

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

RECEIVED-DOCKETING DIV
2006 MAR -9 PM 3:46
PUCO

In the Matter of the Application of)
Vectren Energy Delivery of Ohio, Inc. for)
Approval, Pursuant to Revised Code)
Section 4929.11, of Tariffs to Recover)
Conservation Expenses and Decoupling)
Revenues Pursuant to Automatic)
Adjustment Mechanisms and for Such)
Accounting Authority as May be)
Required to Defer Such Expenses and)
Revenues for Future Recovery through)
Such Adjustment Mechanisms.)

Case No. 05-1444-GA-UNC

DIRECT TESTIMONY OF
JERROLD L. ULREY
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.
SPONSORING EXHIBITS JLU-1 THROUGH JLU-4

Gretchen J. Hummel (Trial Attorney)
Samuel C. Randazzo
Daniel J. Neilsen
Lisa G. McAlister
McNees Wallace & Nurick, LLC
21 East State Street, 17th Floor
Columbus, OH 43215
Telephone: (614) 469-8000
Fax: (614) 469-4653
ghummel@mwncmh.com
sam@mwncmh.com
dneilsen@mwncmh.com
lmcalister@mwncmh.com

March 9, 2006

Attorneys for Vectren Energy Delivery of
Ohio, Inc.

This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business.

Technician C Date Processed 3-9-06

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Vectren Energy Delivery of Ohio, Inc. for)
Approval, Pursuant to Revised Code)
Section 4929.11, of Tariffs to Recover)
Conservation Expenses and Decoupling)
Revenues Pursuant to Automatic)
Adjustment Mechanisms and for Such)
Accounting Authority as May be)
Required to Defer Such Expenses and)
Revenues for Future Recovery through)
Such Adjustment Mechanisms.)

Case No. 05-1444-GA-UNC

**DIRECT TESTIMONY OF
JERROLD L. ULREY
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.
SPONSORING EXHIBITS JLU-1 THROUGH JLU-4**

1 BACKGROUND AND QUALIFICATIONS

2 Q1. Please state your name and business address.

3 A1. My name is Jerrold L. Ulrey and my business address is One Vectren Square,
4 Evansville, Indiana 47708.

5 Q2. By whom are you employed and in what capacity?

6 A2. I am Vice President – Regulatory Affairs and Fuels for Vectren Utility
7 Holdings, Inc., the parent company of Vectren Energy Delivery of Ohio, Inc.
8 (collectively “VEDO” or “Company”).

1 **Q3. What are your present duties and responsibilities as Vice President -**
2 **Regulatory Affairs and Fuels?**

3 A3. I am responsible for coordinating VEDO's participation in rate and tariff
4 related regulatory proceedings before the Public Utilities Commission of Ohio.
5 In addition, I am responsible for overseeing the gas supply function for VEDO.

6 **Q4. Please describe your educational background.**

7 A4. In 1975, I obtained a Bachelor of Science degree in Industrial Management
8 from Purdue University with a Computer Business Systems concentration. In
9 1985, I obtained a Master of Business Administration degree from Indiana
10 University with a Finance concentration.

11 **Q5. Please describe your professional experience.**

12 A5. I have been employed by subsidiaries of Vectren Corporation (or its
13 predecessor Company, Indiana Energy) since 1981. My primary focus at
14 VEDO has been in Regulatory Affairs and Gas Supply. I assumed my current
15 position in 2001.

16 **Q6. Have you previously testified before this Commission?**

17 A6. Yes. I have presented testimony on behalf of VEDO in its most recent
18 general rate case, Case No. 04-571-GA-AIR, and its first GCR
19 Management/Performance Audit, Case No. 02-220-GA-GCR.

1 **PURPOSE**

2 **Q7. What is the purpose of your direct testimony in this proceeding?**

3 A7. The purpose of my direct testimony is to present and explain VEDO's
4 proposed tariff sheets relating to its proposed Conservation Rider. The Rider
5 serves two complementary purposes – first, it addresses the deficiencies
6 associated with VEDO's existing rate design by introducing a revenue neutral
7 mechanism that will better match VEDO's revenue collection with fixed cost
8 recovery, and second, it recovers the costs of a conservation program
9 designed to provide customers with tools and information they can use to
10 identify actions to increase the value received for their energy dollars.

