

**FILE**

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**FAX**

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 Difference Between Actual and )  
Approved Revenues, and Inclusion in )  
Operating Expense of the Costs of Certain )  
Reliability Programs. )

Case No. 07-1081-GA-ALT

PUCO

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**OBJECTIONS TO THE STAFF REPORT OF INVESTIGATION  
OF OHIO ENVIRONMENTAL COUNCIL AND SUMMARY OF MAJOR ISSUES**

**INTRODUCTION**

The Ohio Environmental Council ("OEC") is pleased to submit these comments to the Public Utilities Commission of Ohio ("Commission" or "PUCO") regarding the above mentioned Application. This Application was filed on November 20, 2007 by Vectren Energy Delivery of Ohio, Inc. ("Vectren"), and the Staff Report was issued on June 16, 2008 by the Staff of the Commission ("Staff").

OEC offers comments regarding the energy efficiency aspects of Vectren's Application and the Staff Report. OEC would like to comment on the implementation of a high Straight Fixed Variable ("SFV") and its impact on energy efficiency.

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### IMPLICATIONS FOR ENERGY EFFICIENCY

The cleanest and cheapest form of energy is the energy never used. Energy conservation and efficiency is the best way for Ohio to reduce its impact on the environment and save consumers money. OEC believes that as much should be done as possible to encourage gas company customers to cut back on consumption. What Vectren and the Staff have proposed will complicate these efforts.

OEC objects to the proposal by VEDO and in the Staff Report to establish a high fixed customer charge and low volumetric rates, and that the Staff Report shifts the burden from high energy consumers to low energy consumers.

By increasing the fixed distribution service charge at the expense of volumetric sales, the Commission is lessening one of the incentives for customers to cut back on energy consumption. The Staff report even admits that "the fixed charge structure reduces the incentive on the part of the customer to reduce its usage (Staff Report, 30)." While it is true that at least some of the consumer's bill will still be based on gas consumption, it will undoubtedly lower the incentive to conserve.

Taking a level of usage of 50 (the Staff's table going from 0-100) from Table E-5 for a Residential Consumer during the winter months under the Staff proposed SFV shows that the SFV makes up 66% of the total bill (16.75/25.45, *id* at 128). This amounts to a substantial percentage of the total bill. Compare that to if the current SFV was maintained and the volumetric rate was increased instead for a level of usage of 50 where the SFV would be only

27% of the total bill (7/25.45). Under the proposed SFV change, there would be a 39 point increase in percentage of bill made up by the SFV. This clearly would impact the motivation of consumers to decrease gas consumption. OEC therefore recommends that the SFV be left at its current rate (\$7.00) rather than the proposed rate (\$10.00 for summer months, \$16.75 for winter months), and the volumetric rate be increased to reflect current costs of gas and to meet the return on investment sought by Vectren.

Both Vectren and the Staff claim that moving to a higher SFV would remove some of the disincentive for Vectren regarding promoting energy efficiency. But as shown by the decreased consumption of gas over the last few years – that being one of the reasons for this proposal by Vectren – rising prices of gas and economic conditions have done more to promote energy efficiency than any program Vectren has presented to date. The programs that Vectren already has in place and the eight that they have proposed are important steps towards energy efficiency, and OEC fully supports their implementation. Additionally, the OEC urges aggressive and increased funding for the successful ongoing efforts.

These existing and prospective programs can be implemented by keeping the SFV at its current rate. Indeed, as shown by the fact that Vectren already has its Teaching Energy Efficiency Measures program in place, a higher SFV does not need to be adopted in order for Vectren to promote energy efficiency.

OEC also objects to the higher SFV because it shifts the burden from high energy consumers to low energy consumers (as seen in numerous tables in Staff Report, e.g. Schedule E-5, Page 127).

High energy consumers are the ones who most need to implement conservation and energy efficiency measures, and the proposed SFV will remove much of their incentive to do so. High energy consumers are also more likely to be able to afford energy efficiency measures.

If the Commission decides to raise rates, OEC would like to see a carefully produced decoupling mechanism adopted that allows Vectren to recover costs instead of raising the SFV. This would still allow Vectren to promote energy efficiency measures and not reduce their return on investment while not increasing the disincentive for consumers to reduce gas consumption.

### **CONCLUSION**

OEC supports many of the proposals of Vectren in the above captioned proceedings. But OEC objects to the adoption of a high SFV at the expense of volumetric sales because of its negative impact on energy efficiency and associated incentives. In the alternative, OEC requests that the Commission adopt a decoupling mechanism that accomplishes the same goals sought by Vectren but that does not reduce consumer's incentives.

OEC respectfully asks that PUCO consider OEC's comments outlined above as it is considering this matter.

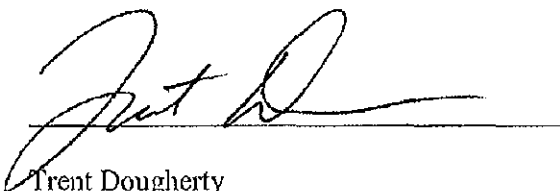
SUMMARY OF MAJOR ISSUES

OEC submits its Summary of Major Issues pursuant to ORC 4903.083:

1. The funding for energy efficiency programs.
2. The appropriateness of decoupling for Vectren.

Respectfully submitted on behalf of,

THE OHIO ENVIRONMENTAL COUNCIL

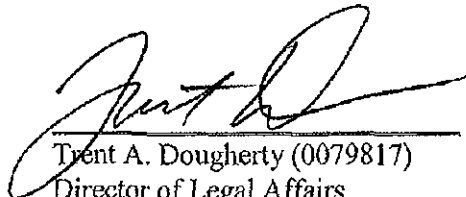


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July 16th, 2008

CERTIFICATE OF SERVICE

I hereby certify that a copy of this Motion to Intervene and Memorandum in Support was served on the persons listed below via first class U.S. Mail, postage prepaid, this 16<sup>th</sup> day of July, 2008.



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