3,099)	5,025,825
6	379	679	Meas. & Reg. Station Equipment - Ci	1,478,269	479,864	100.00	479,864		479,864
7	380	680	Services	129,638,786	93,328,135	100.00	93,328,135	(519)	93,327,616
8	381	681	Meters	33,007,760	9,685,263	100.00	9,685,263	(73,855)	9,611,408
9	382	682	Meter Installations	5,045,730	1,767,042	100.00	1,767,042		1,767,042
10	383	683	House Regulators	5,015,650	2,183,412	100.00	2,183,412		2,183,412
11	384	684	House Regulator Installations	911,201	434,639	100.00	434,639		434,639
12	385	685	Industrial Meas. & Reg. Station Equi	346,311	67,696	100.00	67,696		67,696
13	387	687	Other Equipment	38,740	937	100.00	937		937
14			Total Distribution Plant	$403,907,667	$194,662,593		$194,662,593	(187,226)	$194,475,367

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF AUGUST 31, 2007

GENERAL PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3.1, and Applicant's Schedule B-3

LINE NO.	F.E.R. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY PLANT INVESTMENT	RESERVE BALANCES TOTAL COMPANY	ALLOCATION %	ALLOCATED TOTAL	ADJUSTMENTS	ADJUSTED JURISDICTION
1	389	689.1	Land	$1,850,367	$0	100.00	$0		$0
2	390	690	Structures and Improvements	8,887,927	4,290,804	100.00	4,290,804		4,290,804
3	391	691.1	Electronic Equipment	431,637	245,067	100.00	245,067	(42,013)	203,054
4	391	691.2	Office Furniture & Fixtures	2,102,603	1,884,162	100.00	1,884,162	(337,590)	1,546,572
5	392	692.1	Automobiles	56,114	176,860	100.00	176,860	2,570	179,430
6	392	692.2	Light Trucks	1,232,278	440,052	100.00	440,052	2,389	442,441
7	392	692.3	Trailers	510,233	810,102	100.00	810,102		810,102
8	392	692.4	Heavy Trucks	2,003,053	1,093,609	100.00	1,093,609		1,093,609
9	394	694	Tools, Shop & Garage Equipment	1,626,053	889,038	100.00	889,038	(413,930)	475,108
10	396	696	Power Operated Equipment	722,317	389,934	100.00	389,934		389,934
11	397	697	Communication Equipment	5,806,805	275,900	100.00	275,900	(20,785)	255,115
12	398	698	Miscellaneous Equipment	632,757	92,656	100.00	92,656		92,656
13			Total General Plant	25,862,144	10,588,184		10,588,184	(809,359)	9,778,825
14			Total Gas Plant	$464,537,560	$216,710,346		$216,710,348	(1,005,463)	$215,704,885

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ADJUSTMENTS TO ACCUMULATED DEPRECIATION AND AMORTIZATION
AS OF AUGUST 31, 2007

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedule WPB-3.1

LINE NO.	F.E.R.C. ACCT. NO.	COMPANY ACCT. NO.	ACCOUNT TITLE	TOTAL COMPANY ADJUSTMENT	ALLOCATION %	JURISDICTIONAL ADJUSTMENT
				(a)	(b)	(c)
			Intangible Plant			
1	303	603	Miscellaneous Intangible Plant	(8,878)	100.00	(8,878)
			Total Intangible Plant			
			Distribution Plant			
2	376	676	Mains	(109,753)	100.00	(109,753)
3	378	678	Meas. & Reg. Station Equipment - General	(3,099)	100.00	(3,099)
4	380	680	Services	(519)	100.00	(519)
5	381	681	Meters	(73,855)	100.00	(73,855)
				(187,226)		(187,226)
			General Plant			
6	391	691.1	Electronic Equipment	(42,013)	100.00	(42,013)
7	391	691.2	Office Furniture & Fixtures	(337,590)	100.00	(337,590)
8	392.1	692.1	Automobiles	2,570	100.00	2,570
9	392.2	692.2	Light Trucks	2,389	100.00	2,389
4	394	694	Tools, Shop and Garage Equipment	(413,930)	100.00	(413,930)
5	397	697	Communication Equipment	(20,785)	100.00	(20,785)
6			Total General Plant	(809,359)		(809,359)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF AUGUST 31, 2007

INTANGIBLE PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3, and Applicant's Schedule B-3

SCHEDULE B-3.2
PAGE 1 OF 5

LINE NO. (A)	FERC ACCT. NO (B-1)	COMPANY ACCT. NO (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ADJUSTED JURISDICTION ACCUMULATED BALANCE (E)	(1) CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	(1) % NET SALVAGE (H)	(1) AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
1	303	603	Miscellaneous Intangible Plant	$14,643,308	$6,263,097	10.00%	$1,464,331	0.00%	10	
2			Total Intangible Plant	$14,643,308	$6,263,097		$1,464,331			

(1) Accural rates, net salvage percentage, and average service life established per Commission Order in Case No. 04-571-GA-AIR

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF AUGUST 31, 2007

MANUFACTURED GAS PRODUCTION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3, and Applicant's Schedule B-3

LINE NO. (A)	FERC ACCT. NO. (B-1)	COMPANY ACCT. NO (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ADJUSTED JURISDICTION ACCUMULATED BALANCE (E)	(1) CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	(1) % NET SALVAGE (H)	(1) AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
1	304	604.1	Land and Land Rights	$192,203	$0	0.00%	$0			
2	305	605.1	Structures and Improvements - Production	590,665	520,711	2.50%	14,767	0.00%	40	
3	305	605.2	Structures and Improvements - Storage	0	452,032	1.82%	0	0.00%	55	
4	311	611.1	Liquefied Petroleum Gas Equip. - Production	2,643,965	2,680,270	2.86%	75,617	0.00%	35	
5	311	611.2	Liquefied Petroleum Gas Equip. - Storage	92,189	221,750	2.86%	2,637	0.00%	35	
6	311	611.3	Liquefied Petroleum Gas Equip. - Lines	974,908	1,265,466	1.82%	17,743	0.00%	55	
7			Total Manufactured Gas Production Plant	$4,493,931	$5,140,229		$110,764			

(1) Accural rates, net salvage percentage, and average service life established per Commission Order in Case No. 04-571-GA-AIR

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF AUGUST 31, 2007

TRANSMISSION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3, and Applicant's Schedule B-3

LINE NO. (A)	FERC ACCT. NO (B-1)	COMPANY ACCT. NO (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ADJUSTED JURISDICTION ACCUMULATED BALANCE (E)	(1), (2) CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	(1), (2) % NET SALVAGE (H)	(1), (2) AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
1	365.1	665.1	Land and Land Rights	$40,565	$0	0.00%	$0			
2	365.2	665.2	Rights-of-Way	37,804	0	0.00%	0			
3	366	666.2	Meas. & Reg. Station Structures	37,437	581	2.00%	749	0.00%	50	
4	367	667	Mains	14,776,178	24,148	1.77%	261,538	-15.00%	65	
5	369	669	Meas. & Reg. Station Equipment	719,900	20,602	2.88%	20,733	-15.00%	40	
6	371	671	Other Equipment	18,627	2,036	6.67%	1,242	0.00%	15	
7			Total Transmission Plant	$15,630,511	$47,367		$284,262			

(1) Accural rates, net salvage percentage, and average service life established per Commission Order in Case No. 04-571-GA-AIR
(2) No Transmission Plant rates established in Commission Order in Case No. 04-571-GA-AIR, estimated life/accrual rate equivalent based on similar assets in the Disbribution Plant and General Plant Accounts

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF AUGUST 31, 2007

DISTRIBUTION PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3, and Applicant's Schedule B-3

				ADJUSTED JURISDICTION		(1), (2) CURRENT	CALCULATED	(1), (2)	(1), (2) AVERAGE	
LINE NO. (A)	FERC ACCT. NO (B-1)	COMPANY ACCT. NO (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	PLANT INVESTMENT (D)	ACCUMULATED BALANCE (E)	ACCRUAL RATE (F)	DEPR. EXPENSE (G=DxF)	% NET SALVAGE (H)	SERVICE LIFE (I)	CURVE FORM (J)
1	374	674.1	Land	$232,850	$0	0.00%	$0			
2	374	674.2	Land Rights	3,952,237	0	0.00%	0			
3	375	675	Structures and Improvements	884,560	364,092	2.00%	17,691	-2.00%	50	
4	376	676	Mains	212,829,507	81,212,836	1.77%	3,767,082	-15.00%	65	
5	378	678	Meas. & Reg. Station Equipment - General	10,526,266	5,025,825	2.88%	303,156	-15.00%	40	
6	379	679	Meas. & Reg. Station Equipment - City Gate	1,478,269	479,864	2.74%	40,505	-15.00%	42	
7	380	680	Services	129,636,786	93,327,616	5.26%	6,819,000	-200.00%	57	
8	381	681	Meters	33,007,760	9,611,408	2.38%	785,585	0.00%	42	
9	382	682	Meter Installations	5,045,730	1,767,042	1.82%	91,832	0.00%	55	
10	383	683	House Regulators	5,015,650	2,183,412	2.86%	143,448	0.00%	35	
11	384	684	House Regulator Installations	911,201	434,639	2.86%	26,060	0.00%	35	
12	385	685	Industrial Meas. & Reg. Station Equipment	346,311	67,696	3.33%	11,532	0.00%	30	
13	387	687	Other Equipment (2)	38,740	937	3.33%	1,290	0.00%	30	
14			Total Distribution Plant	$403,907,667	$194,475,367		$12,007,181			

(1) Accural rates, net salvage percentage, and average service life established per Commission Order in Case No. 04-571-GA-AIR
(2) No Other Equipment (387) rate established in Commission Order in Case No. 04-571-GA-AIR, estimated life/accrual rate equivalent based on Industrial Meas. & Reg. Station

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
DEPRECIATION ACCRUAL RATES AND
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS, FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
AS OF AUGUST 31, 2007

GENERAL PLANT

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedules B-2.1 and B-3, and Applicant's Schedule B-3

LINE NO. (A)	FERC ACCT. NO (B-1)	COMPANY ACCT. NO (B-2)	ACCOUNT TITLE OR MAJOR PROPERTY GROUPING (C)	ADJUSTED JURISDICTION PLANT INVESTMENT (D)	ADJUSTED JURISDICTION ACCUMULATED BALANCE (E)	(1) CURRENT ACCRUAL RATE (F)	CALCULATED DEPR. EXPENSE (G=DxF)	(1) % NET SALVAGE (H)	(1) AVERAGE SERVICE LIFE (I)	CURVE FORM (J)
1	389	389.1	Land	$1,850,367	$0	0.00%	$0			
2	390	690	Structures and Improvements	8,887,927	4,290,804	2.50%	222,198	0.00%	40	
3	391	691.1	Electronic Equipment	431,637	203,054	16.67%	71,954	0.00%	6	
4	391	691.2	Office Furniture & Fixtures	2,102,603	1,546,572	3.80%	79,899	5.00%	25	
5	392	692.1	Automobiles (2)	56,114	179,430	18.00%	10,101	10.00%	5	
6	392	692.2	Light Trucks (2)	1,232,278	442,441	15.00%	184,842	10.00%	6	
7	392	692.3	Trailers (2)	510,233	810,102	6.15%	31,379	20.00%	13	
8	392	692.4	Heavy Trucks (2)	2,003,053	1,093,609	8.18%	163,850	10.00%	11	
9	394	694	Tools, Shop & Garage Equipment	1,626,053	475,108	3.57%	58,050	0.00%	28	
10	396	696	Power Operated Equipment	722,317	389,934	6.92%	49,984	10.00%	13	
11	397	697	Communication Equipment	5,806,805	255,115	6.67%	387,314	0.00%	15	
12	398	698	Miscellaneous Equipment	632,757	92,656	6.67%	42,205	0.00%	15	
13			Total General Plant	25,862,144	9,778,825		1,301,776			
14			Total Gas Plant	$464,537,561	$215,704,885		15,168,314			
15			Less: Transportation Equipment (2) - Sum (Lines 5-8)				(390,172)			
16			Depreciation Expense (Line 14 + Line 15)				$14,778,142			

(1) Accural rates, net salvage percentage, and average service life established per Commission Order in Case No. 04-571-GA-AIR
(2) 100% of Transportation Equipment (392) depreciation is debited to Clearing Accounts (184) and distributed to O&M and Capital based on an hourly rate.

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
CONSTRUCTION WORK IN PROGRESS
AS OF AUGUST 31, 2007

			Accumulated Costs				Total	Estimated
Line No. (A)	Project No. (B)	Description of Project (C)	Construction Dollars (D)	AFUDC Capitalized (E)	Total Cost (F=D+E)	Allocation % (G)	Jurisdictional Cost at Date Certain (H)	Physical Percent Completion (I)

Not Applicable. CWIP is not included in Rate Base.