11 **Q8. What are the components of the proposed Conservation Rider?**

12 A8. VEDO's proposed Conservation Rider contains two components, a
13 Conservation Funding Component ("CFC") and a Sales Reconciliation
14 Component ("SRC").

15 **Q9. What tariff sheet is VEDO proposing?**

16 A9. VEDO is proposing Sheet No. 43 – Conservation Rider in its Tariff for Gas
17 Service (attached as Exhibit JLU-1).

1 **Q10. To which Rate Schedules would the proposed tariff apply?**

2 A10. The proposed tariff would apply to Residential Sales Service (Rate 310),
3 Residential Transportation Service (Rate 315), General Sales Service (Rate
4 320), and General Transportation Service (Rate 325).

5 **Q11. Has VEDO proposed conservation programs in this proceeding?**

6 A11. Yes. VEDO witness Douglas A. Karl describes those programs in detail.

7 **Q12. Please describe the CFC of VEDO's proposed Conservation Rider.**

8 A12. The Tariff Sheet in Exhibit JLU-1 contains VEDO's proposed mechanism for
9 recovering the cost of conservation program funding. It describes the
10 calculation of the CFC annual recovery and reconciliation methodology.

11 **Q13. What costs would the CFC recover?**

12 A13. The CFC will recover the costs of funding conservation and customer
13 education efforts throughout VEDO's service area. These efforts for the first
14 year of the program are specified in Mr. Karl's testimony. As described
15 therein, in subsequent years the Conservation Collaborative would determine
16 the appropriate programs to be made available to customers. In addition, the
17 CFC will recover VEDO's costs to employ call center personnel devoted
18 exclusively to handling customer calls related to conservation questions and
19 specific conservation programs, as well as employees added specifically for

1 Program Administration as identified in Exhibit DAK-1, Appendix A, attached
2 to the testimony of witness Karl. The costs of these additional employees will
3 initially be deferred and subsequently included in the CFC as it is adjusted to
4 recover actual costs. VEDO's application requests approval of the necessary
5 accounting authority for the deferral of these costs. The CFC will not recover
6 VEDO's costs to develop the programs, train its employees, and engage in
7 various certain forms of conservation communication such as bill inserts.

8 **Q14. How are the CFC recovery amounts determined?**

9 A14. The annual program funding amount is proposed to be \$2.35 million, and
10 would remain at that level during the five-year program term unless the
11 Conservation Collaborative recommends, based on program results, that the
12 amount be increased. In that situation, the CFC would only be increased if
13 approved by the Commission. VEDO has also proposed to recover the cost
14 of 4-5 call center employees via the CFC.

15 **Q15. What is the proposed effective date for the CFC?**

16 A15. The CFC is proposed to be effective on the first day of the first month
17 following Commission approval.

1 **Q16. What is the proposed recovery mechanism for the CFC?**

2 A16. VEDO proposes that Conservation Funding amounts be recovered from the
3 applicable Rate Schedules using a volumetric rider calculated based on
4 projected annual volumes.

5 **Q17. What is the proposed reconciliation method for the CFC?**

6 A17. Actual costs recoverable and actual costs recovered each year will be
7 reconciled. Any over or under recovery will be recovered or returned via the
8 CFC over the next twelve months.

9 **Q18. Please provide a numerical example of the CFC.**

10 A18. A numerical example of the CFC is provided in Exhibit JLU-2. In this
11 example, I have divided the initial annual program funding amount of \$2.35
12 million by the total 2006 budgeted volumes for customers in the applicable
13 Rate Schedules to determine the initial CFC.

14 **Q19. What is the annual impact of the CFC on customers' bills?**

15 A19. An example of the average annual impact of the CFC on customers' bills is
16 also shown in Exhibit JLU-2. These example annual bill impacts use average
17 use per customer ("AUPC") volumes that were reflected in VEDO's 2006
18 budget for Residential and General Service customers. In this example, the
19 average annual impact of the CFC on customers' bills is \$5.81 for Residential

1 customers and \$27.01 for General Service customers. The bill impacts will
2 change as costs and recoveries are reconciled and usage estimates are
3 modified in future years.

