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AUDIT REPORT

MANAGEMENT/PERFORMANCE AUDIT OF THE GAS PURCHASING AND POLICIES OF VECTREN ENERGY DELIVERY OF OHIO, INC.

PUBLIC UTILITIES COMMISSION OF OHIO

**CASE NO. 04-220-GA-GCR
AUGUST 2006**

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I. INTRODUCTION

The Public Utilities Commission of Ohio, by entry journalized August 24, 2005, has ordered management/performance audits of the gas purchasing practices and policies of Cincinnati Gas & Electric Company, Dominion East Ohio Gas Company, Vectren Energy Delivery of Ohio, Inc. and Columbia Gas of Ohio, Inc. (Company or Companies). Rule 4901:1-14-07(D) specifies that the Commission has the sole responsibility for selecting the Company's management/performance auditor. The management/performance auditor will be required to conduct such an audit and will be responsible for submitting a report which identifies and evaluates the specific organizational structure and management policies and procedures of the Company's existing or proposed procurement strategy and assessing the impacts of choice programs on remaining sales service customers.

These management/performance audits are designed to investigate the Companies' management policies and operational procedures. The audit should determine the Company's effectiveness in fuel procurement to achieve an adequate and reliable supply of natural gas at minimum prices, while at the same time minimizing transition costs associated with choice programs through its capacity negotiations. The audits will also examine the Companies maturing Choice Programs, along with revenues generated from non-traditional capacity and commodity arrangements.

Any auditor/contractor who is chosen by the Commission or the Company to perform an audit agrees to perform the audit as an independent contractor. Any conclusions, results, or recommendations formulated by the auditor may be examined by any participant to the proceeding for which the audit report was generated. Further, it shall be understood that the Commission and/or its Staff shall not be liable for any acts committed by the auditors or their agents in the preparation and presentation of the audit reports.

The GCR auditors will execute their duties pursuant to the Public Utilities Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under Sections 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16, Revised Code. The GCR auditors are subject to the Commission's statutory duty under Section 4901.16 of the Ohio Revised Code, which states:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities

commission, no employee or agent referred to in Section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

A. OBJECTIVES AND SCOPE

The purpose of the management/performance audit is to investigate the Company's management policies, organizational structure, and operational procedures. The audit should determine the Company's effectiveness in fuel procurement to achieve an adequate and reliable supply of natural gas at minimum prices.

The scope of the Utilities International, Inc. (UII) audit included the analysis and interpretation of the structure, policies, and procedures of the Company's gas procurement and marketing functions. Specific issues or areas included in the scope of this audit are as follows:

- Peak Day and Winter Season Forecasting Methodology.
- Impact of Choice Migration on supply portfolio and capacity arrangements.
- Gas price volatility mitigation and hedging techniques
- Utilization of supply portfolio and capacity arrangements directly or through a portfolio manager to minimize unused capacity.

In addition, the Commission ordered in Case Nos. 02-220-GA-GCR that additional issues specific to Vectren Energy Delivery of Ohio, Inc. (VEDO) be examined. These issues were raised in the prior GCR audit and forecasting cases, and are as follows:

- Examine the decision matrix or chart of authorities that defines the responsibilities and authorities of various levels of management within the gas supply organization by December 31, 2003.
- Review the formalized procedures covering the management of price risks to which Vectren is exposed in the fuel supply area.
- Verify that the Company has an internal audit plan of gas supply.