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ALLOWANCE FOR WORKING CAPITAL
AS OF AUGUST 31, 2007

LINE NO.	WORKING CAPITAL COMPONENT	DESCRIPTION of METHODOLGY USED to DETERMINE JURISDICTIONAL REQUIREMENT	SCHEDULE / WORK PAPER REFERENCE NUMBER	JURISDICTION
1	Revenue Lag Allowance	Lead/Lag Study	Staff's Schedule B-5.1	$46,625,938
2	Expense Lag Allowance	Lead/Lag Study	Staff's Schedule B-5.1	46,709,918
	Material and Supplies:			
3	M&S Inventory	13 month average balance.	Financial Report as Prepared by Eagle Energy, LLC	122,827
4	Underground & LPG Storage	13 month average balance	Applicant's Schedule WPB-5.1	951,698
5	Total Materials and Supplies			1,074,525
6	Working Capital Allowance (Line 1 - 2 + 5)			990,545
7	Effective Working Capital Allowance			$990,545

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ALLOWANCE FOR WORKING CAPITAL
AS OF AUGUST 31, 2007

SCHEDULE / WORK PAPER REFERENCE NO(S).: Staff's Schedule WPB-3.1

SCHEDULE B-5.1
PAGE 1 OF 1

		Adjusted Revenues & Expenses	Days Lag (a)	Weighted Dollar Days	Working Capital Requirements
(1)	Revenue Lag Allowance	$442,038,111	38.50	$17,018,467,256	$46,625,938
	Operation & Maintenance Expense:				
(2)	Gas Purchases	316,329,402	31.14	9,850,497,578	26,987,665
(3)	Payroll	10,737,026	30.57	328,230,897	899,263
(4)	Uncollectibles	15,492,584	38.50	596,464,484	1,634,149
(5)	Asset Charges	8,427,208	31.40	264,614,331	724,971
(6)	Incentive Compensation	1,004,398	158.24	158,935,940	435,441
(7)	Other Operation & Maintenance	28,132,268	35.81	1,007,416,532	2,760,045
(8)	Total Operation & Maintenance (2) Thru (7)	380,122,887		12,206,159,762	33,441,534
(9)	Depreciation	14,778,142	0.00	-	-
	Federal and State Income Tax:				
(10)	Current Income Tax	(3,823,259)	0.00	-	-
(11)	Deferred Income Taxes	6,129,044	0.00	-	-
(12)	Net ITC	-	38.50	-	-
(13)	Total Federal Income Taxes (10) Thru (12)	2,305,785		-	-
	Taxes Other Than Federal Income Tax:				
(14)	Property Tax	5,491,733	327.28	1,797,334,376	4,924,204
(15)	Gross Receipts Tax	20,262,039	99.80	2,022,151,506	5,540,141
(16)	FICA, FUTA and SUTA	858,962	59.11	50,773,250	139,105
(17)	PUCO & OCC Maintenance	633,300	455.50	288,468,150	790,324
(18)	MCF Tax	5,792,317	95.91	555,541,154	1,522,031
(19)	Total Taxes Other Than Income Tax (14) Thru (18)	33,038,352		4,714,268,436	12,915,804
(20)	Interest Expense	7,939,039	16.21	128,691,822	352,580
(21)	Preferred Stock	-	73.45	-	-
(22)	Return on Common Equity	3,853,906	0.00	-	-
(23)	Expense Lag Allowance (8) + (9) + (13) + (19) + (20) + (21) + (22)	$442,038,111		$17,049,120,020	$46,709,918

(a) Taken from Case No. 04-0571-GA-AIR : Settlement Schedule B-5
Updated Revenue lag days to capture change in customer bill payment requirements

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
OTHER RATE BASE ITEMS SUMMARY
AS OF AUGUST 31, 2007

LINE NO.	WORKING CAPITAL COMPONENT	DESCRIPTION OF METHODOLOGY USED TO DETERMINE JURISDICTIONAL REQUIREMENT	SCHEDULE/ WORK PAPER REFERENCE	JURISDICTION
1	Customer Advances for Construction	General Ledger Balance	Applicant's Trial Balance	(6,108,903)
2	Customer Service Deposits	13 Month Average Balance.	Applicant's Sch. WPB-5.2	(5,179,137)
3	Deferred Income Taxes	General Ledger Balance	Applicant's Trial Balance	(12,368,720)
4	PIPP Deferred Asset	13 month Average General Ledger Balance	Applicant's Sch. WPB-5.2	$5,969,191

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
JURISDICTIONAL PROFORMA INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Staff's Schedules C-2 and C-1.1

LINE NO.	DESCRIPTION	REVENUE & EXPENSES (A)	PROPOSED INCREASE (B)	REVENUE & EXPENSES (C)
1	Operating Revenues	$442,038,111	$27,331,071	$469,369,182
2				
3	Operating Expenses			
4	Operation & Maintenance	380,122,887	0	380,122,887
5	Depreciation	14,778,142	0	14,778,142
6	Taxes - Other	32,179,389	0	32,179,389
7	Operating Expenses before Income Taxes	427,080,418	0	427,080,418
8				
9	Federal Income Taxes	2,305,785	9,565,875	11,871,660
10				
11	Total Operating Expenses	429,386,203	9,565,875	438,952,078
12				
13	Net Operating Income	$12,651,907	$17,765,196	$30,417,104
14				
15	Rate Base	$231,897,623		$231,897,623
16				
17	Rate of Return	5.46%		13.12%

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
TO REFLECT AMOUNT OF REQUESTED INCREASE

LINE NO.	DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE			PROPOSED INCREASE
1	Operating Revenues	APPLICANT'S SCH. A-1			$27,331,071
2					
3	Operating Expenses				
4	Operation & Maintenance				
5	PUCO Maintenance Assessment		0.000%	$0	$0
6	OCC Maintenance Assessment		0.000%	0	0
7	Total Operation & Maintenance				0
8					
9	Taxes Other Than Income Taxes				
10	Justified Increase (Line 1)			0	
11	Percent Exempt Revenue		0.000%		
12	Less: Exempt Revenue (line 10 x line 11)			0	
13	Ohio Excise Tax		0.00%	$0	0
14					
15	Operating Expenses Before Income Taxes (Line 7 + Line 13)				0
16					
17	Operating Income Before Income Taxes (Line 1 - Line 15)				27,331,071
18					
19	Federal Income Taxes		35%	27,331,071	9,565,875
20					
21	Net Operating Income (Line 17 - Line 19)				$17,765,196

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ADJUSTED TEST YEAR OPERATING INCOME
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Applicant's Schedule C-2 and Staff's Schedule C-3

LINE NO.	DESCRIPTION	REVENUE & EXPENSES (A)	ADJUSTMENTS (B)	REVENUE & EXPENSES (C)
1	OPERATING REVENUES			
2	Base Revenue and Riders	$128,526,775	(4,251,652)	$124,275,123
3	Gas Costs Revenue	257,050,415	59,278,987	316,329,402
4	Other Revenue	1,433,586		1,433,586
5	Total Operating Revenues	387,010,775	55,027,336	442,038,111
6				
7	OPERATING EXPENSES			
8	Operation and Maintenance Expenses			
9	Gas Cost Expenses	257,050,415	59,278,987	316,329,402
10	Other Operation and Maintenance Expenses	65,127,890	(1,334,405)	63,793,485
11				
12	Total Operation and Maintenance Expenses	322,178,305	57,944,582	380,122,887
13				
14	Depreciation Expense	14,795,284	(17,142)	14,778,142
15	Taxes - Other	28,536,115	3,643,275	32,179,389
16	Federal Income Taxes	4,465,219	(2,159,434)	2,305,785
17				
18	Total Operating Expenses	369,974,922	59,411,281	429,386,203
19				
20	Net Operating Income	$17,035,853	(4,383,945)	$12,651,907

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
SUMMARY OF JURISDICTIONAL ADJUSTMENTS
TO OPERATING INCOME
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Applicant's Schedule C-3 and Staff's Schedules C-3.1 Thru 3.21

LINE NO.	SCHEDULE NO.	DESCRIPTION	STAFF'S ADJUSTMENTS	APPLICANT'S ADJUSTMENTS	VARIANCE
		Operating Revenue			
1	C-3.1	Base, Riders, Miscellaneous, and Other	(4,251,652)	(8,844,648)	4,592,996
2	C-3.2	Gas Cost	59,278,987	(4,029,269)	63,308,256
3		Total Operating Revenues	55,027,336	(12,873,917)	67,901,253
		Operating Expenses			
		Operation & Maintenance			
4	C-3.3	Gas Cost	59,278,987	(4,029,269)	63,308,256
5	C-3.4	System Integrity and Reliabiltiy Programs	(851,560)	2,275,626	(3,127,186)
6	C-3.5	Natural Gas Risers	610,000	610,000	0
7	C-3.6	Customer Related	(198,086)	319,739	(517,825)
8	C-3.7	Conservation	2,867,557	2,984,557	(117,000)
9	C-3.8	Shared Services	(1,016,582)	1,438,128	(2,454,710)
10	C-3.9	Labor Adjustment	(69,886)	48,840	(118,726)
11	C-3.10	Rate Case	45,753	283,416	(237,663)
12	C-3.11	Interest On Customer Service Deposits	155,374	155,374	0
13	C-3.12	Reclassification of PUCO AND OCC Assessment Fees	(682,457)	(61,389)	(621,068)
14	C-3.13	Miscellaneous	(2,545,543)		(2,545,543)
15	C-3.14	Uncollectible Riders Synchronization	2,001,602	1,580,313	421,289
16	C-3.15	Corporate Budget	(1,650,578)		(1,650,578)
17		Total Operation & Maintenance Expenses	57,944,582	5,605,335	52,339,247
18	C-3.16	Depreciation	(17,142)	54,916	(72,058)
		Taxes Other Than Income Taxes			
19	C-3.17	MCF Excise Tax	(9,191)	46,582	(55,773)
20	C-3.18	Gross Receipts Taxes	2,863,508	(454,367)	3,317,875
21	C-3.19	Property Taxes	155,658	155,658	0
22	C-3.20	PUCO AND OCC Assessment Fees	633,300		633,300
23		Total Taxes Other Than Income Taxes	3,643,275	(252,127)	3,895,402
24	C-3.21	Income Taxes	(2,159,434)	(6,235,852)	4,076,218
25		Total Operating Expenses	$59,411,281	(827,526)	$60,238,809

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
BASE AND RIDERS REVENUE
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

PURPOSE and DESCRIPTION: To reflect adjustments to operating revenues to reflecting new base rates effective May 2007 and remove budgeted Sales Reconciliation Rider revenues from the test year.

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE NO(S)	Base Revenue	Riders: PIPP Revenue	Riders: Uncollectible Revenue	Riders: MCF Tax Revenue	Riders: Gross Receipts Tax Revenue	Total
1	310 - Residential Sales Service (a)	Staff's Revised Sch. E-4.1	$39,375,965	$4,326,326	$3,425,387	$2,897,152	$12,621,104	$62,645,935
2	315 - Residential Choice Transportation Service (a)	Staff's Revised Sch. E-4.1	11,659,900	1,275,670	1,010,017	854,691	721,765	15,522,043
3	320 - General Service Sales - Non-Federal	Staff's Revised Sch. E-4.1	13,017,876	2,062,902	1,633,312	1,142,694	5,725,641	23,582,425
4	320 - General Service Sales - Federal	Staff's Revised Sch. E-4.1	74,244	12,163	9,630	0	0	96,038
5	325 - General Service Choice Transport - Non-Federal	Staff's Revised Sch. E-4.1	2,487,642	388,200	307,359	218,624	165,897	3,567,721
6	325 - General Service Choice Transport - Federal	Staff's Revised Sch. E-4.1	3,526	475	376	0	0	4,377
7	330 - Large General Sales Service - Non-Federal	Staff's Revised Sch. E-4.1	523,677	124,312	98,425	39,925	330,903	1,117,242
8	330 - Large General Sales Service - Federal	Staff's Revised Sch. E-4.1	107,848	28,128	22,271	7,346	0	165,593
9	330 - Large General Sales Service - Non-Federal	Staff's Revised Sch. E-4.1	181,330	53,724	42,537	10,494	140,484	428,568
10	330 - Large General Sales Service - Federal	Staff's Revised Sch. E-4.1	292,912	81,746	64,723	18,314	0	457,696
11	341 - Dual Fuel Sales Service	Staff's Revised Sch. E-4.1	2,428	1,145	907	281	2,928	7,689
12	345 - Large General Transportation Service - Non-Federal	Staff's Revised Sch. E-4.1	3,606,938	0	0	272,787	189,203	4,068,928
13	345 - Large General Transportation Service - Federal	Staff's Revised Sch. E-4.1	0	0	0	0	0	0
14	345 - Large General Transportation Service - Non-Federal	Staff's Revised Sch. E-4.1	4,845,789	0	0	305,457	251,211	5,402,457
15	345 - Large General Transportation Service - Federal	Staff's Revised Sch. E-4.1	161,164	0	0	0	0	161,164
16	Subtotal (Line 1 Thru Line 15)	Staff's Revised Sch. E-4.1	76,341,239	8,354,793	6,614,944	5,767,765	20,149,135	117,227,876
17	Miscellaneous Revenue	Staff's Revised Sch. E-4.1	3,479,308					3,479,308
	Other Revenue							
18	Special Contracts	Staff's Revised Sch. E-4.1	2,573,440					2,573,440
19	Schools	Staff's Revised Sch. E-4.1	1,767,780	291,807	231,040	24,553	112,904	2,428,084
20	Total Other Revenue (Line 18 + Line 19)		4,341,221	291,807	231,040	24,553	112,904	5,001,525
21	Grand Total (Line 16 + Line 17 + Line 20)		$84,161,768	$8,646,601	$6,845,983	$5,792,317	$20,262,039	125,708,709
22	Test Year Base, Riders, and Other Revenue (b)	Applicant's Sch. C-2						129,960,360
23	Adjustment (Line 21 - Line 22)						To Sch C-3 Summary <--	(4,251,652)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ANNUALIZED GCR REVENUES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