4 **Q20. Please describe the purposes of VEDO's proposed modification of its**
5 **current volumetric rate design.**

6 A20. In order to both recover its fixed costs and promote reductions in customer
7 usage, VEDO has proposed a modification to its rate design that:

- 8 • Allows VEDO to recover base revenues approved by the
9 Commission in its last rate case.
- 10 • Aligns the interests of customers and VEDO.
- 11 • Removes VEDO's disincentive to promote energy conservation.

12 **Q21. Why is VEDO's current volumetric rate design inadequate in today's**
13 **environment?**

14 A21. This rate design tends to create hard choices for a local distribution company
15 ("LDC") between actions that might help customers reduce their need for
16 natural gas and actions the LDC must take to recover its costs, including the
17 appropriate compensation for its owners and creditors. In the bright light now
18 focused on the price of gas to customers, the existing volumetric rate design
19 has been exposed as an obstacle to conservation and, therefore, contrary to
20 good public policy. Because this dilemma will not go away until gas utility rate
21 design is modified, this obstacle to conservation is ongoing. Rather than

1 forcing utilities to choose either advocating conservation or attempting to
2 achieve adequate financial performance by selling more gas, removal of the
3 rate design impediment should occur. By severing the relationship between
4 cost recovery and customer throughput, the utility can both recoup its
5 legitimate costs and sponsor conservation.

6 **Q22. Please describe the SRC of VEDO's proposed Conservation Rider.**

7 A22. The Tariff Sheet in Exhibit JLU-1 contains VEDO's proposed rate mechanism
8 for breaking the linkage between volumes sold and cost recovery. It
9 describes the calculation of the SRC annual recovery and reconciliation
10 methodology.

11 **Q23. How is the SRC calculated?**

12 A23. The SRC will recover the differences between Actual Base Revenues and
13 Adjusted Order Granted Base Revenues for the applicable Rate Schedules.
14 Actual Base Revenues are defined as weather normalized monthly base
15 revenues for each Rate Schedule, prior to the CFC and SRC adjustments.
16 Adjusted Order Granted Base Revenues are defined as the monthly base
17 revenues for each applicable Rate Schedule as approved in VEDO's last
18 general rate case, adjusted to reflect the base revenue impact from any
19 change in number of customers from the levels reflected in the last rate case.
20 To calculate the base revenue impact from the change in number of
21 customers, Order Granted Base Revenue per customer is multiplied by the

1 change in the number of customers since the like month during the test year,
2 with the product being added to the Order Granted Base Revenues for such
3 month.

4 **Q24. Please provide a numerical example of how the SRC amount is**
5 **calculated.**

6 A24. The SRC amount will be calculated monthly, but an annualized example of
7 the SRC calculation for Residential customers is attached as Exhibit JLU-3.
8 First, revenues associated with VEDO's various non-base revenue riders are
9 subtracted from actual total revenues to arrive at Actual Base Revenue. The
10 Actual Base Revenue is then weather normalized using the methodology
11 followed in the last rate case. (This example provided in Exhibit JLU-3 uses
12 2006 budgeted revenues, which assume normal weather). The Order
13 Granted Base Revenue is then adjusted for the base revenue impact from the
14 change in the number of customers since the like month of the test year in
15 VEDO's last base rate case. The difference between the Adjusted Order
16 Granted Base Revenue and the Weather Normalized Actual Base Revenue is
17 then modified for gross receipts excise taxes, with the result being the SRC
18 amount.

1 **Q25. Why are Order Granted Base Revenues adjusted for the change in**
2 **number of customers?**

3 A25. The SRC is determined by comparing Order Granted Base Revenues to
4 weather normalized actual revenues. These actual revenues consist of
5 revenues for all customers VEDO is actually serving at the time the
6 calculation is made, including customers that have been added since the last
7 rate case. Therefore, it is necessary to add to the Order Granted Base
8 Revenues the base revenues associated with the new customers being
9 served in order to achieve an apples-to-apples comparison to Actual Base
10 Revenues. As described in Exhibit JLU-3, the new customer addition
11 adjustment is estimated as the net change in customer count multiplied by the
12 Order Granted Base Revenue per customer.

