

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Regulation of the)
Purchased Gas Adjustment Clause Contained) Case No. 08-220-GA-GCR
Within the Rate Schedules of Vectren Energy)
Delivery of Ohio, Inc. and Related Matters.)

STIPULATION AND RECOMMENDATION

I. BACKGROUND

Rule 4901:1-30, Ohio Administrative Code ("O.A.C."), provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such proceeding. Pursuant to Rule 4901:1-10(C), O.A.C., the Staff of the Public Utilities Commission of Ohio ("Staff") is considered a party for the purpose of entering into a stipulation under 4901:1-30, O.A.C.

The purpose of this document is to set forth the understanding of Vectren Energy Delivery of Ohio, Inc. ("the Company" or "VEDO"), Interstate Gas Supply, Inc. ("IGS"), and the Staff (collectively, the "Parties") and to resolve all issues pertaining to VEDO in this proceeding.

II. STIPULATION AND RECOMMENDATION

- A. It is understood by the Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio ("Commission"). This Stipulation and Recommendation is based upon the Parties' desire to arrive at a reasoned and reasonable result considering

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the law, facts and circumstances in this case. Accordingly, the Parties believe this Stipulation and Recommendation should be given careful consideration by the Commission and should be adopted. This Stipulation is supported by adequate data and information; represents a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle; and is the product of serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as in here, it is sponsored by a wide range of interests, including the Commission Staff.¹

- B. This Stipulation is a compromise involving a balance of competing positions, and it does not necessarily reflect the positions that one or more of the Parties would have taken if these issues had been fully litigated. The Parties believe that this Stipulation represents a reasonable compromise of varying interests when it is considered in its entirety. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty (30) days of the issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the

¹ Rule 4901-1-10(c), Ohio Administrative Code, provides that Commission Staff is a party for the purpose of entering into this Stipulation.

Stipulation in its entirety without material modification, any Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. Prior to any Party seeking rehearing or terminating and withdrawing from this Stipulation pursuant to this provision, the Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of the Stipulation or proposes a reasonable equivalent thereto to be submitted to the Commission for its consideration. Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, this proceeding shall go forward from the procedural point at which this Stipulation was filed, and the Parties will be afforded the opportunity to present evidence through witnesses, to cross examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

- C. For purposes of resolving all issues presented in this proceeding, the Parties stipulate, agree, and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding as set forth below.

III. FINANCIAL AND UNCOLLECTIBLE EXPENSE RIDER AUDITS

A. Financial Audit

On January 13, 2009, Deloitte & Touche LLP ("D&T") filed its Independent Accountants' Report on the Uniform Purchased Gas Adjustment Rates in this proceeding which covers the audit period of November 2007 through September 2008. In this Report, D&T found as follows:

1. VEDO fairly determined the GCR rates for the audit period, in all material respects, in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14, O.A.C., and properly applied the GCR rate to customer bills.
2. VEDO's annual Unaccounted For Gas percentage level for the eleven months ended September 30, 2008 is below the five percent ceiling established in Case No. 86-2011-GA-ORD.

The Parties agree and recommend that the Commission adopt the Financial Audit findings of D&T in this proceeding.

B. Uncollectible Expense Rider Audits

On January 13, 2009, D&T filed its Audit Report of VEDO's Uncollectible Expense Rider covering the annual report period of January 1, 2007 to December 31, 2007, and verified that VEDO appropriately accounted for and billed its Uncollectible Expense Rider Rate during 2007. The Parties agree and recommend that the Commission adopt the Uncollectible Expense Rider findings of D&T in this proceeding.

IV. MANGEMENT/PERFORMANCE AUDIT MATTERS

On March 27, 2009, Exeter Associates, Inc. ("Exeter") filed its Report to the Public Utilities Commission of Ohio on the Management and Performance Audit of Gas Purchasing Practices and Policies of Vectren Energy Delivery of Ohio, Inc. for the audit period November 1, 2005 through September 30, 2008 ("M/P Audit").