DATA: 3 MONTHS ACTUAL & 9 MONTHS ESTIMATED
WORK PAPER REFERENCE NO(S).:

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE NO(S)	AMOUNT	
	PURPOSE and DESCRIPTION: To reflect the change in operating revenues for GCR recoveries at latest known rate.			
1	Test Year CCF Subject to GCR	Staff's Revised Sch. E-4.1	275,766,855	
2	Expected Gas Cost Rate		$1.14709	
3	Annualized Gas Cost Revenue (Line 1 x Line 2)		316,329,402	
4	Test Year Gas Cost Revenue	Applicant's Sch. C-2	257,050,415	
5	Adjustment (Line 3 - Line 4)		$59,278,987	To Sch C3 Summary

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ANNUALIZED GCR EXPENSES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

DATA: 3 MONTHS ACTUAL & 9 MONTHS ESTIMATED
WORK PAPER REFERENCE NO(S).:

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE NO(S)	AMOUNT	
	PURPOSE and DESCRIPTION: To reflect the change in operating expenses for GCR recoveries at latest known rate.			
1	Test Year CCF Subject to GCR	Staff's Revised Sch. E-4.1	275,766,855	
2	Expected Gas Cost Rate		$1.14709	
3	Annualized Gas Cost Expense (Line 1 x Line 2)		316,329,402	
4	Test Year Gas Cost Expense	Applicant's Sch. C-2	257,050,415	
5	Adjustment (Line 3 - Line 4)		$59,278,987	To Sch C3 Summary

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
SYSTEM INTEGRITY AND RELIABILITY PROGRAMS
VECTREN ENERGY DELIVERY OF OHIO, INC.

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To annualize expense associated with operational programs and employee additions to support the programs.		
1	Gas Distribution System Maintenance Program	Staff's WPC-3.4	(414,619)
2	Right-of-Way ("ROW") Clearance Pogram	Staff's WPC-3.4	(571,492)
3	Aging Workforce Program	Staff's WPC-3.4	(128,042)
4	Other Distribution Maintenance Programs	Staff's WPC-3.4	290,111
5	Propane Air Facilities	Staff's WPC-3.4	(3,438)
6	Training	Staff's WPC-3.4	(75,408)
7	Employee Additions	Staff's WPC-3.4	51,328
8	Adjustment Amount (Sum of Lines 1 - 7)	To Sch C-3 Summary <---	(851,560)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
NATURAL GAS RISERS
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION		SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To capture amortization of deferred expenses associated with natural gas riser investigation as requested in Case No. 07-0294-GA-AAM.			
1	Expected Deferred Expenses Associated with Natural Gas Riser Survey at May 31, 2008		Applicant's Sch. C-3.13	$1,830,000
2	Amortization Period (Years)			3
3	Adjustment Amount	To Sch C-3 Summary <---		$610,000

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
CUSTOMER RELATED EXPENSE
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To capture incremental expenses to enhance customer support programs.		
1	Sales/Economic Development	Staff's WPC-3.6	$37,092
2	Safety Education Program	Staff's WPC-3.6	6,552
3	Meter Reading	Staff's WPC-3.6	(197,754)
4	Measurement Services	Staff's WPC-3.6	(43,976)
5	Adjustment amount (Sum of Lines 1 - 4)	To Sch C-3 Summary <---	(198,086)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
CONSERVATION
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION		SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To reflect annual program costs associated with conservation initiatives focused on residential and general service customers. This adjustment brings the annual level of program costs to $4.0 million.			
1	Adjustment Amount	To Sch C-3 Summary <---	Applicant's Sch. C-3.15	$2,867,557

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
SHARED SERVICES EXPENSE
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To reflect annual costs associated with human resource and information technology support services provided to Vectren Energy Delivery of Ohio.		
1	Employee Additions	Staff's WPC-3.8a	$55,959
2	Human Resource (HR) Programs	Staff's WPC-3.8a	(1)
3	IT Maintenance Fees	Staff's WPC-3.8a	0
4	Asset Charge - Annualize at 2008 Budget Level	Staff's WPC-3.8b	(1,072,540)
5	Adjustment Amount	To Sch C-3 Summary <---	(1,016,582)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
LABOR ADJUSTMENT
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To reflect the level of labor expense that will be in effect during the test year in accordance with company practice and union contract terms.		
1	Labor Expense	Financial Report as Prepared by Eagle Energy, LLC	92,997
2	Incentive Compensation	Applicant's Schedule C-3.17	(162,883)
3	Adjustment Amount	To Sch C-3 Summary <---	(69,886)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
RATE CASE EXPENSE
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To reflect the estimated costs related to this proceeding as of May 31, 2008 amortized over a three-year period.		
1	Expected Rate Case Expense for Current Case	Applicant's Sch C-8	$1,078,000
2	Expected Rate Case Expense for Commission Directed Financial Auditing	Financial Report Prepared by Eagle Energy, LLC	163,000
3	Total (Line 1 + Line 2)		$1,241,000
4	Amortization Period (Years)		5
5	Pro Forma Rate Case Amortization Expense (Line 3/Line 4)		$248,200
6	Less: Test Year Rate Case Amortization Expense	Applicant's Sch C-8	202,447
7	Pro Forma Increase in Rate Case Amortization Expense	To Sch C-3 Summary <---	$45,753

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
INTEREST ON CUSTOMER SERVICE DEPOSITS
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To reflect the interest on Customer Service Deposits as an operating expense.		
1	Customer Deposits	Schedule B-6	$5,179,137
2	Customer Deposit Statutory Interest Rate	Applicant's Sch. C-3.19	0.03
3	Adjustment Amount (Line 1 * Line 2)	To Sch C-3 Summary <---	$155,374

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PUCO AND OCC ASSESSMENT FEES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To reclassify PUCO and OCC assessments to taxes other than income.		
1	Test Year PUCO and OCC Assessment Expenses	Applicant's Sch. C-2.1	(682,457)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
MISCELLANEOUS EXPENSES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Financial Audit Report as Submitted by Eagle Energy, LLC, Pages 33-35

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To eliminate, or normalize, various miscellaneous operation and maintenance expenses.		
1	Lobbying Portion of AGA Dues		(4,056)
2	Injuries and Damages		(792,856)
3	Office Supplies		(924,127)
4	Dayton Air Show Contribution		(105,000)
5	Association Dues		(574,972)
6	New Employees		(144,532)
7	Adjustment Amount	To Sch C-3 Summary <--	(2,545,543)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
UNCOLLECTIBLE EXPENSES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To synchronize uncollectible expenses with uncollectible expense rider and PIPP rider.		
1	Adjusted Amount	Staff's Schedule C-3.1	$15,492,584
2	Test Year Uncollectible Expense	Applicant's Schedule C-2.1	13,490,982
3	Adjustment (Line 1 - Line 2)	To Sch C-3 Summary <---	$2,001,602

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
CORPORATE BUDGET EXPENSE
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE		AMOUNT
	PURPOSE and DESCRIPTION: An adjustment to operation and and maintenance expenses to reflect Applicant's corporate budget for the period January through May 2008.			
1	Corporate Budgeted O&M Expenses	Financial Report Prepared by Eagle Energy, LLC		$190,197,030
2	Test Year O&M Expenses	Applicant's Supplemental C-8		191,847,608
3	Adjustment (Line 1 - Line 2)		To Sch C-3 Summary <--	(1,650,578)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ANNUALIZED DEPRECIATION EXPENSE
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE		AMOUNT
	PURPOSE and DESCRIPTION: To reflect an adjustment to annualize depreciation expense as calculated on Schedule B-3.2 based on plant in service August 31, 2007 at depreciation rates approved in case 04-0571-GA-AIR.			
1	Depreciation Expense - Annualized	Schedule B-3.2		$14,778,142
2	Depreciation Expense - Test Period	Schedule C-2		14,795,284
3	Annualized Depreciation Adjustment (Line 1 - Line 2)		To Sch C-3 Summary <—	(17,142)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
MCF TAX
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To synchronize MCF Tax expenses with MCF tax revenue.		
1	Adjustment Amount	Staff's Schedule C-3.1	$5,792,317
2	Test Year MCF Tax	Applicant's Schedule C-2.1	5,801,508
3	Adjustment (Line 1 - Line 2)	To Sch C-3 Summary <---	(9,191)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
GROSS RECEIPTS TAX
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To synchronize Gross Receipts Tax expense with gross receipts tax revenue		
1	Adjusted Amount	Staff's Schedule C-3.1	$20,262,039
2	Test Year Gross Receipts Tax	Applicant's Schedule C-2.1	17,398,531
3	Adjustment (Line 1 - Line 2)	To Sch C-3 Summary <---	$2,863,508

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PROPERTY TAX
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION	SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To recognize property tax assessed for Z-51 pipeline.		
1	Adjustment Amount	To Sch C-3 Summary Applicant's Sch. C-3.22	$155,658

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
PUCO AND OCC ASSESSMENTS
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Latest Known Assessments

LINE NO.	PURPOSE and DESCRIPTION	AMOUNT
	PURPOSE and DESCRIPTION: To annualize the level of PUCO and OCC assessments to the latest known level.	
1	PUCO Maintenance Assessment (a)	$503,087
2	OCC Fund Assessment (a)	130,213
3	Total Assessments (Line 1 + Line 2)	$633,300

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

LINE NO.	PURPOSE and DESCRIPTION		SCHEDULE/ WORK PAPER REFERENCE	AMOUNT
	PURPOSE and DESCRIPTION: To adjust federal income taxes based on calculation at Schedule C-4.			
1	Adjustment Amount - Current & Deferred Taxes	To Sch C-3 Summary <---	Staff's Sch. C-4	(2,159,434)

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ADJUSTED JURISDICTIONAL FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Applicant's Schedule C-4 and Staff's Schedule C-3

		AT CURRENT RATES			AT PROPOSED RATES	
LINE NO.	DESCRIPTION	UNADJUSTED (A)	ADJUSTMENTS (B)	ADJUSTED (C)	PROFORMA ADJUSTMENTS (D)	PROFORMA (E)
1	Operating Income before Federal Income Tax	$21,501,071	(6,543,379)	$14,957,692	$27,038,546	$41,996,238
2						
3	Reconciling Items:					
4	Net Interest Charges	8,192,772	(253,733)	7,939,039 *		7,939,039
5						
6	Tax Depreciation	16,201,766		16,201,766		16,201,766
7	Book Depreciation	14,795,284	(17,142)	14,778,142		14,778,142
8	Excess of Tax over Book Depreciation	1,406,482	17,142	1,423,624		1,423,624
9						
10	Non-Deductible Expenses	430,698		430,698		430,698
11	Test Year Below the Line Expense	119,833	(119,833)			0
12	Total Permanent Differences	550,531	(119,833)	430,698		430,698
13						
14	Other Reconciling Items:					
15	Goodwill	(13,414,171)		(13,414,171)		(13,414,171)
16	Acquisition Adjustment	(375,331)		(375,331)		(375,331)
17	Prepaid Ohio Excise Tax	404,041		404,041		404,041
18	Interest on Ohio Prepaid Tax	(306,123)		(306,123)		(306,123)
19	Construction Deposits	928,582	(288,582)	640,000		640,000
20	Allowance for Funds Used During Construction	(55,805)		(55,805)		(55,805)
21	Capitalized Interest	73,315		73,315		73,315
22	Cost of Removal	(1,355,434)	(451,811)	(1,807,245)		(1,807,245)
23	Rate Case Expense Amortization	202,447	45,753	248,200		248,200
24	Rate Case Expense Actual	164,574	(1,066,597)	(902,023)		(902,023)
25	FAS 106	(453,271)		(453,271)		(453,271)
26	*Deferred Compensation*	547,000		547,000		547,000
27	Customer Advances for Construction	352,328		352,328		352,328
28	*Ohio Choice Programs*	(1,873,346)	550,984	(1,322,362)		(1,322,362)
29	Capitalized Building Improvements Exp on Book	(7,513)		(7,513)		(7,513)
30	Pension Expense in Excess of Tax	214,000		214,000		214,000
31	Deferred Asset Pipeline Integrity	74,342	2,691	77,033		77,033
32	Total Other Reconciling Items	(14,880,366)	(1,210,253)	(16,087,928)	0	(16,087,928)
33	Total Reconciling Items	25,030,152	853,828	25,881,289	0	25,881,289
34	Federal Taxable Income	(3,529,080)	(7,397,208)	(10,923,597)	27,038,546	16,114,949