13 **Q26. What is the proposed recovery method for the calculated SRC**
14 **Amounts?**

15 A26. VEDO will defer the calculated differences between weather normalized
16 Actual Base Revenues and Adjusted Order Granted Base Revenues for
17 subsequent return or recovery via the SRC. VEDO will reflect annually in a
18 revised SRC the accumulated monthly differences between Actual Base
19 Revenues and Adjusted Order Granted Base Revenues.

20 The accumulated monthly differences for each Rate Schedule will be divided
21 by projected sales volumes to determine the applicable SRC. Projected and

1 actual recoveries by Rate Schedule under the SRC will be reconciled, with
2 any under or over recovery being recovered or returned via the SRC over the
3 next twelve months.

4 **Q27. Is VEDO requesting PUCO approval for deferral of the calculated**
5 **monthly SRC amounts and associated reconciliation amounts?**

6 A27. Yes. VEDO is proposing that the PUCO explicitly approve the deferral of the
7 calculated monthly SRC amounts for subsequent recovery/passback in the
8 SRC and that any reconciliation amounts also be allowed to be deferred until
9 recovered/passed back through the SRC.

10 **Q28. What is the expected SRC impact on customers' bills?**

11 A28. An example of the average annual impact of the SRC on customers' bills is
12 also shown in Exhibit JLU-3. These example annual bill impacts use average
13 use per customer volumes that were projected in VEDO's 2006 budget for
14 both Residential and General Service customers. In this example the average
15 annual impact of the SRC on customers' bills is \$6.79 for Residential
16 customers and \$41.90 for General Service customers. The bill impacts will
17 change as average use per customer changes and costs are reconciled and
18 usage estimates are modified in future years.

1 **Q29. What overall total bill impacts to typical customers are expected from**
2 **the Conservation Rider?**

3 A29. As shown in Exhibit JLU-4, the impact to a typical customer's annual bill from
4 the CFC and SRC, based on the examples previously provided, is \$12.60 for
5 a Residential customer and \$68.91 for a General Service customer.
6 However, these amounts are offset by the significant gas cost savings the
7 average customer realizes from reduced consumption. The intention of the
8 implementation of conservation programs discussed by witness Karl is to shift
9 focus to promoting conservation with an expected outcome of further reducing
10 usage and thereby yielding an even greater net customer benefit in the form
11 of avoided gas costs. For example, assuming that the gas cost component of
12 a typical Residential customer's bill averages \$10.00 per Mcf, that customer
13 need only conserve 1.26 Mcf of consumption in that year to break even on the
14 total bill. VEDO expects that its programs and focus on conservation will
15 result in usage reductions in excess of that amount, resulting in a net
16 reduction in the total customer bill. In fact, based on the expected average
17 uses per customer from the 2006 budget, and assuming a gas cost of \$10.00
18 per Mcf, the average bill impact is actually a reduction of \$44.40 for
19 Residential customers and \$283.09 for General Service customers.

20 **Q30. Is the SRC a base revenue increase for VEDO?**

21 A30. No. The calculated SRC amounts will be zero if customers use the amount of
22 gas that was projected in VEDO's rate case. If that occurs, VEDO recovers

1 its costs found to be reasonable and customer bills are as intended in the last
2 rate case. If usage is lower than the rate case, the SRC charges customers
3 only the amount necessary to allow VEDO to recover its rate case approved
4 costs. Accordingly, the total customer bills will not increase from what was
5 actually intended as the outcome of the rate increase.

6 **Q31. Is the SRC symmetrical?**

7 A.31 Yes, if average use per customer usage at some point increases above the
8 rate case projected level, then VEDO reduces the customer's bills via the
9 SRC.

10 **Q32. Do VEDO's proposed tariff sheets meet the objectives of the rate design**
11 **change as described above?**

12 A32. Yes. Implementation of the proposed tariff sheet will allow VEDO to recover
13 base revenues approved by the Commission in its most recent rate case
14 while allowing VEDO to partner with its customers in pursuing conservation
15 activities that will lead to an overall bill reduction for customers and help place
16 downward pressure on gas prices.