- Review the options for reconfiguring Vectren's pipeline capacity and storage portfolios.
- Assess the Company's examination of the physical constraints on its system that limit the volumes it may take from individual pipelines.
- Review the Company's progress in offering interruptible service to large customers with dual-fuel peaking service options.
- Examine the Company's curtailment plan that was developed in consultation with staff and approved suppliers.
- Review the Company's policies, procedures and internal tools to optimize its gas supply planning activities.
- Verify the Company has conducted employee training in affiliate relations by and required employees to annually verify, in writing, that they understand the affiliate relations guidelines and intend to comply with the guidelines.
- Examine Vectren's specific employee policies and procedures governing employee interaction with affiliates and that these policies and procedures were part of the employee training addressed above.
- Evaluate and comment upon the Company's development of a competitive bid process for and the selection of an asset management service. Verify that VEDO has improved its oversight of the asset manager and performance.
- Examine the Company's study of the feasibility and benefits/disadvantage of better incorporating the use of its propane assets and facilities.
- Examine recommendations made by Liberty Consulting Group to improve the Company's design day forecast.
- Evaluate and report on Vectren's follow-up to ProLiance modifications at the morning meetings to ensure that the modification do not adversely affect the Company's least cost gas supply obligations.
- Review the Company's development of purchase parameters for advanced gas purchases at least each quarter.
- Examine the Company's analysis of the feasibility and benefits of various financial instruments and gas buying tools.
- Review Vectren's action to identify influences on its LAUF and its actions.

B. APPROACH

In order to conduct a focused management/performance audit (m/p audit) within an allotted period of time, UII has established evaluative criteria which identify the specific management processes, features, results, and levels of sophistication expected, the types of documents and analyses. In addition to interviews, these criteria provide the information to evaluate the types of problems expected or potential improvements that can be made given the results of our evaluation and its impacts.

The UII management/performance audit of VEDO included six specific steps, as follows:

1. **Initial Data and Interview Requests** and Project Agreement took place prior to the audit. The Engagement Director discussed the forms and procedures to be used on the audit with Company and PUCO representatives. An initial data request was then sent to the Company to be received by UII prior to arriving on site. Initial interviews with two or three top officers were also requested.
2. **Initial Data Review** was made before arriving on site to develop background knowledge, begin analysis of where the Company stood relative to our evaluative criteria, and prepare for initial interviews.
3. **Initial Interviews** were conducted with top-level Company management in the relevant functional areas. The interviews were used to determine what additional data should be requested and what additional interviews with other Company employees should be conducted in order to obtain more specific information.
4. **Subsequent Data and Interview Requests** dealing with more specific data and interviews with personnel below top management were based on the initial data requests and interview results.
5. **Follow-up Interviews and Data Analysis** were subsequently made to obtain additional information and clarify specific points to ensure the accuracy of the facts from which conclusions and recommendations were drawn. Also as part of this step, discussions were held with PUCO staff and Company representatives on the preliminary findings and progress of the audit.
6. **Final Report** was prepared as the last step of the audit, with the Engagement Director reviewing all findings, conclusions, and recommendations to ensure that they were clearly presented and properly substantiated in the work papers.

II. BACKGROUND AND PERSPECTIVE

This chapter discusses the previous management / performance audit, recent regulatory changes that affect VEDO's gas business, and the physical and operating characteristics of VEDO. It also provides an overview of VEDO's gas supply organization and business.

A. PREVIOUS AUDIT

The findings of the prior management / performance audit, along with the Order and Opinion issued by the PUCO on June 14, 2005 and its Second Entry on Rehearing on December 21, 2005, indicate that VEDO was imprudent. These adverse decisions came almost a full two years after the final audit report was issued indicating that the imprudence continued into the current audit period. Thus, these decisions will be the subject of this management / performance audit. The first issue identified was that VEDO contracted with ProLiance, its non-regulated affiliate, for a period of five years without competitive bidding. The second issue was that VEDO maintained a 5% reserve margin above design peak.

Competitive bidding is normal practice when procuring most types of goods and services including gas portfolio management. Other organizations have done this in Ohio and elsewhere, yet VEDO did not consider it necessary or needed at the time it entered into the agreement with ProLiance in the fall of 2000. Part of the Company's reasoning was that Indiana had previously allowed VEDO to contract for a portfolio manager on a non-competitive bid basis. However, subsequently in Indiana, it will be required as stated on Page 22 of its 2004 10K as follows:

...ProLiance primary customers include Vectren's utilities and non-regulated gas supply operations as well as Citizen's Gas and other large end-use customers. As part of the settlement agreement approved by the IURC during July 2002, the gas supply agreements with Indiana Gas and SIGECO, were approved and extended through March 31, 2007. The utilities may decide to conduct a "request for

proposal" (RFP) for a new supply administrator, or they may decide to make an alternative proposal for procurement of gas supply...To the extent an RFP is conducted, ProLiance has the opportunity, if it so elects, to participate in the RFP process for service to utilities after March 31, 2007.