*-Weighted Cost of Debt of 3.42% x Rate Base of $232,135,650

VECTREN ENERGY DELIVERY OF OHIO, INC.
CASE NO. 07-1080-GA-AIR; CASE NO. 07-1081-GA-ALT
ADJUSTED JURISDICTIONAL FEDERAL INCOME TAXES
FOR THE TWELVE MONTHS ENDED MAY 31, 2008

SCHEDULE / WORK PAPER REFERENCE NO(S).:
Applicant's Schedule C-4 and Staff's Schedule C-3

						AT CURRENT RATES		AT PROPOSED RATES	
LINE NO.	DESCRIPTION				UNADJUSTED (A)	ADJUSTMENTS (B)	ADJUSTED (C)	PROFORMA ADJUSTMENTS (D)	PROFORMA (E)
1	Federal Taxable Income								
2	from Page 1				(3,529,080)	(7,397,208)	(10,923,597)	27,038,546	16,114,949
3									
4	Federal Income Taxes:								
5	First $	50,000 $	(50,000) @	15%	(7,500)	0	(7,500)	15,000	7,500
6	Next $	25,000 $	(25,000) @	25%	(6,250)	0	(6,250)	12,500	6,250
7	Next $	25,000 $	(25,000) @	34%	(8,500)	0	(8,500)	17,000	8,500
8	Next $	235,000 $	(235,000) @	39%	(91,650)	0	(91,650)	183,300	91,650
9	Next $	9,665,000 $	(9,665,000) @	34%	(1,121,278)	(2,164,822)	(3,286,100)	8,812,432	5,526,332
10	Next $	5,000,000 $	(923,597) @	35%	0	(323,259)	(323,259)	323,259	
11	Next $	3,333,333 $	- @	38%	0	0	0	0	
12	Over $	18,333,333 $	- @	35%	0	(100,000)	(100,000)	100,000	
13	Federal Income Taxes	$	(10,923,597)	35%	(1,235,178)	(2,588,081)	(3,823,259)	9,463,491	5,640,232
14									
15	Provision Deferred Inc Taxes (Net):								
16	Method Life				492,269	6,000	498,269		498,269
17	Goodwill				4,694,960		4,694,960		4,694,960
18	Acquisition Adjustment				131,366		131,366		131,366
19	Prepaid Ohio Excise Tax				(141,414)		(141,414)		(141,414)
20	Interest on Ohio Prepaid Tax				107,143		107,143		107,143
21	Construction Deposits				(325,004)	101,004	(224,000)		(224,000)
22	Allowance for Funds Used During Construction				19,532		19,532		19,532
23	Capitalized Interest				(25,660)		(25,660)		(25,660)
24	Cost of Removal				474,402	158,134	632,536		632,536
25	Rate Case Expense Amortization				(70,856)	(16,014)	(86,870)		(86,870)
26	Rate Case Expense Actual				(57,601)	373,309	315,708		315,708
27	FAS 106				158,645		158,645		158,645
28	Deferred Compensation				(191,450)		(191,450)		(191,450)
29	Customer Advances for Construction				(123,315)		(123,315)		(123,315)
30	Ohio Choice Programs				655,671	(192,844)	462,827		462,827
31	Capitalized Building Improvements Exp on Book				2,630		2,630		2,630
32	Pension Expense In Excess of Tax				(74,900)		(74,900)		(74,900)
33	Deferred Asset Pipeline Integrity				(26,020)	(942)	(26,962)		(26,962)
34	Total Prov Def. Inc Tax				5,700,397	428,647	6,129,044	0	6,129,044
35	Total Federal Income Taxes				4,465,219	(2,159,434)	2,305,785	9,463,491	11,769,276

Schedule D-1

Rate of Return Summary
Vectren Energy Delivery of Ohio, Inc.

	% of Total	% Cost	Weighted Cost %
Long Term Debt1	48.66%	7.02%	3.42%
Preferred Stock	0.00%	0.00%	0.00%
Common Equity	51.34%	9.80% -10.84%	5.03% -5.56%
Total Capital	100.00%		8.45% -8.98%

Schedule D-1.1

Equity Issuance Cost Adjustment
Vectren Energy Delivery of Ohio, Inc.
August 31, 2007

(1) Retained Earnings[1]	$0
(2) Total Common Equity[2]	$89,209,110
(3) Ratio of (1) to (2)	0.00000
(4) Generic Issuance Cost, f	3.50%
(5) External Equity Ratio, w [1.0 - (3)]	1.00000
(6) Net Adjustment Factor, (w/(1 - f)) + (1 - w)	1.03627
(7) Low End Equity Cost [9.46% x (6)]	9.80%
(8) High End Equity Cost [10.46% x (6)]	10.84%

Sources:

1 Vectren Energy Delivery of Ohio's Balance Sheet, August 31, 2007. For the purposes of this calculation, the retained earnings amount is set to zero as all total common equity properly should be considered externally generated.

2 Applicant's Schedule D-1

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
26-Mar-07	4.59	4.78
27-Mar-07	4.61	4.81
28-Mar-07	4.62	4.83
29-Mar-07	4.63	4.83
30-Mar-07	4.65	4.85
2-Apr-07	4.64	4.84
3-Apr-07	4.66	4.85
4-Apr-07	4.65	4.84
5-Apr-07	4.67	4.87
9-Apr-07	4.74	4.92
10-Apr-07	4.72	4.91
11-Apr-07	4.74	4.91
12-Apr-07	4.74	4.91
13-Apr-07	4.76	4.93
16-Apr-07	4.74	4.89
17-Apr-07	4.69	4.85
18-Apr-07	4.65	4.82
19-Apr-07	4.67	4.84
20-Apr-07	4.67	4.84
23-Apr-07	4.65	4.83
24-Apr-07	4.62	4.8
25-Apr-07	4.65	4.83
26-Apr-07	4.68	4.87
27-Apr-07	4.7	4.89
30-Apr-07	4.63	4.82
1-May-07	4.64	4.82
2-May-07	4.65	4.82
3-May-07	4.67	4.84
4-May-07	4.64	4.8
7-May-07	4.64	4.79
8-May-07	4.63	4.8
9-May-07	4.67	4.84
10-May-07	4.65	4.83
11-May-07	4.67	4.85
14-May-07	4.69	4.86
15-May-07	4.71	4.88
16-May-07	4.71	4.87
17-May-07	4.76	4.91
18-May-07	4.8	4.96

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
21-May-07	4.79	4.94
22-May-07	4.83	4.98
23-May-07	4.86	5.01
24-May-07	4.86	5.01
25-May-07	4.86	5.01
29-May-07	4.88	5.01
30-May-07	4.88	5.01
31-May-07	4.89	5.01
1-Jun-07	4.96	5.06
4-Jun-07	4.93	5.02
5-Jun-07	4.98	5.07
6-Jun-07	4.97	5.08
7-Jun-07	5.1	5.2
8-Jun-07	5.12	5.22
11-Jun-07	5.14	5.24
12-Jun-07	5.25	5.36
13-Jun-07	5.2	5.28
14-Jun-07	5.22	5.29
15-Jun-07	5.17	5.26
18-Jun-07	5.14	5.25
19-Jun-07	5.09	5.2
20-Jun-07	5.12	5.23
21-Jun-07	5.16	5.28
22-Jun-07	5.14	5.26
25-Jun-07	5.08	5.2
26-Jun-07	5.1	5.22
27-Jun-07	5.07	5.19
28-Jun-07	5.12	5.22
29-Jun-07	5.03	5.13
2-Jul-07	5	5.1
3-Jul-07	5.05	5.15
5-Jul-07	5.14	5.24
6-Jul-07	5.2	5.28
9-Jul-07	5.16	5.25
10-Jul-07	5.04	5.13
11-Jul-07	5.08	5.18
12-Jul-07	5.12	5.21
13-Jul-07	5.11	5.19

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
16-Jul-07	5.04	5.13
17-Jul-07	5.08	5.16
18-Jul-07	5.01	5.1
19-Jul-07	5.03	5.12
20-Jul-07	4.96	5.06
23-Jul-07	4.96	5.07
24-Jul-07	4.94	5.06
25-Jul-07	4.9	5.03
26-Jul-07	4.78	4.95
27-Jul-07	4.79	4.95
30-Jul-07	4.8	4.96
31-Jul-07	4.77	4.92
1-Aug-07	4.76	4.91
2-Aug-07	4.75	4.9
3-Aug-07	4.7	4.87
6-Aug-07	4.73	4.91
7-Aug-07	4.74	4.9
8-Aug-07	4.86	5.02
9-Aug-07	4.79	5.03
10-Aug-07	4.78	5.01
13-Aug-07	4.78	5.01
14-Aug-07	4.73	4.99
15-Aug-07	4.71	5.01
16-Aug-07	4.6	4.93
17-Aug-07	4.67	5
20-Aug-07	4.63	4.97
21-Aug-07	4.59	4.94
22-Aug-07	4.62	4.95
23-Aug-07	4.62	4.92
24-Aug-07	4.63	4.9
27-Aug-07	4.6	4.86
28-Aug-07	4.53	4.86
29-Aug-07	4.55	4.88
30-Aug-07	4.5	4.82
31-Aug-07	4.54	4.83
4-Sep-07	4.56	4.84
5-Sep-07	4.47	4.78
6-Sep-07	4.5	4.79
7-Sep-07	4.37	4.69

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
10-Sep-07	4.32	4.64
11-Sep-07	4.36	4.65
12-Sep-07	4.41	4.69
13-Sep-07	4.48	4.74
14-Sep-07	4.46	4.72
17-Sep-07	4.47	4.71
18-Sep-07	4.48	4.76
19-Sep-07	4.52	4.82
20-Sep-07	4.67	4.94
21-Sep-07	4.63	4.89
24-Sep-07	4.62	4.88
25-Sep-07	4.61	4.89
26-Sep-07	4.62	4.89
27-Sep-07	4.57	4.84
28-Sep-07	4.58	4.83
1-Oct-07	4.56	4.8
2-Oct-07	4.53	4.78
3-Oct-07	4.54	4.79
4-Oct-07	4.52	4.77
5-Oct-07	4.64	4.87
8-Oct-07	4.64	4.86
9-Oct-07	4.65	4.86
10-Oct-07	4.65	4.86
11-Oct-07	4.66	4.88
12-Oct-07	4.69	4.91
15-Oct-07	4.67	4.91
16-Oct-07	4.66	4.91
17-Oct-07	4.55	4.81
18-Oct-07	4.5	4.78
19-Oct-07	4.4	4.69
22-Oct-07	4.39	4.67
23-Oct-07	4.41	4.69
24-Oct-07	4.33	4.64
25-Oct-07	4.35	4.66
26-Oct-07	4.39	4.68
29-Oct-07	4.38	4.66
30-Oct-07	4.38	4.67
31-Oct-07	4.47	4.75
1-Nov-07	4.36	4.65

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
2-Nov-07	4.29	4.59
5-Nov-07	4.32	4.62
6-Nov-07	4.36	4.65
7-Nov-07	4.33	4.67
8-Nov-07	4.27	4.66
9-Nov-07	4.22	4.6
12-Nov-07	4.21	4.59
13-Nov-07	4.26	4.61
14-Nov-07	4.27	4.6
15-Nov-07	4.16	4.53
16-Nov-07	4.15	4.52
19-Nov-07	4.08	4.48
20-Nov-07	4.05	4.48
21-Nov-07	4.02	4.47
23-Nov-07	4.01	4.44
26-Nov-07	3.85	4.28
27-Nov-07	3.94	4.36
28-Nov-07	4.03	4.41
29-Nov-07	3.94	4.35
30-Nov-07	3.97	4.4
3-Dec-07	3.89	4.35
4-Dec-07	3.89	4.35
5-Dec-07	3.91	4.39
6-Dec-07	4	4.48
7-Dec-07	4.12	4.59
10-Dec-07	4.15	4.61
11-Dec-07	3.99	4.48
12-Dec-07	4.08	4.53
13-Dec-07	4.17	4.61
14-Dec-07	4.23	4.66
17-Dec-07	4.19	4.62
18-Dec-07	4.12	4.54
19-Dec-07	4.07	4.49
20-Dec-07	4.03	4.45
21-Dec-07	4.17	4.57
24-Dec-07	4.21	4.62
26-Dec-07	4.28	4.69
27-Dec-07	4.2	4.61