17 **Q33. In your opinion, is this proposal an improved rate design?**

18 A33. Yes. Volumetric rates, such as those that have been prevalent in the gas
19 industry for many years, would be a good way for a utility to recover its costs
20 if those costs increased and decreased with customer usage. Because

1 VEDO's costs are predominantly fixed and do not vary with usage, the only
2 way to ensure that VEDO recovers the appropriate level of costs from its
3 customers is to break the link between customer usage and cost recovery.
4 The SRC satisfies that need, and meshes well with conservation initiatives
5 such as those VEDO has proposed. In my opinion, the rate design VEDO is
6 proposing is far superior to its current rate design. It improves VEDO's
7 opportunity to recover its costs while setting the stage for customers to
8 reduce their overall bills by taking advantage of conservation education and
9 other programs VEDO will actively promote. It is indeed a win-win solution
10 from a company-customer perspective.

11 **Q34. Will such a change in rate design offer VEDO an opportunity to earn**
12 **more than its authorized revenues?**

13 A34. No. As discussed by witness Pettitt, changing rate design to provide a better
14 opportunity to recover already approved fixed costs does not create a
15 situation where revenues can exceed approved levels.

16 **Q35. With regard to VEDO's public utility service offerings, does VEDO make**
17 **or give any undue or unreasonable preference or advantage to any**
18 **person, firm, corporation, or locality, or subject any person, firm,**
19 **corporation, or locality to any undue or unreasonable prejudice or**
20 **disadvantage?**

1 A35. No, VEDO's public utility services are available on a comparable and non-
2 discriminatory basis. VEDO also offers its regulated services or goods to all
3 similarly situated consumers, including any persons with whom it is affiliated
4 or which it controls, under comparable terms and conditions. Based on
5 advice of counsel, it is my understanding that VEDO is obligated to make its
6 service offerings available on a comparable and non-discriminatory basis and
7 VEDO has applied these principles in developing its service offerings, the
8 terms and conditions upon which it provides public utility service and its rates.
9 Such services, terms and conditions and rates have been reviewed and
10 approved by the Commission and are currently incorporated in VEDO's tariff.

11 **Q36. Does VEDO offer the consumer a bundled service that includes both a**
12 **regulated and unregulated service?**

13 A36. No. VEDO does not presently have any bundled service offerings that
14 include a regulated and unregulated service.

15 **Q37. Does VEDO condition or limit the availability of any regulated services**
16 **or goods, or condition the availability of a discounted rate or improved**
17 **quality, price, term, or condition for any regulated services or goods or**
18 **on the purchase of any unregulated services or goods from the**
19 **company?**

20 A37. No. Again, VEDO's services, terms and conditions and rates are contained in
21 its Tariff for Gas Service as authorized by the Commission. VEDO provides

1 all services to similarly-situated customers consistent with the terms and
2 conditions of its tariff on a comparable and non-discriminatory basis. VEDO
3 offers all of its services on a comparable and non-discriminatory basis
4 regardless of the identity of the eligible supplier.

5 **Q38. Are you familiar with the content of Section 4929.02(A) of the Ohio**
6 **Revised Code?**

7 A38. Yes, it is my understanding that this Section contains the policy of the State of
8 Ohio with regard to natural gas goods and services.

9 **Q39. Based on your understanding of VEDO's services, terms and conditions**
10 **and rates, do you believe that VEDO is currently working to promote,**
11 **encourage, recognize, facilitate and ensure the goals that are identified**
12 **in Section 4929.02(A) of the Ohio Revised Code?**

13 A39. Yes, I do. In addition, it is my opinion that VEDO will continue to do so.
14 VEDO's relatively short record of service in Ohio includes a proactive effort to
15 work with stakeholders to implement unbundled and ancillary service
16 offerings that provide customers with effective and convenient choices to
17 reliably meet their natural gas supply needs. VEDO's tariff includes several
18 bundled and unbundled services of varying terms and conditions to provide
19 options to meet customers' particular needs for the purchase and delivery of
20 natural gas. VEDO's services provide all customers the opportunity to
21 choose an alternative commodity supplier. VEDO's rates provide no

