BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

FINDING AND ORDER

The Commission finds:

(1) Vectren Energy Delivery of Ohio, Inc. (VEDO) is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.

(2) On April 30, 2008, the Commission issued an Opinion and Order in this proceeding approving the terms of a February 4, 2008, stipulation entered into by the various parties to this proceeding. The stipulation provided that VEDO would hold a series of auctions to secure natural gas supplies for Standard Service Offer (SSO) and Standard Choice Offer (SCO) customers. By separate Finding and Orders issued on July 23, 2008, and November 4, 2009, the Commission approved two amendments to the February 4, 2008, stipulation. The stipulation, as amended, provided that VEDO would hold an auction to secure natural gas supplies, initially through an SSO structure, and subsequently through an SCO structure. The initial SSO was to be in effect for the period October 1, 2008, through March 30, 2010. The initial SCO period was to be for the 12-month period beginning April 1, 2010. Under the SSO mechanism, the winning auction bidders were awarded the right to provide natural gas to VEDO on a wholesale basis for redelivery by VEDO to end-use customers. Under the SCO mechanism auction, participants bid on the right to serve specific end-use customers; thus, winning bidders would have a direct retail relationship with SCO customers.

(3) Since only Choice-eligible customers are included in the SCO pools, a separate Default Sales Service (DSS) is also proposed to serve percentage of income payment plan (PIPP) customers and customers otherwise ineligible for Choice. Each winning SCO

bidder will be allocated a proportional share of the DSS pool's requirements. This load will be provided to VEDO on a wholesale basis for redelivery to the end-use DSS customers. Unlike SCO customers, DSS customers will not be directly served by the SCO providers. The rate charged to DSS customers will be identical to the SCO rate determined through the auction, although they will continue to have their gas supplied by VEDO.

(4) On January 15, 2013, an auction was conducted to establish rates for the April 1, 2013 through March 31, 2014, SCO period. The auction participants bid a Retail Price Adjustment (RPA) in the form of an adder to the monthly New York Mercantile Exchange (NYMEX) settlement price for natural gas futures. The RPA is a fixed dollar amount over the term of the SCO phase and reflects the bidders' estimate of their incremental cost to deliver the required amount of gas from the Henry Hub, which is priced at NYMEX, to VEDO's city gate. VEDO contracted for the services of World Energy Solutions, Inc., as the auction manager. The auction was jointly monitored by VEDO, the Office of the Ohio Consumers' Counsel, and the Commission's Staff. The auction was conducted as a descending clock auction in which six tranches of customers 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 RPA rate. If approved, the SCO rate would be the sum of the NYMEX prompt month settlement price (converted from dekatherms [Dth] to thousand cubic feet [Mcf]),[1] plus the RPA as determined by the auction. That RPA would be fixed for the 12-month term of the SCO period, while the NYMEX would change monthly.

(6) On January 15, 2013, Staff filed a post-auction report (Staff Report), detailing the results of the auction. That report contained a round-by-round description of the auction and a conclusion by Staff that, based on its observations, the auction was fair and devoid of any indications of collusion or other anomalies and was an accurate reflection of the natural gas

[1] Since NYMEX is priced in Dth, the NYMEX price must be converted to Mcf before calculating the final retail rate.

market at the time of the auction. The result of the auction was an RPA of $1.05 per Mcf. The Staff Report recommended that the Commission approve the auction result and authorize VEDO to revise its current SCO and DSS rates to incorporate the RPA of $1.05 per Mcf beginning April 1, 2013.

(7) 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 implement its SCO and DSS rates based on the $1.05 per Mcf RPA and to enter into the necessary arrangements with the winning bidders. The monthly SCO and DSS prices will be calculated as the sum of the NYMEX settlement price for the prompt month (converted from Dth to Mcf), plus an RPA of $1.05 per Mcf. VEDO is further authorized to file the final tariffs necessary to implement the terms of this Finding and Order, as well as the relevant terms of the Commission's April 30, 2008, Opinion and Order, as amended.

(8) Unless otherwise ordered by the Commission, the SCO and DSS are approved for the period April 1, 2013, through March 31, 2014. During that time, the Commission reserves all authority to exercise its oversight and specifically reserves the right to terminate the SCO and DSS mechanisms and to implement an alternative pricing methodology at any time, if circumstances warrant.

(9) On January 15, 2013, Staff filed a motion for protective order, pursuant to Rule 4901-1-24, Ohio Administrative Code, requesting that the names of the participating or winning bidders be kept confidential for a period of 15 days from the date of this Finding and Order. In support of its motion, Staff stated that this should be done in order to protect the bidders' positions in negotiations with pipelines for the incremental capacity necessary to meet their obligations as SCO/DSS suppliers. The Commission finds that Staff's motion for protective order should be granted.

It is, therefore,

ORDERED, That VEDO is authorized to replace its existing SCO rate consistent with findings (6) and (7) above for a 12-month period beginning April 1, 2013. It is, further,

ORDERED, That VEDO is authorized to file four complete copies of tariffs, in final form, consistent with this Finding and Order. VEDO shall file one copy in this case docket and one copy in its TRF docket (or may file electronically as directed in Case No. 06-900-AU-WVR). The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than April 1, 2013. It is, further,

ORDERED, That VEDO shall notify all affected customers of the change to the SCO 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, in accordance with finding (9), Staff's motion for protective order be granted and the identities of the participating bidders be treated as confidential for a period of 15 days from the date of this Finding and Order. It is, further, ORDERED, That a copy of this Finding and Order be served upon all parties of record in this proceeding.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Todd A. Snitchler, Chairman

Steven D. Lesser

Andre T. Porter

Lynn Slaby

JR/js

Entered in the Journal

JAN 16 2013

Barcy F. McNeal
Secretary