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
28-Dec-07	4.1	4.51
31-Dec-07	4.03	4.46
2-Jan-08	3.9	4.35
3-Jan-08	3.9	4.37
4-Jan-08	3.85	4.36
7-Jan-08	3.84	4.34
8-Jan-08	3.84	4.36
9-Jan-08	3.79	4.32
10-Jan-08	3.89	4.44
11-Jan-08	3.81	4.39
14-Jan-08	3.79	4.37
15-Jan-08	3.7	4.29
16-Jan-08	3.71	4.32
17-Jan-08	3.64	4.25
18-Jan-08	3.65	4.3
22-Jan-08	3.48	4.23
23-Jan-08	3.43	4.18
24-Jan-08	3.64	4.35
25-Jan-08	3.58	4.28
28-Jan-08	3.59	4.28
29-Jan-08	3.66	4.34
30-Jan-08	3.73	4.43
31-Jan-08	3.64	4.35
1-Feb-08	3.6	4.32
4-Feb-08	3.64	4.37
5-Feb-08	3.59	4.34
6-Feb-08	3.61	4.37
7-Feb-08	3.74	4.5
8-Feb-08	3.65	4.44
11-Feb-08	3.62	4.41
12-Feb-08	3.68	4.46
13-Feb-08	3.69	4.51
14-Feb-08	3.82	4.65
15-Feb-08	3.78	4.59
19-Feb-08	3.88	4.66
20-Feb-08	3.92	4.64
21-Feb-08	3.78	4.55
22-Feb-08	3.79	4.58
25-Feb-08	3.9	4.66

CAPM Cost of Equity Estimate

Date:	Closing 10Yr (%)	Closing 10Yr (%)
26-Feb-08	3.86	4.66
27-Feb-08	3.85	4.65
28-Feb-08	3.71	4.55
29-Feb-08	3.53	4.42
3-Mar-08	3.53	4.43
4-Mar-08	3.58	4.48
5-Mar-08	3.69	4.61
6-Mar-08	3.62	4.58
7-Mar-08	3.54	4.54
10-Mar-08	3.44	4.45
11-Mar-08	3.6	4.53
12-Mar-08	3.48	4.41
13-Mar-08	3.53	4.45
14-Mar-08	3.42	4.35
17-Mar-08	3.31	4.28
18-Mar-08	3.45	4.33
19-Mar-08	3.36	4.22
20-Mar-08	3.33	4.16
24-Mar-08	3.52	4.31
25-Mar-08	3.49	4.30
Averages:		
Last 63 days	3.7076	4.4305
Last 126 days	4.0037	4.5354
Last 189 days	4.2589	4.6812
Last 252 days	4.3960	4.7510
Average	4.0916	4.5995
Average of 10 and 30 Year Yields	4.3455	
CAPM Cost of Equity Estimate	9.8705	

Source: Yahoo.com

CAPM = risk free return + β(large company total return - risk free return)

= 4.34550% + .85(6.5%)

Value Line Betas:	
ATG	0.85
ATO	0.85
NFG	0.9
PNY	0.85
SJI	0.8

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	NFG	PNY	SJI
03/26/07	42.5500	31.1500	41.7600	26.7800	37.7500
03/27/07	42.6800	31.1500	41.9800	26.6700	37.7900
03/28/07	42.7900	31.3000	41.4100	26.5000	37.8600
03/29/07	42.7800	31.3900	40.9000	26.5900	37.9700
03/30/07	42.7200	31.2800	41.3400	26.3800	38.0500
04/02/07	43.2900	31.3000	41.1600	26.7100	38.2600
04/03/07	43.4100	31.5000	41.2200	26.8200	38.9600
04/04/07	43.4100	31.7900	41.2300	26.5200	38.9000
04/05/07	43.3500	31.6200	41.2300	26.6100	38.5300
04/09/07	43.6300	32.1000	40.9400	26.7800	38.4000
04/10/07	43.9500	32.5800	41.1000	27.1500	38.3700
04/11/07	44.0000	32.4200	41.5300	26.8000	38.3100
04/12/07	43.8300	32.4500	41.1700	26.9800	38.2500
04/13/07	44.0500	32.4500	41.6000	27.0900	38.2200
04/16/07	43.6500	32.5600	42.1900	27.3500	38.2600
04/17/07	43.7500	32.5500	42.6600	27.2500	38.1400
04/18/07	43.5700	32.3200	43.3800	26.9900	37.5700
04/19/07	43.4000	32.1900	43.2100	26.6000	37.7400
04/20/07	43.3400	32.2000	43.5400	27.1400	38.2800
04/23/07	43.4100	32.1400	43.1300	27.1300	38.4900
04/24/07	43.3300	32.1400	42.9700	27.1400	38.8200
04/25/07	43.8200	32.2700	43.1500	27.2400	39.2600
04/26/07	43.7700	32.1700	43.2600	27.1600	39.2700
04/27/07	44.1200	32.0100	44.1400	27.1500	39.6900
04/30/07	43.5400	31.7200	44.1600	26.3900	39.2700
05/01/07	43.8500	32.0900	45.0600	26.5700	39.4800
05/02/07	43.5000	31.9900	45.6000	27.1100	39.6900
05/03/07	42.9700	32.0700	46.6100	26.8000	39.3900
05/04/07	43.6200	32.0600	46.6800	26.8900	40.0500
05/07/07	43.7500	32.1000	46.3700	26.9700	39.9400
05/08/07	43.2800	32.2200	46.2700	26.8600	40.1500
05/09/07	43.4800	32.3300	46.0700	26.8300	40.2100
05/10/07	43.3100	31.8300	46.0900	26.0900	38.3900
05/11/07	43.4600	32.0700	46.1500	26.5800	38.6100
05/14/07	42.9900	32.1300	46.0100	26.7600	38.9100
05/15/07	42.8400	32.1300	45.7300	26.7500	38.8800
05/16/07	42.5300	32.4900	46.1900	26.9600	39.2500
05/17/07	42.8800	32.8500	46.4300	26.6500	39.2600
05/18/07	43.4500	32.8200	46.5000	26.7800	39.5600
05/21/07	43.6200	33.0600	47.3600	27.0300	40.2800
05/22/07	43.4400	33.1100	47.5600	27.0400	40.4300
05/23/07	42.9300	32.5100	47.7600	26.7100	39.2200
05/24/07	41.8800	32.0100	47.0100	26.0700	38.4000
05/25/07	41.8000	31.8700	46.9900	25.9200	38.4600
05/29/07	42.1900	32.1600	47.4600	26.3800	39.0900
05/30/07	42.7000	32.4400	47.3800	26.4200	39.3200
05/31/07	42.6600	32.3900	47.4900	26.5400	38.8700
06/01/07	42.5400	32.4800	47.4400	26.5900	39.0700
06/04/07	42.7300	32.4300	47.1600	26.6100	39.2100
06/05/07	42.3400	32.1200	47.0500	26.1000	38.2000
06/06/07	41.4300	31.6800	46.1300	26.3200	37.5700
06/07/07	40.4000	30.7600	46.2900	25.8100	35.9700
06/08/07	40.5300	30.6600	46.3300	25.9100	36.5500
06/11/07	40.5100	30.7200	46.3300	25.8700	36.9700
06/12/07	39.9100	30.1000	46.2400	25.4600	36.1400
06/13/07	40.0800	30.0400	46.2600	26.1300	36.3400
06/14/07	40.2000	30.2700	46.2500	26.4200	35.6800
06/15/07	40.5800	30.5600	46.8000	26.9000	35.9800
06/18/07	40.4400	30.3800	46.8200	26.2800	35.6400
06/19/07	40.4400	30.4400	46.2300	26.2600	35.7900
06/20/07	39.9500	30.1300	45.2100	25.2300	35.2700

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	NFG	PNY	SJI
06/21/07	39.8800	30.0700	45.2200	25.1400	35.2100
06/22/07	39.8400	29.8300	45.4500	24.9000	35.1400
06/25/07	39.9500	29.8100	45.9800	24.7300	35.1100
06/26/07	39.7600	29.3800	45.5600	24.7200	34.9400
06/27/07	40.3500	29.9100	45.6400	25.0000	35.4500
06/28/07	40.1700	29.9500	46.2800	24.9300	35.2000
06/29/07	40.4800	30.0600	46.5100	24.6500	35.3800
07/02/07	40.9000	30.3300	45.6800	24.8700	36.0700
07/03/07	41.0400	30.5200	44.1200	24.8100	36.0900
07/05/07	40.7800	30.3400	43.9500	24.9400	36.3800
07/06/07	40.8300	30.2900	44.2600	24.7600	35.9600
07/09/07	40.9500	30.3900	43.7500	24.9000	35.8900
07/10/07	40.1400	30.2400	44.1800	24.7200	35.4400
07/11/07	40.4200	30.1700	45.0100	24.8300	35.6800
07/12/07	41.1800	30.6600	45.6000	25.2500	36.4300
07/13/07	41.3000	30.6400	45.3000	25.2500	36.3500
07/16/07	41.0000	30.2000	44.9600	24.9200	35.5600
07/17/07	40.8300	30.0500	44.1400	24.6800	35.4000
07/18/07	40.7700	30.1100	44.7000	24.6600	35.5100
07/19/07	40.9300	30.2400	44.5600	25.1200	35.9300
07/20/07	40.3800	29.8500	44.0300	24.6600	35.0600
07/23/07	40.6800	30.1700	43.6000	25.4500	35.4200
07/24/07	39.3600	29.4100	43.2000	24.4300	34.0900
07/25/07	39.7500	29.5800	42.9100	24.7000	33.7200
07/26/07	38.6800	29.2100	43.3100	23.9900	33.0000
07/27/07	37.9000	28.4500	43.9600	23.4900	32.7200
07/30/07	38.0900	28.4400	43.5400	23.4800	32.8400
07/31/07	37.7000	28.0700	43.5700	23.1900	32.7700
08/01/07	38.3700	28.4500	43.6600	23.9800	33.6800
08/02/07	39.0500	28.3700	44.0300	24.2800	33.8600
08/03/07	37.7900	27.3100	43.6600	23.3400	31.9600
08/06/07	38.0100	27.6900	44.0800	24.1300	33.4200
08/07/07	38.2200	27.8800	44.5500	24.5400	33.2200
08/08/07	37.0700	26.7300	44.7500	26.0800	34.0200
08/09/07	36.2700	26.4700	44.2000	26.2400	35.3000
08/10/07	38.3500	27.8000	44.0300	26.5400	35.0300
08/13/07	38.3500	27.4200	44.7000	25.5000	33.8700
08/14/07	37.5500	27.0100	45.9600	24.7500	33.1400
08/15/07	36.5100	26.6900	46.0000	24.5200	33.0500
08/16/07	37.9500	26.8500	46.0000	26.3300	33.1700
08/17/07	37.7900	27.2300	44.6300	27.0100	33.1500
08/20/07	37.7900	27.3500	45.1300	26.9700	33.2300
08/21/07	38.1000	27.4800	44.5000	26.6700	33.6300
08/22/07	38.8100	27.5700	43.5900	26.6700	33.9500
08/23/07	39.0400	27.3600	44.2000	26.5100	33.9000
08/24/07	39.5800	27.8400	43.3500	26.9100	34.6500
08/27/07	39.0500	27.8500	43.8700	26.2800	34.0000
08/28/07	38.3000	27.5300	44.3600	25.6200	33.2500
08/29/07	39.4500	27.9800	43.9000	26.5300	34.0800
08/30/07	39.5100	27.9100	43.7100	26.3700	33.7600
08/31/07	39.7100	28.1100	44.4900	26.4000	33.9100
09/04/07	40.1100	28.1600	45.2400	26.4600	34.0200
09/05/07	39.2500	27.9200	43.9800	26.0800	33.3400
09/06/07	39.3800	27.8300	44.2300	26.2800	33.0200
09/07/07	39.0100	27.5400	43.6500	25.8900	32.4200
09/10/07	38.9700	27.6800	42.9800	24.7400	32.3800
09/11/07	39.3200	28.2000	42.4400	25.4400	32.2300
09/12/07	39.6900	28.1200	42.6200	25.2800	33.1700
09/13/07	39.7300	27.7600	43.2500	24.8900	33.4000
09/14/07	39.9500	27.5900	43.0200	24.9800	33.2400
09/17/07	39.4400	27.4200	43.1300	24.6900	33.5500