A second issue that carried over into the current audit period was the use of a 5% reserve margin on top of a conservative design day peak design. In its June Order the Commission concluded:

...Based upon the evidence present in this case [02-220-GA-GCR], the Commission concludes that Vectren's implementation of a five percent reserve margin during the audit period was not prudent, reasonable or necessary.

A third issue was identified in not only the previous Liberty audit but also the one preceding it that was performed by Exeter. This issue was in regard to VEDO's overly conservative design day criteria and certain improvements needed to its peak day forecasting equation. VEDO made the structural improvements to its design day equation but still has not adequately addressed its design day criteria. This matter will be discussed later in subsequent sections of this audit report.

The final and perhaps overarching issue that needs to be examined in this audit is VEDO's supply and capacity portfolio necessitated by the expiration of most of its capacity contracts by October 31, 2004. Utilities International, Inc.'s (UII's) expectation would be that VEDO use a gas supply optimization tool, such as the SENDOUT™ model, to perform the necessary analysis. This analysis would determine the best cost portfolio of capacity and supply to meet its GCR customer load requirements in the future. Because of VEDO's opportunity to reconfigure virtually its entire capacity portfolio, supply optimization is not only essential but is also needed to determine a reasonable peak day and winter design.

B RETAIL UNBUNDLING IN OHIO

Retail unbundling by the major gas utilities in Ohio is being implemented through Ohio Public Utilities Commission (PUC) orders and stipulations with individual companies. Three utilities (Columbia Gas of Ohio, Cincinnati Gas & Electric, and East Ohio Gas (now doing business as Dominion East Ohio)) in the State have had choice programs underway since 1997, and a fourth company (VEDO) began its program in January 2003. The first choice offerings were accomplished through pilot programs for a limited number of customers. The Columbia Gas and Cincinnati Gas & Electric programs were expanded to all customers in their service territories in June 1998 and the East Ohio Gas program was made company-wide in July 2000. Vectren Energy's program was

implemented in three phases, with 15 percent (about 45,000) of Vectren's customers eligible at the start, 33 percent in April 2003, and 100 percent in September 2003. No more than 20 percent of total participants in each phase could be nonresidential customers. About 24 percent of Vectren's residential customers were enrolled in December 2003 and about 29 percent in December 2005.

The aggregation programs were an outgrowth of legislation signed in March 2001, which also requires retail gas suppliers to be certified by the PUC, authorizes the PUC to order open access for large local distribution companies, and consolidates consumer protection authority over certain retail natural gas transactions. On rehearing, a gas supplier rules implementation group was formed to discuss certain marketer issues, such as whether "price-to-compare" information should be included in customers' bills. The PUC finalized its rules in support of the legislation in April 2002.

According to a report by the Ohio PUC in May 2001, the high natural gas prices in the winter of 2000-2001 caused some suppliers to exit the program because of difficulties in meeting fixed contractual obligations. The number and variety of rate plans offered also decreased, and many marketers scaled back or froze efforts to acquire new customers. This limited choice for consumers also dampened consumer confidence in choice programs. Enrollment problems were also noted, with some enrollments delayed for more than 3 months and others experiencing difficulty in changing back to LDC sales service because of enrollment cutoff dates.