1 subsidies flowing to or from regulated services or goods. VEDO developed
2 and implemented a successful residential and small commercial natural gas
3 choice program within the first two years of its ownership and operation of the
4 VEDO system. In order to support the choice program, VEDO secured
5 capacity contract reduction rights from its gas supply portfolio manager to
6 mitigate the stranded capacity costs resulting from customer migration to
7 choice, a mitigation strategy that has proven itself to be of great benefit to all
8 VEDO's customers. VEDO's rates provide funding for low-income
9 conservation programs resulting in more efficient use and conservation of
10 natural gas for qualifying customers. The company website, company bill
11 inserts, advertising initiatives, and company customer service representatives
12 provide information useful to customers in making choices about natural gas
13 services and goods. VEDO maintains an active Transportation Working
14 Group which is addressing and resolving issues related to the changes in the
15 provision and delivery of natural gas service. VEDO continues to seek ways
16 to enhance effective competition through ongoing discussions with the
17 stakeholders in its choice program and by actively seeking growth in marketer
18 participation.

19 The relief VEDO is seeking in this proceeding is relief which, if authorized by
20 the Commission, will further advance, promote, encourage, recognize,
21 facilitate and ensure the goals that are identified in Section 4929.02(A) of the
22 Ohio Revised Code. VEDO's proposal is directly responsive to such goals.
23 The programs proposed to be funded by the Conservation Rider will create a

1 basis for innovation and market access for cost-effective demand-side natural
2 gas services and goods by providing customers with informational tools and
3 economic incentives to seek goods and services and make decisions and
4 choices that result in more efficient use and conservation of natural gas. As
5 importantly, VEDO's proposal is designed to provide customers with a
6 convenient opportunity to obtain information and knowledge so that they can
7 better determine the actions that might best be taken to enhance the energy
8 value they receive through VEDO's system.

9 **Q40. Does this conclude your prepared direct testimony?**

10 **A40.** Yes, at this time.

VECTREN ENERGY DELIVERY OF OHIO, INC.
Tariff for Gas Service
P.U.C.O. No. 2

Original Sheet No. 43
Page 1 of 2

CONSERVATION RIDER

APPLICABILITY

The Conservation Rider shall be applicable to all Customers served under the following Rate Schedules:

Rate 310 – Residential Sales Service
Rate 315 – Residential Transportation Service
Rate 320 – General Sales Service
Rate 325 – General Transportation Service

DESCRIPTION

The Conservation Rider will be the sum of the following two components for each applicable Rate Schedule as described below:

- (1) Conservation Funding Component
- (2) Sales Reconciliation Component

Conservation Funding Component (CFC):

The CFC shall recover the costs of funding conservation and demand-side management efforts throughout Company's Service Area. These efforts may include, among others, energy conservation programs, customer education programs and weatherization programs designed to benefit Customers under the applicable Rate Schedules.

The estimated annual costs shall be divided by projected sales volumes to determine the applicable CFC. The actual costs recoverable and the actual costs recovered under the CFC shall be reconciled, with any under or over recovery being recovered or returned via the CFC over the next twelve months.

Sales Reconciliation Component (SRC):

The SRC shall recover the differences between Actual Base Revenues and Adjusted Order Granted Base Revenues for the applicable Rate Schedules.

Actual Base Revenues are defined as weather-normalized monthly base revenues for each Rate Schedule, prior to the SRC and CFC adjustments.

Adjusted Order-Granted Base Revenues are defined as the monthly base revenues for each applicable Rate Schedule as approved by the Commission's Order in Company's last base rate case, as adjusted to reflect the change in number of customers from the levels approved in the Order. To reflect the change in number of customers, Order-granted base revenue per customer is multiplied by the net change in number of customers since the like month during the test year, with the product being added to the Order-granted base revenues for such month.

Filed pursuant to _____ in Case No. 06-_____-GA-UNC of the Public Utilities Commission of Ohio

Issued _____, 2006

Issued by Jerrold L. Ulrey, Vice-President

Effective _____, 2006

VECTREN ENERGY DELIVERY OF OHIO, INC.
Tariff for Gas Service
P.U.C.O. No. 2

Original Sheet No. 43
Page 2 of 2

CONSERVATION RIDER

Company shall defer the calculated differences between Actual Base Revenues and Adjusted Order Granted Base Revenues for subsequent return or recovery via the SRC. Company shall reflect in a revised SRC the accumulated monthly differences between Actual Base Revenues and Adjusted Order Granted Base Revenues.