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	NFG	PNY	SJI
09/18/07	39.8700	27.8700	44.0100	25.5300	34.8500
09/19/07	39.8800	28.1800	44.5600	26.2400	35.5700
09/20/07	39.7300	28.2300	45.0000	25.6500	35.5000
09/21/07	40.0400	28.3000	44.2400	25.4400	35.9700
09/24/07	39.9500	28.3200	43.1100	25.4000	35.5800
09/25/07	39.8400	28.2500	44.3500	25.2900	35.4100
09/26/07	39.7700	28.5000	44.1600	25.8300	35.5300
09/27/07	39.8000	28.4400	44.3400	25.7500	35.4500
09/28/07	39.6200	28.3200	44.5600	25.0900	34.8000
10/01/07	40.0300	28.9200	44.2800	25.7300	35.5200
10/02/07	39.9900	28.8300	44.4700	25.8000	35.8900
10/03/07	40.1000	28.9200	43.7300	25.8300	35.5300
10/04/07	40.4300	29.0000	43.4200	25.8600	36.1300
10/05/07	40.6800	29.2800	43.5000	26.5700	37.0600
10/08/07	40.6500	29.1700	44.2400	26.2600	36.7000
10/09/07	41.0000	29.4400	44.1900	26.5700	37.4700
10/10/07	40.4100	29.3200	44.1000	26.3400	37.0300
10/11/07	40.3800	29.4600	44.2500	26.2000	37.0300
10/12/07	40.0600	29.3800	45.4000	26.2300	37.4400
10/15/07	39.8100	28.8500	45.4500	25.3900	36.5100
10/16/07	39.2000	28.6300	45.3500	25.0700	36.8900
10/17/07	38.8900	28.2700	45.4200	25.0200	36.4800
10/18/07	38.8500	28.2900	45.4200	24.7700	36.1700
10/19/07	38.2500	27.7800	45.4600	24.3900	34.5500
10/22/07	37.2300	27.9200	45.8500	24.8300	35.6400
10/23/07	37.4100	28.0600	46.5200	24.9900	36.1900
10/24/07	37.6400	28.1200	46.8100	24.8800	36.1100
10/25/07	38.0400	28.0800	47.3800	25.0600	36.5100
10/26/07	38.7200	28.1200	47.4600	25.6600	37.4400
10/29/07	38.7700	27.9600	47.6800	25.2100	36.6200
10/30/07	38.7300	27.7700	47.6400	25.0900	36.5200
10/31/07	39.5300	28.0500	47.5800	25.5300	37.5600
11/01/07	38.7700	27.7600	47.2000	24.7000	36.3700
11/02/07	38.2600	28.0800	48.4800	25.1100	36.6200
11/05/07	37.7800	27.8300	48.5900	25.0000	36.4100
11/06/07	38.1900	27.8400	48.9000	25.3000	36.9000
11/07/07	37.1600	26.9500	46.8200	24.5200	35.7500
11/08/07	38.3300	26.9600	46.8200	25.4500	36.9400
11/09/07	38.0100	26.8000	46.8600	25.4500	36.6200
11/12/07	37.6400	26.7700	46.8500	25.5100	36.7700
11/13/07	37.7500	27.1200	47.0100	25.6500	37.6400
11/14/07	36.6300	27.0200	46.0200	25.4800	37.7900
11/15/07	36.8100	27.2100	45.7300	25.6700	37.9200
11/16/07	36.9300	26.9000	45.8500	25.5600	37.8400
11/19/07	36.6700	26.9000	46.1500	25.5100	37.8500
11/20/07	36.7200	26.9200	46.6000	25.5000	37.9300
11/21/07	36.4000	26.4700	46.9200	25.4100	37.7600
11/23/07	36.1400	26.5800	47.2500	25.8300	38.0200
11/26/07	36.1200	26.2100	47.2100	25.4200	37.2400
11/27/07	36.6700	26.1300	48.4900	25.7800	37.5100
11/28/07	37.5400	26.2000	47.9400	26.5200	37.6600
11/29/07	36.9400	26.1100	48.7300	26.0800	37.5000
11/30/07	37.0800	26.1900	48.3200	26.0400	36.9000
12/03/07	37.1500	26.1800	48.9800	26.2500	36.7100
12/04/07	37.5400	26.4900	47.3000	26.2100	36.7300
12/05/07	38.1100	26.8200	48.2200	26.5300	36.9400
12/06/07	38.5100	27.3900	46.8500	27.4200	37.0500
12/07/07	38.3200	27.0700	45.7500	26.8200	36.5200
12/10/07	38.2200	27.1900	46.8700	26.6200	36.3100
12/11/07	37.6400	27.0300	46.3300	26.1900	35.5900
12/12/07	37.3100	26.9400	46.8200	26.5200	36.2300

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	NFG	PNY	SJI
12/13/07	37.1300	27.2800	46.7400	26.7200	36.1300
12/14/07	36.2500	26.8800	46.6600	26.1800	35.4100
12/17/07	35.8100	26.7400	46.5600	25.8800	34.8600
12/18/07	36.1500	27.1500	46.8000	26.5300	35.4400
12/19/07	36.2400	27.4300	47.0200	26.5900	35.4500
12/20/07	36.2900	28.0000	46.5500	26.9000	36.1300
12/21/07	37.1700	28.6500	47.0500	27.5800	37.6700
12/24/07	37.2600	28.7600	47.8100	27.7600	37.9800
12/26/07	37.2700	28.3900	48.0500	27.6900	37.7900
12/27/07	37.3800	28.2100	47.6500	26.9700	36.7200
12/28/07	37.4200	28.1000	47.9800	26.6400	36.6100
12/31/07	37.6400	28.0400	48.1200	26.1600	36.0900
01/02/08	37.3000	27.9500	48.3100	25.5000	36.2700
01/03/08	36.9300	27.7900	48.9400	25.4600	35.9700
01/04/08	36.8000	27.6700	49.0000	25.5100	36.1500
01/07/08	37.2700	27.9400	49.7500	25.8400	37.2700
01/08/08	37.3700	28.0000	48.7800	25.9400	36.8700
01/09/08	38.0000	28.1700	48.7400	26.3300	37.5900
01/10/08	38.0800	28.0200	48.8600	26.6800	38.0800
01/11/08	38.3900	27.8500	48.0600	26.2800	37.2200
01/14/08	37.9600	27.8700	47.5400	26.6800	37.4600
01/15/08	37.3900	27.5600	47.6200	26.5300	36.9100
01/16/08	37.7200	27.6000	47.8400	26.5500	37.3400
01/17/08	37.1300	27.3600	47.7000	25.9300	36.8400
01/18/08	36.6900	26.9200	47.6800	25.1600	36.1400
01/22/08	36.3800	26.9100	48.3100	25.1100	34.9400
01/23/08	37.6700	27.8500	47.7100	26.3100	36.5700
01/24/08	36.8200	27.5600	46.9300	24.7200	35.3300
01/25/08	36.8800	27.4700	47.0600	24.5400	34.9900
01/28/08	37.2200	27.8000	46.6800	24.9200	35.4600
01/29/08	37.4900	28.3200	42.2000	24.9300	35.3400
01/30/08	36.9800	28.2500	42.4200	24.3200	34.5100
01/31/08	37.8500	28.7200	43.1100	25.0700	35.0300
02/01/08	38.4600	28.9600	43.5400	25.5200	35.7900
02/04/08	39.0300	28.9100	43.9100	25.6600	36.0800
02/05/08	37.8400	28.3300	42.3500	25.0500	35.0800
02/06/08	37.6300	27.6300	42.0600	24.9400	34.9900
02/07/08	36.7600	27.4600	42.5000	25.1600	35.3600
02/08/08	36.9200	27.5100	46.0000	24.9800	35.1500
02/11/08	36.8800	27.9600	46.0200	24.8600	35.0200
02/12/08	37.1000	27.6300	45.4600	25.0500	35.3400
02/13/08	36.4400	27.5100	46.8600	25.7100	35.9400
02/14/08	36.4300	27.2400	46.2600	25.1300	35.2800
02/15/08	36.3800	27.0400	46.0000	25.1100	35.5600
02/19/08	36.2700	27.2300	47.1300	25.2200	35.7000
02/20/08	36.5000	27.6500	47.6000	25.5100	35.9200
02/21/08	35.7700	26.8500	47.2800	24.5500	35.3000
02/22/08	35.6500	26.7200	47.8600	24.8900	35.3700
02/25/08	36.4200	27.0700	48.4500	25.0700	36.0300
02/26/08	36.4400	27.1300	48.6100	25.3700	36.3600
02/27/08	36.1600	26.7400	47.9700	25.3100	36.7300
02/28/08	35.8000	26.6100	48.0500	25.0100	35.9400
02/29/08	34.6800	26.0000	47.0500	24.6000	34.1700
03/03/08	35.0300	26.0700	47.5800	24.6800	34.1800
03/04/08	35.5400	26.3400	47.2400	24.9800	34.2300
03/05/08	35.3300	26.2400	48.6000	24.7700	33.9400
03/06/08	34.4400	25.8700	47.6100	24.4100	32.6500
03/07/08	34.5500	25.7800	48.0100	24.4100	32.6200
03/10/08	34.3600	25.6000	46.7900	24.3700	32.3400
03/11/08	34.7800	26.0300	47.0500	25.7700	32.6300
03/12/08	34.4600	25.6700	46.8700	25.3900	32.4800

DCF Cost of Equity Estimate

Stock Prices1 ($):

	ATG	ATO	NFG	PNY	SJI
03/13/08	34.7300	25.8500	47.0000	26.0000	33.4700
03/14/08	34.4300	25.9000	46.6900	25.9400	33.4800
03/17/08	33.8200	25.6100	46.0400	26.1900	33.7500
03/18/08	34.3900	25.6800	47.5300	26.7500	35.0800
03/19/08	33.9800	25.2800	46.0400	26.1800	34.6000
03/20/08	33.9600	25.2200	45.6100	26.2100	34.5600
03/24/08	34.1900	25.1100	46.3000	25.8700	34.7600
03/25/08	34.5100	25.1000	46.8700	25.7800	34.9100
AVERAGE ($)	39.1504	28.8037	45.5609	25.7875	36.1523
QUARTERLY DIV.[2] ($)	0.4100	0.3200	0.3000	0.2500	0.2450
	0.4100	0.3200	0.3100	0.2500	0.2450
	0.4100	0.3250	0.3100	0.2500	0.2450
	0.4200	0.3250	0.3100	0.2500	0.2700
ANNUAL DIVIDEND ($)	1.6500	1.2900	1.2300	1.0000	1.0050
YIELD	4.21%	4.48%	2.70%	3.88%	2.78%
EARNINGS GROWTH ESTIMATES:					
REUTERS[3]	5.18%	4.73%	5.08%	5.13%	6.17%
MSN[4]	4.80%	5.50%	6.00%	6.20%	8.30%
YAHOO[5]	5.25%	4.62%	4.77%	5.18%	6.63%
VALUE LINE[6]:					
'07 EARNINGS ($)	2.80	2.00	2.80	1.50	2.25
'11 EARNINGS ($)	3.20	2.45	2.75	1.75	3.00
VALUE LINE CALCULATE	3.34%	6.76%	-0.60%	3.85%	7.19%
VALUE LINE, "BOXED"	3.50%	4.50%	3.50%	5.00%	NA
VALUE LINE (AVERAGE)	3.42%	5.63%	1.45%	4.43%	7.19%
DCF GROWTH ESTIMATE	4.66%	5.12%	4.32%	5.23%	7.07%
DCF COST OF EQUITY ESTIMATI	10.37%	10.81%	8.94%	10.29%	9.84%
DCF AVERAGE				10.05%	
CAPM COST OF EQUITY ESTIMATE				9.87%	
COST OF EQUITY ESTIMATE				9.96%	

Sources:
1 MSN Investor
2 MSN Investor & Value Line Investment Guide
3 investor.reuters.com
4 moneycentral.msn.com
5 finance.yahoo.com
6 Value Line Investment Guide

ATG Non-Constant DCF Calculation

g=	4.66%	non const dcf=	10.37%	const dcf=	9.07%
D=	$1.65			g(e)=	6.77%
		P=	$39.15		

YEAR	GROWTH RATE	DIVIDEND
1	4.66%	$1.73
2	4.66%	$1.81
3	4.66%	$1.89
4	4.66%	$1.98
5	4.66%	$2.07
6	4.77%	$2.17
7	4.87%	$2.28
8	4.98%	$2.39
9	5.08%	$2.51
10	5.19%	$2.64
11	5.29%	$2.78
12	5.40%	$2.93
13	5.50%	$3.09
14	5.61%	$3.27
15	5.72%	$3.45
16	5.82%	$3.65
17	5.93%	$3.87
18	6.03%	$4.10
19	6.14%	$4.36
20	6.24%	$4.63
21	6.35%	$4.92
22	6.45%	$5.24
23	6.56%	$5.58
24	6.66%	$5.96
25	6.77%	$6.36
26	6.77%	$6.79
27	6.77%	$7.25
28	6.77%	$7.74
29	6.77%	$8.26
30	6.77%	$8.82

