

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

ENTRY

The Commission finds:

- (1) By Opinion and Order issued on April 30, 2008, the Public Utilities Commission of Ohio (PUCO) approved a joint stipulation and authorized Vectren Energy Delivery of Ohio, Inc. (VEDO) to conduct an auction for the procurement and pricing of its wholesale natural gas supplies. Pursuant to that approval, VEDO will provide commodity service to its retail sales customers via a Standard Service Offer (SSO), the price of which will be partially based on the auction results. The order provides that, if successful, the auction will establish a new SSO price that will replace the gas cost recovery mechanism (GCR). The new SSO is to be in effect for the eighteen-month period ending March 31, 2010.
- (2) On August 19, 2008, the auction took place via the internet, with six bidders participating. VEDO contracted for the services of World Energy Solutions, Inc., (World Energy) as the auction manager. World Energy is a provider of energy purchasing services using a proprietary, web-based platform. The auction was jointly monitored by VEDO, the Office of the Ohio Consumers' Counsel, and the PUCO Staff. The auction was conducted as a descending clock auction in which six wholesale supply tranches were bid, with each bidder limited to a maximum of two tranches. During each round, the bid was in the form of the number of tranches each bidder would be willing to supply at an announced rate. That rate was a "Retail Price Adjustment" which is in the form of an adder to the monthly NYMEX settlement price. The Retail Price Adjustment is a fixed dollar amount for the eighteen-month term of this SSO phase.
- (3) On August 19, 2008, the Staff filed a post-auction report (Staff Report), detailing the results of the auction. That report contained a description of the auction and a conclusion by the Staff that,

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based on their observations, the auction was fair and devoid of any indications of collusion or other anomalies. The Staff Report also referenced an analysis concluding that the auction result of \$2.35 per Mcf comported with historical data trends for VEDO's more recent procurement activity, which was a benchmark by which the auction results were evaluated. The Staff Report recommended that the Commission approve the auction result and allow VEDO to replace its GCR and to implement its SSO with this Retail Price Adjustment beginning October 2008.

- (4) The Commission has reviewed the Staff Report and the auction results and agrees with Staff's conclusion that the auction results are reasonable and should be approved. VEDO is authorized to replace its GCR and implement its SSO on October 1, 2008, based on the \$2.35 Retail Price Adjustment and to enter into the necessary agreements with the winning bidders. The monthly SSO price will be calculated as the sum of the NYMEX settlement price for the prompt month plus a Retail Price Adjustment of \$2.35 per Mcf. VEDO is further authorized to file the final tariffs necessary to implement the terms of this Entry as well as the terms of the prior April 30, 2008, Opinion and Order.
- (5) Unless otherwise ordered by the Commission, the SSO is approved for the period October 1, 2008, through March 31, 2010. During that time, the Commission reserves all authority to exercise its oversight and specifically reserves the right to terminate the SSO and to return to the gas cost recovery pricing methodology at any time, if circumstances warrant.
- (6) The Staff Report filed on August 19, 2008, was filed without identifying the names of the participating or winning bidders. The Staff Report stated that this was done in order to protect the bidders' positions in negotiations with pipelines for the incremental capacity necessary to meet their obligations as SSO suppliers. The Staff Report requests that the Commission continue to treat the bidders' names as confidential for a period of 60 days from this Entry. The Commission believes this request is reasonable and should be granted.

It is, therefore,

ORDERED, That VEDO is authorized to replace its GCR rate consistent with findings (4) and (5) above. It is, further,

ORDERED, That VEDO is authorized to file complete copies of tariffs, in final form, consistent with this entry. VEDO shall file one copy in its TRF docket (or may make such filing electronically, as directed in Case No. 06-900-AU-WVR), and one copy in this case docket. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than both the date upon which final tariffs are filed with the Commission and October 1, 2008. The new tariffs shall be effective for services rendered on or after such effective date. It is, further,

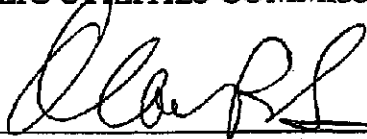
ORDERED, That VEDO shall notify all affected customers of the change from the GCR to the SSO pricing methodology via a bill message or via a bill insert, within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,


ORDERED, That the identities of the participating bidders be treated as confidential for a period of 60 days. It is, further,

ORDERED, That this docket remain open until otherwise ordered by the Commission. It is, further,

ORDERED, That a copy of this Entry be served upon all parties in this proceeding.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
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Alan R. Schriber, Chairman

  
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Paul A. Centolella

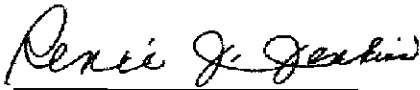
  
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Entered in the Journal  
AUG 20 2008

  
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Renee J. Jenkins  
Secretary