The accumulated monthly differences for each Rate Schedule shall be divided by projected sales volumes to determine the applicable SRC. Projected and actual recoveries by Rate Schedule under the SRC are reconciled, with any under or over recovery being recovered or returned via the SRC over the next twelve months.

CONSERVATION RIDER RATE

The applicable Conservation Rider Rate below shall be applied to each Ccf of metered gas usage each month.

<u>Rate Schedule</u>	<u>Rates in \$/Ccf</u>		
	(A)	(B)	(A) + (B)
	<u>Conservation</u>	<u>Sales</u>	
	<u>Funding Component</u>	<u>Reconciliation</u>	<u>Conservation</u>
	<u>(CFC)</u>	<u>Component</u>	<u>Rider Rate</u>
		<u>(SRC)</u>	
310 and 315	\$0.00000	\$0.00000	\$0.00000
320 and 325	\$0.00000	\$0.00000	\$0.00000

Filed pursuant to _____ in Case No. 06-_____-GA-UNC of the Public Utilities Commission of Ohio

Issued _____, 2006

Issued by Jerrold L. Uirey, Vice-President

Effective _____, 2006

Annual Customer Impact – CFC
(Example)

Conservation Funding	\$2,350,000
Budgeted Units (mcf)	<u>35,748,518</u>
CFC	\$0.0657
Residential AUPC	88.4
Residential Customer Impact	\$5.81
General Service AUPC	411.1
General Service Customer Impact	\$27.01

SRC Revenue Amount Calculation**(Example)**

RESIDENTIAL RATE 310/315		<u>Annualized</u>
1	Actual Revenue	\$336,123,852
2	Less Riders:	
3	PIPP	-3,147,836
4	Uncollectible Expense Rider	-3,241,820
5	MCF Tax	-4,056,683
6	Gross Receipts Excise Tax (GRET)	-12,858,750
7	GCR Revenue and Variances	-257,331,531
8	SRC and CFC	<u>0</u>
9	Actual Base Revenue	55,487,232
10	Weather Normalization (rate case mechanics)	<u>0</u>
11	Weather Normalized Actual Base Revenue	<u>55,487,232</u>
12	Order Granted Base Revenue	56,936,837
13	Add: Customer Growth Base Revenue	<u>425,588</u>
14	Adjusted Order Granted Base Revenue	<u>57,362,425</u>
15	SRC Revenue Amount (pre GRET: line 13 – line 10)	1,875,193
16	Gross Receipts Excise Tax (GRET) Rate	<u>1.048767</u>
17	SRC Impact with GRET	<u>\$1,966,641</u>

New Customer Additions Revenue

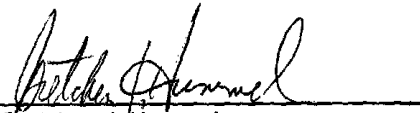
Actual Customer Count	289,647
Order Granted Customer Count	<u>287,498</u>
Customer Growth	2,149
Order Granted Base Revenue/Customer	<u>\$198.04</u>
Customer Growth Base Revenue	<u>\$425,588</u>

Conservation Rider
Total Customer Impact
(Example)

	<u>Residential</u>	<u>General Service</u>
CFC Impact	\$5.81	\$27.01
SRC Impact	6.79	41.90
Subtotal	12.60	68.91
Less: Avoided Gas Costs (@ \$10.00)	-57.00	-352.00
Net Customer Impact	-44.40	-283.09
AUPC Reduction (Mcf)	5.7	35.2

CERTIFICATE OF SERVICE

I hereby certify that a copy of this *Direct Testimony of Jerrold L. Ulrey on Behalf of Vectren Energy Delivery of Ohio, Inc.* was sent by ordinary U.S. mail, postage prepaid or hand-delivered to all parties to the proceeding before the Public Utilities Commission of Ohio and pursuant to Section 4903.13 of the Ohio Revised Code on March 9, 2006.


Gretchen J. Hummel

Maureen Grady
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, OH 43215

David Rinebolt
231 West Lima Street
PO Box 1793
Findlay, OH 45839-1793

Anne L. Hammerstein
Assistant Attorney General
Public Utilities Section
180 East Broad Street, 9th Floor
Columbus, OH 43215

Joseph P. Meissner
Attorney at Law
Legal Aid Society of Cleveland
1223 West Sixth Street
Cleveland, OH 44113