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.5

ATO Non-Constant DCF Calculation

		non const		const	
g=	5.12%	dcf=	10.81%	dcf=	9.83%
D=	$1.29			g(e)=	6.77%
		P=	$28.80		

YEAR	GROWTH RATE	DIVIDEND
1	5.12%	$1.36
2	5.12%	$1.43
3	5.12%	$1.50
4	5.12%	$1.58
5	5.12%	$1.66
6	5.20%	$1.74
7	5.29%	$1.83
8	5.37%	$1.93
9	5.45%	$2.04
10	5.53%	$2.15
11	5.61%	$2.27
12	5.70%	$2.40
13	5.78%	$2.54
14	5.86%	$2.69
15	5.94%	$2.85
16	6.03%	$3.02
17	6.11%	$3.20
18	6.19%	$3.40
19	6.27%	$3.62
20	6.36%	$3.85
21	6.44%	$4.09
22	6.52%	$4.36
23	6.60%	$4.65
24	6.69%	$4.96
25	6.77%	$5.30
26	6.77%	$5.65
27	6.77%	$6.04
28	6.77%	$6.44
29	6.77%	$6.88
30	6.77%	$7.35

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

NFG Non-Constant DCF Calculation

		non const		const	
g=	4.32%	*dcf=*	8.94%	dcf=	7.14%
D=	$1.23			g(e)=	6.77%
		P=	$45.56		

YEAR	GROWTH RATE	DIVIDEND
1	4.32%	$1.28
2	4.32%	$1.34
3	4.32%	$1.40
4	4.32%	$1.46
5	4.32%	$1.52
6	4.45%	$1.59
7	4.57%	$1.66
8	4.69%	$1.74
9	4.81%	$1.82
10	4.94%	$1.91
11	5.06%	$2.01
12	5.18%	$2.11
13	5.30%	$2.22
14	5.42%	$2.34
15	5.55%	$2.48
16	5.67%	$2.62
17	5.79%	$2.77
18	5.91%	$2.93
19	6.04%	$3.11
20	6.16%	$3.30
21	6.28%	$3.51
22	6.40%	$3.73
23	6.52%	$3.97
24	6.65%	$4.24
25	6.77%	$4.52
26	6.77%	$4.83
27	6.77%	$5.16
28	6.77%	$5.51
29	6.77%	$5.88
30	6.77%	$6.28

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.7

PNY Non-Constant DCF Calculation

		non const		const	
g=	5.23%	dcf=	10.29%	dcf=	9.32%
D=	$1.00			g(e)=	6.77%
		P=	$25.79		

YEAR	GROWTH RATE	DIVIDEND
1	5.23%	1.05
2	5.23%	1.11
3	5.23%	1.17
4	5.23%	1.23
5	5.23%	1.29
6	5.31%	1.36
7	5.39%	1.43
8	5.46%	1.51
9	5.54%	1.59
10	5.62%	1.68
11	5.69%	1.78
12	5.77%	1.88
13	5.85%	1.99
14	5.92%	2.11
15	6.00%	2.24
16	6.08%	2.37
17	6.15%	2.52
18	6.23%	2.68
19	6.31%	2.85
20	6.38%	3.03
21	6.46%	3.22
22	6.54%	3.43
23	6.61%	3.66
24	6.69%	3.91
25	6.77%	4.17
26	6.77%	4.45
27	6.77%	4.75
28	6.77%	5.07
29	6.77%	5.42
30	6.77%	5.78

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Schedule D-1.8

SJI Non-Constant DCF Calculation

		non const		const	
g=	7.07%	dcf=	9.84%	dcf=	10.05%
D=	$1.01			g(e)=	6.77%
		P=	$36.15		

YEAR	GROWTH RATE	DIVIDEND
1	7.07%	$1.08
2	7.07%	$1.15
3	7.07%	$1.23
4	7.07%	$1.32
5	7.07%	$1.41
6	7.06%	$1.51
7	7.04%	$1.62
8	7.03%	$1.73
9	7.01%	$1.86
10	7.00%	$1.99
11	6.98%	$2.12
12	6.97%	$2.27
13	6.95%	$2.43
14	6.94%	$2.60
15	6.92%	$2.78
16	6.91%	$2.97
17	6.89%	$3.18
18	6.87%	$3.39
19	6.86%	$3.63
20	6.84%	$3.88
21	6.83%	$4.14
22	6.81%	$4.42
23	6.80%	$4.72
24	6.78%	$5.04
25	6.77%	$5.38
26	6.77%	$5.75
27	6.77%	$6.14
28	6.77%	$6.55
29	6.77%	$7.00
30	6.77%	$7.47

This schedule is truncated; the calculation extends to 400 years to ensure the stability of the calculation.

g, D, P are from Schedule D-1.3
g(e) is from Schedule D-1.13

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP ($billion)	Change ($billion)	Growth%
1929	104.4		
1930	91.90	-12.70	-12.32%
1931	77.00	-14.60	-16.15%
1932	59.10	-17.80	-23.48%
1933	56.70	-2.40	-4.14%
1934	66.30	9.50	17.09%
1935	73.60	7.10	10.91%
1936	84.00	10.30	14.27%
1937	92.20	7.90	9.58%
1938	86.50	-5.70	-6.31%
1939	92.50	6.60	7.79%
1940	101.70	9.10	9.97%
1941	127.20	25.10	25.00%
1942	162.30	33.50	26.69%
1943	198.90	33.70	21.19%
1944	220.10	18.70	9.70%
1945	223.40	2.00	0.95%
1946	222.90	-1.00	-0.47%
1947	245.30	22.80	10.73%
1948	270.60	26.40	11.22%
1949	268.60	-1.20	-0.46%
1950	295.20	27.90	10.71%
1951	341.20	45.10	15.64%
1952	360.30	18.20	5.46%
1953	381.30	20.00	5.69%
1954	382.50	0.90	0.24%
1955	417.20	33.40	8.97%
1956	440.30	22.30	5.49%
1957	464.10	22.80	5.32%
1958	469.80	5.80	1.29%
1959	509.30	53.50	11.71%
1960	529.50	20.30	3.98%
1961	548.20	18.70	3.52%
1962	589.70	41.40	7.54%
1963	622.20	32.50	5.50%
1964	668.50	46.20	7.41%
1965	724.40	56.10	8.38%
1966	792.90	69.00	9.51%
1967	838.00	45.00	5.66%
1968	916.10	78.10	9.30%
1969	990.70	73.90	8.05%
1970	1,044.90	54.60	5.51%
1971	1,134.70	90.10	8.61%
1972	1,246.80	112.90	9.94%
1973	1,395.30	149.10	11.94%
1974	1,515.50	118.50	8.48%
1975	1,651.30	131.70	8.68%
1976	1,842.10	192.60	11.68%
1977	2,051.20	211.10	11.47%
1978	2,316.30	265.90	12.96%
1979	2,595.30	281.30	12.14%
1980	2,823.70	231.50	8.91%
1981	3,161.40	335.30	11.84%

Growth in U.S. Gross National Product, 1929 to 2005

Year	GNP ($billion)	Change ($billion)	Growth%
1982	3,291.50	129.60	4.09%
1983	3,573.80	276.10	8.38%
1984	3,969.50	396.30	11.10%
1985	4,246.80	270.30	6.81%
1986	4,480.60	229.90	5.42%
1987	4,757.40	287.90	6.44%
1988	5,127.40	370.60	7.79%
1989	5,510.60	382.60	7.46%
1990	5,837.90	322.80	5.86%
1991	6,026.30	178.70	3.06%
1992	6,367.40	331.40	5.51%
1993	6,689.30	324.40	5.11%
1994	7,098.40	404.40	6.07%
1995	7,433.40	349.80	4.95%
1996	7,851.90	410.30	5.53%
1997	8,337.30	473.80	6.05%
1998	8,768.30	445.00	5.36%
1999	9,302.20	486.20	5.56%
2000	9,855.90	553.70	5.95%
2001	10,171.60	315.70	3.20%
2002	10,514.10	342.50	3.37%
2003	11,059.20	545.10	5.18%
2004	11,778.90	719.70	6.51%
2005	12,520.80	741.90	6.30%
Average			6.77%

Sources: (1) National Income and Product Accounts (NIPA) from the U. S. Bureau of Economic Analysis and Econostats; BEA Data; NIPA Index; Section 1. Domestic Product and Income Table 1.7.5 Relation of Gross Domestic Product, Gross National Product, Net National Product, National Income, and Personal Income. (2) U. S. Department of Commerce; Survey of Current of the United States Business and Historical Statistics

Residential Sales Service
Rate 310/315 (May - October)

Rate RS/Rate RS Transportation
Residential Sales Service and Residential Transportation Service
Rate 310 and Rate 315 May - October

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$7.34	$10.49	$3.15	42.92%	$10.49	$3.15	42.92%
10	$9.21	$12.35	$3.14	34.09%	$12.06	$2.85	30.94%
20	$11.08	$14.22	$3.14	28.34%	$13.64	$2.56	23.10%
30	$12.95	$16.08	$3.13	24.17%	$15.22	$2.27	17.53%
40	$14.82	$17.95	$3.13	21.12%	$16.79	$1.97	13.29%
50	$16.70	$19.82	$3.12	18.68%	$18.37	$1.67	10.00%
60	$18.40	$21.52	$3.12	16.96%	$19.94	$1.54	8.37%
70	$20.11	$23.22	$3.11	15.46%	$21.51	$1.40	6.96%
80	$21.82	$24.93	$3.11	14.25%	$23.07	$1.25	5.73%
90	$23.53	$26.63	$3.10	13.17%	$24.64	$1.11	4.72%

	Current	Applicant Proposed	Staff Proposed
Cust. Charge	$7.00		
May - October		$10.00	$10.00
November - April		$16.75	$16.75
Volumetric charges			
0 - 50	0.11986	0.11937	0.11128
51 and above	0.10442	0.10397	0.09693

Residential Sales Service
Rate 310/315 (May - October)

Residential Sales Service and Residential Transportation Service
Rate 310 and Rate 315 November - April

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$7.34	$17.57	$10.23	139.37%	$17.57	$10.23	139.37%
10	$9.21	$19.43	$10.22	110.97%	$19.14	$9.93	107.82%
20	$11.08	$21.30	$10.22	92.24%	$20.72	$9.64	87.00%
30	$12.95	$23.16	$10.21	78.84%	$22.30	$9.35	72.20%
40	$14.82	$25.03	$10.21	68.89%	$23.87	$9.05	61.07%
50	$16.70	$26.90	$10.20	61.08%	$25.45	$8.75	52.40%
60	$18.40	$28.60	$10.20	55.43%	$27.02	$8.62	46.85%
70	$20.11	$30.30	$10.19	50.67%	$28.58	$8.47	42.12%
80	$21.82	$32.01	$10.19	46.70%	$30.15	$8.33	38.18%
90	$23.53	$33.71	$10.18	43.26%	$31.72	$8.19	34.81%
100	$25.24	$35.42	$10.18	40.33%	$33.29	$8.05	31.89%

Includes all applicable Riders including Gross Receipts Taxes.
Expected Gas Cost Rate equals $.96860 (includes applicable Gross Receipts Tax).

	Current	Applicant Proposed	Staff Proposed
Cust. Charge	$7.00		
May - October		$10.00	$10.00
November - April		$16.75	$16.75
Volumetric charges			
0 - 50	0.11986	0.11937	0.11128
51 and above	0.10442	0.10397	0.09693

General Sales Service and General Transportation Sales Service
Rate 320 and Rate 325 - Group 1 Meters

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$10.49	$20.98	$10.49	100%	$20.98	$10.49	100%
25	$15.40	$25.66	$10.26	66.64%	$26.32	$10.92	70.92%
50	$20.31	$30.34	$10.03	49.39%	$31.66	$11.35	55.88%
75	$24.60	$34.57	$9.97	40.55%	$36.51	$11.91	48.44%
100	$28.88	$38.80	$9.92	34.33%	$41.36	$12.48	43.20%
125	$33.17	$43.03	$9.86	29.73%	$46.20	$13.03	39.28%
150	$37.46	$47.26	$9.80	26.17%	$51.05	$13.59	36.29%
175	$41.74	$51.49	$9.75	23.35%	$55.90	$14.16	33.92%
200	$46.03	$55.72	$9.69	21.05%	$60.75	$14.72	31.98%
225	$50.32	$59.95	$9.63	19.15%	$65.60	$15.28	30.38%
250	$54.60	$64.18	$9.58	17.54%	$70.45	$15.85	29.02%
275	$58.89	$68.41	$9.52	16.17%	$75.30	$16.41	27.87%
300	$63.18	$72.64	$9.46	14.98%	$80.15	$16.97	26.87%
325	$67.46	$76.88	$9.42	13.96%	$85.00	$17.54	26.00%
350	$71.75	$81.11	$9.36	13.05%	$89.85	$18.10	25.23%
375	$76.04	$85.34	$9.30	12.24%	$94.70	$18.66	24.55%
400	$80.32	$89.57	$9.25	11.51%	$99.55	$19.23	23.94%
425	$84.61	$93.80	$9.19	10.86%	$104.40	$19.79	23.39%
450	$88.90	$98.03	$9.13	10.28%	$109.25	$20.35	22.90%
475	$93.18	$102.26	$9.08	9.74%	$114.10	$20.92	22.45%
500	$97.47	$106.49	$9.02	9.26%	$118.95	$21.48	22.04%

Includes all applicable Riders including Gross Receipts Taxes.
Expected Gas Cost Rate equals $.96860 (includes applicable Gross Receipts Tax).