A. Exeter reviewed VEDO's compliance with the terms of the Stipulation and Recommendation in Case No. 05-220-GA-GCR and found as follows:

1. VEDO examined its peak design day criteria as required and, as a result, made slight modifications to its peak day design criteria for the winter of 2007-2008 which Exeter found not to be unreasonable.
2. VEDO performed a statistical analysis of its late winter peaking criterion to evaluate the appropriate date for retention of storage ratchets. VEDO found, and Exeter agreed, that the storage ratchet retention date should not be moved.
3. VEDO included a review of its gas supply process profiles and procedures (with a focus on document control as an objective) and compliance with the Affiliate Guidelines and Code of Conduct in internal audits scheduled in 2007. Exeter found that VEDO has adequately addressed the procedure documentation deficiency identified in its 2004 internal audit and in the M/P audit in Case No. 05-220-GA-GCR.

4. VEDO conducted further review of its prior analysis of the expansion of propane vaporization capacity to displace pipeline or storage capacity and concluded that the costs associated with an expansion of the propane vaporization capacity far exceed the current costs of acquiring winter season pipeline capacity and supply and would be uneconomic. Exeter concurs with the analysis and conclusion.

- B. Exeter found that VEDO's gas purchasing policies and practices were reasonable, conducted in a manner consistent with least cost acquisition principles, and provided reliable service. The Parties agree and request that the Commission find that VEDO's purchasing policies satisfy the performance criteria set forth in Rule 4901:1-14-07(D); and that VEDO's procurement practices and policies during the audit period in this proceeding were prudent and reasonable.

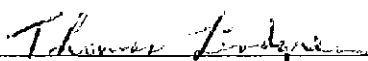
V. PROCEDURAL MATTERS

- A. The Parties agree that the proofs of publication to be submitted in this proceeding will demonstrate that reasonable and adequate notice of this proceeding has been published in compliance with the Commission's rules. The proofs of publication will be filed as a late-filed exhibit and shall be admitted into the record of this proceeding.
- B. The Parties agree that the Financial Audit and the Uncollectible Expense Rider Audit Reports filed by D&T on January 13, 2009, and the M/P Audit filed by Exeter Associates, Inc. filed on March 27, 2009, should be admitted

as evidence in this proceeding and that said evidence supports the reasonableness of this Stipulation and Recommendation, taken as a whole, consistent with the criteria that the Commission has adopted for purposes of evaluating settlements.

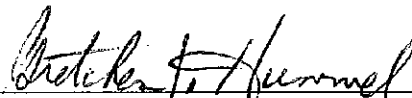
- C. The Signatory Parties agree and intend to support the reasonableness of this Stipulation and Recommendation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation and Recommendation. If not finally adopted by the Commission or if rejected by any appellate court, this Stipulation and Recommendation shall not prejudice any of the positions taken by any party on any issue before the Commission in this or any other proceeding, is not an admission of fact by any of the parties, and shall not be admissible evidence in this or any other proceeding. This Stipulation and Recommendation is submitted for purposes of this case only, and may not be relied upon or used in any other proceeding except as necessary to enforce the terms of this Stipulation and Recommendation.

Agreed upon this 27th day of May, 2009.



**On Behalf of the Staff of the
Public Utilities Commission of Ohio**

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Assistant Attorney General
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**On Behalf of Vectren Energy Delivery
of Ohio, Inc.**

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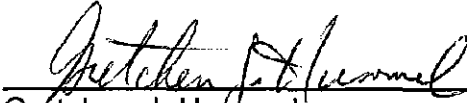
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Stipulation and Recommendation* was served upon the following parties of record this 27th day of May, 2009, via electronic transmission, hand-delivery or ordinary U.S. mail, postage prepaid.


Gretchen J. Hummel

PARTIES OF RECORD

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