	Current	Applicant Proposed	Staff Proposed
Customer Charge:	$10.00	$20.00	$20.00
Volumetric Charges:			
0 - 50 Ccf	0.12879	0.12002	0.16216
51 - Over Ccf	0.10497	0.10284	0.13895

General Sales Service and General Transportation Service
Rate 320 and 325 Group 2 Meters

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$26.22	$41.95	$15.73	60.00%	41.95	$15.73	60%
25	$31.13	$46.63	$15.50	49.79%	47.29	$16.16	52%
50	$36.04	$51.31	$15.27	42.36%	52.63	$16.59	46%
75	$40.33	$55.54	$15.21	37.72%	57.48	$17.15	43%
100	$44.61	$59.77	$15.16	33.97%	62.33	$17.72	40%
125	$48.90	$64.01	$15.11	30.90%	67.18	$18.28	37%
150	$53.19	$68.24	$15.05	28.30%	72.03	$18.84	35%
175	$57.47	$72.47	$15.00	26.09%	76.88	$19.41	34%
200	$61.76	$76.70	$14.94	24.19%	81.73	$19.97	32%
225	$66.05	$80.93	$14.88	22.53%	86.58	$20.53	31%
250	$70.33	$85.16	$14.83	21.08%	91.43	$21.10	30%
275	$74.62	$89.39	$14.77	19.79%	96.28	$21.66	29%
300	$78.91	$93.62	$14.71	18.65%	101.13	$22.22	28%
350	$87.48	$102.08	$14.60	16.69%	110.83	$23.35	27%
400	$96.05	$110.54	$14.49	15.08%	120.52	$24.47	25%
450	$104.63	$119.00	$14.37	13.74%	130.22	$25.59	24%
500	$113.20	$127.47	$14.27	12.61%	139.92	$26.72	24%
600	$130.35	$144.39	$14.04	10.77%	159.32	$28.97	22%
700	$147.49	$161.31	$13.82	9.37%	178.72	$31.23	21%
800	$164.64	$178.23	$13.59	8.26%	198.12	$33.48	20%
900	$181.78	$195.16	$13.38	7.36%	217.51	$35.73	20%
1,000	$198.93	$212.08	$13.15	6.61%	236.91	$37.98	19%

Includes all applicable Riders including Gross Receipts Taxes.
Expected Gas Cost Rate equals $.96860 (includes applicable Gross Receipts Tax).

	Current	Applicant Proposed	Staff Proposed
Customer Charge:	$25.00	$40.00	$40.00
Volumetric Charges:			
0 - 50 Ccf	0.12879	0.12002	0.16216
51 - Over Ccf	0.10497	0.10284	0.13895

General Sales Service and General Transportation Service
Rate 320 and 325 Group 3 Meters

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$26.22	$83.90	$57.68	219.98%	$83.90	$57.68	219.98%
50	$36.04	$93.26	$57.22	158.77%	$95.37	$59.33	164.62%
100	$44.61	$101.73	$57.12	128.04%	$105.64	$61.03	136.81%
150	$53.19	$110.19	$57.00	107.16%	$115.90	$62.71	117.90%
200	$61.76	$118.65	$56.89	92.11%	$126.17	$64.41	104.29%
250	$70.33	$127.11	$56.78	80.73%	$136.44	$66.11	94.00%
300	$78.91	$135.57	$56.66	71.80%	$146.71	$67.80	85.92%
350	$87.48	$144.03	$56.55	64.64%	$156.97	$69.49	79.44%
400	$96.05	$152.49	$56.44	58.76%	$167.24	$71.19	74.12%
450	$104.63	$160.96	$56.33	53.84%	$177.51	$72.88	69.65%
500	$113.20	$169.42	$56.22	49.66%	$187.77	$74.57	65.87%
600	$130.35	$186.34	$55.99	42.95%	$208.31	$77.96	59.81%
700	$147.49	$203.26	$55.77	37.81%	$228.84	$81.35	55.16%
800	$164.64	$220.19	$55.55	33.74%	$249.37	$84.73	51.46%
900	$181.78	$237.11	$55.33	30.44%	$269.91	$88.13	48.48%
1,000	$198.93	$254.03	$55.10	27.70%	$290.44	$91.51	46.00%
2,000	$362.88	$415.75	$52.87	14.57%	$488.27	$125.39	34.55%
3,000	$526.84	$577.47	$50.63	9.61%	$686.10	$159.26	30.23%
4,000	$690.79	$739.19	$48.40	7.01%	$883.93	$193.14	27.96%
5,000	$854.75	$900.91	$46.16	5.40%	$1,081.76	$227.01	26.56%
6,000	$1,018.70	$1,062.63	$43.93	4.31%	$1,279.59	$260.89	25.61%
7,000	$1,182.65	$1,224.35	$41.70	3.53%	$1,477.42	$294.77	24.92%
8,000	$1,346.61	$1,386.07	$39.46	2.93%	$1,675.25	$328.64	24.41%
9,000	$1,510.56	$1,547.79	$37.23	2.46%	$1,873.08	$362.52	24.00%
10,000	$1,674.51	$1,709.51	$35.00	2.09%	$2,070.91	$396.40	23.67%

Includes all applicable Riders including Gross Receipts Taxes.
Expected Gas Cost Rate equals $.96860 (includes applicable Gross Receipts Tax).

	Current	Applicant Proposed	Staff Proposed
Customer Charge:	$25.00	$80.00	$80.00
Volumetric Charges:			
0 - 50 Ccf	0.12879	0.12002	0.16216
51 - Over Ccf	0.10497	0.10284	0.13895

Large General Service and Large General Service Transportation
Rate 330 and 345

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$104.88	157.32	$52.44	50.00%	$157.32	$52.44	50.00%
1,000	$302.49	322.61	$20.12	6.65%	$360.64	$58.15	19.22%
2,000	$472.36	480.40	$8.04	1.70%	$556.46	$84.10	17.80%
3,000	$642.24	638.19	($4.05)	-0.63%	$752.28	$110.04	17.13%
4,000	$812.12	795.97	($16.15)	-1.99%	$948.09	$135.97	16.74%
5,000	$982.00	953.76	($28.24)	-2.88%	$1,143.91	$161.91	16.49%
6,000	$1,151.88	1,111.55	($40.33)	-3.50%	$1,339.73	$187.85	16.31%
7,000	$1,321.76	1,269.33	($52.43)	-3.97%	$1,535.54	$213.78	16.17%
8,000	$1,491.64	1,427.12	($64.52)	-4.33%	$1,731.36	$239.72	16.07%
9,000	$1,661.52	1,584.91	($76.61)	-4.61%	$1,927.18	$265.66	15.99%
10,000	$1,831.40	1,742.69	($88.71)	-4.84%	$2,122.99	$291.59	15.92%
20,000	$3,353.42	3,262.10	($91.32)	-2.72%	$4,017.85	$664.43	19.81%
30,000	$4,649.80	4,674.16	$24.36	0.52%	$5,800.51	$1,150.71	24.75%
40,000	$5,946.18	6,086.22	$140.04	2.36%	$7,583.17	$1,636.99	27.53%
50,000	$7,242.56	7,498.28	$255.72	3.53%	$9,365.83	$2,123.27	29.32%
60,000	$8,538.95	8,910.33	$371.38	4.35%	$11,148.48	$2,609.53	30.56%
70,000	$9,835.33	10,322.39	$487.06	4.95%	$12,931.14	$3,095.81	31.48%
80,000	$11,131.71	11,734.45	$602.74	5.41%	$14,713.80	$3,582.09	32.18%
90,000	$12,428.09	13,146.51	$718.42	5.78%	16,496.46	$4,068.37	32.74%
100,000	$13,724.47	14,558.57	$834.10	6.08%	18,279.12	$4,554.65	33.19%

Includes all applicable Riders including Gross Receipts Taxes.
Expected Gas Cost Rate equals $.96860 (includes applicable Gross Receipts Tax).

	Current	Applicant Proposed	Staff Proposed
Customer Charge:	$100.00	$150.00	$150.00
Volumetric Charges:			
0 - 1000 CCF	0.12990	0.09909	0.13712
1001 - 15000 CCF	0.11062	0.09909	0.13712
Over 15000 CCF	0.07691	0.08794	0.125

Large Volume Sales and Transportation Service
Rate 360

Level of Usage	Applicant Current	Applicant Proposed	Increase	Percent Increase	Staff Proposed	Increase	Percent Increase
0	$104.88	$524.38	$419.50	399.98%	$524.38	$419.50	399.98%
500	$203.68	$577.90	$374.22	183.73%	$594.15	$390.47	191.71%
1000	$302.49	$631.42	$328.93	108.74%	$663.91	$361.42	119.48%
2000	$472.36	$730.95	$258.59	54.74%	$795.93	$323.57	68.50%
3000	$642.24	$830.48	$188.24	29.31%	$927.95	$285.71	44.49%
4000	$812.12	$930.00	$117.88	14.52%	$1,059.96	$247.84	30.52%
5000	$982.00	$1,029.53	$47.53	4.84%	$1,191.98	$209.98	21.38%
10000	$1,831.40	$1,527.17	($304.23)	-16.61%	$1,852.07	$20.67	1.13%
15000	$2,680.80	$2,024.81	($655.99)	-24.47%	$2,512.16	($168.64)	-6.29%
20000	$3,353.42	$2,522.45	($830.97)	-24.78%	$3,172.25	($181.17)	-5.40%
30000	$4,649.80	$3,468.86	($1,180.94)	-25.40%	$4,443.56	($206.24)	-4.44%
40000	$5,946.18	$4,415.27	($1,530.91)	-25.75%	$5,714.87	($231.31)	-3.89%
50000	$7,242.56	$5,361.67	($1,880.89)	-25.97%	$6,986.17	($256.39)	-3.54%
60000	$8,538.95	$6,192.72	($2,346.23)	-27.48%	$8,069.42	($469.53)	-5.50%
70000	$9,835.33	$7,023.76	($2,811.57)	-28.59%	$9,152.66	($682.67)	-6.94%
80000	$11,131.71	$7,854.80	($3,276.91)	-29.44%	$10,235.90	($895.81)	-8.05%
90000	$12,428.09	$8,685.85	($3,742.24)	-30.11%	$11,319.15	($1,108.94)	-8.92%
100000	$13,724.47	$9,516.89	($4,207.58)	-30.66%	$12,402.39	($1,322.08)	-9.63%
150000	$20,206.37	$13,672.10	($6,534.27)	-32.34%	$17,818.60	($2,387.77)	-11.82%
200000	$26,688.28	$17,827.32	($8,860.96)	-33.20%	$23,234.82	($3,453.46)	-12.94%
250000	$33,170.18	$21,045.98	($12,124.20)	-36.55%	$27,414.98	($5,755.20)	-17.35%
300000	$39,652.09	$24,264.65	($15,387.44)	-38.81%	$31,595.15	($8,056.94)	-20.32%
350000	$46,133.99	$27,483.32	($18,650.67)	-40.43%	$35,775.32	($10,358.67)	-22.45%
400000	$52,615.90	$30,701.98	($21,913.92)	-41.65%	$39,995.48	($12,620.42)	-23.99%
450000	$59,097.80	$33,920.65	($25,177.15)	-42.60%	$44,135.65	($14,962.15)	-25.32%

Includes all applicable Riders including Gross Receipts Taxes.
Expected Gas Cost Rate equals $.96860 (includes applicable Gross Receipts Tax).

	Current	Applicant Proposed	Staff Proposed
Customer Charge:	$100.00	$500.00	$500.00
Volumetric Charges:			
0 - 1000 CCF	0.12990		
1001 - 15000 CCF	0.11062		
Over 15000 CCF	0.07691		
0 - 50,000 CCF		0.08613	0.11862
50,001 - 200,000 CCF		0.07513	0.10035
Over 200,000 CCF		0.05727	0.0765