In the fall of 2003, however, a PUCO spokesman noted that those customers who switched to an independent supplier when the choice program started in 2000 probably have saved money. Before deciding to switch, customers are encouraged to calculate the true costs of using an independent supplier, using the price comparison charts posted on the PUC web site. The comparison charts caution that total rates for regulated and unregulated suppliers differ in the types of taxes that are applied. The utilities assess their customers a gross receipts tax on the volume of gas consumed, while by law natural gas purchases from unregulated suppliers are subject to sales taxes. As of December 2004, 8 marketers were actively enrolling customers, compared with 10 in December 2003 and 8 in December 2001.

In December 2004, Dominion East Ohio notified the PUCO of its desire to exit the commodity market and become a distribution-only company by the end of 2005. The company plans to bring its proposal to the PUCO by spring 2005. Nearly 60 percent of its customers already participate in its customer choice program.

Table II-1

LDC Customer Data as of December 2005 from the Public Utilities Commission of Ohio

Customer Type	Total 2004	Eligible December 2005		Participating December 2005		
		Total	Percent of 2004 Total	Total	Percent of Eligible	Percent of 2004 Total
Residential	3,248,821	3,003,531	92.4	1,090,968	36.3	33.6
Commercial*	272,269	248,133	91.1	96,046	38.7	35.3
Total	3,521,090	3,251,664	92.3	1,187,014	36.5	33.7

Local Distribution Company	Number of Customers			
	Residential		Small Commercial	
	Eligible	Participating	Eligible	Participating
Columbia Gas of Ohio	1,251,256	476,874	109,290	45,864
Cincinnati Gas & Electric	380,673	30,111	30,363	4,783
Dominion East Ohio Gas	1,078,716	511,132	81,582	39,717
Vectren	226,232	67,306	21,434	4,490
Total	2,937,280	1,085,423	242,669	94,854

VEDO Customer Choice Program

The enrollment statistics above show that roughly 30% of residential customers and 21% of Small Commercial customers have enrolled in Choice Programs as of the end of 2005. However, as of June 14, 2006, non-enrolled VEDO customers now have essentially three supplier choices as Interstate Gas Supply is now enrolling new customers. The other two suppliers are Vectren Source and Shell Energy Services.

Two final aspects of the VEDO Choice program are Choice Supplier requirements to provide comparable firm capacity and allocation of propane peak shaving as described in the following two excerpts from its tariff sheets. These two provisions are key to

ensuring that Choice Customers have the same relative supply security as GCR customers and enjoy the same cost advantage for needle peaking on a design day. Although Choice Suppliers do not have a statutory obligation to serve as does a regulated utility, these tariff provisions do help to put both types of service on a comparable basis.

CAPACITY AND OPERATING REQUIREMENTS

Comparable Firm Capacity Requirement:

Each month, Supplier agrees to secure sufficient firm interstate pipeline capacity with primary delivery points to Company's city gates and firm supply to meet 100% of that month's Peak Design Day Demand of its Pool Customers, less a percentage during the winter months reflecting the Pool's entitlement to Company's propane or alternate peaking capability as described below (Comparable Firm Capacity Requirement). All obligations of Supplier with respect to such capacity and supply shall be the sole responsibility of Supplier.

On a daily basis, Company will provide Supplier with the revised Peak Design Day Demand for Supplier's Pool effective the following day. This volume will change over time as necessary to reflect Customers joining and/or leaving Supplier's Pool and any changes in Company's peak design day demand parameters.

Company may periodically verify Supplier's compliance with this Comparable Firm Capacity Requirement. Supplier will provide to Company upon request copies of contracts for upstream pipeline capacity not assigned by Company and supply contracts showing the firm quantities reserved or purchased and the specific points of delivery. If Supplier is securing firm city gate supplies, Supplier shall provide a copy of such firm supply agreement, and additional documentation as required by Company to confirm compliance of the applicable interstate pipeline capacity.

If Company identifies a firm capacity deficiency, such deficiency shall be resolved to Company's satisfaction by one or a combination of the following, at the Supplier's discretion: 1) immediate acquisition by Supplier of additional firm pipeline capacity, 2) assignment to Supplier of Company's pipeline capacity, 3) delayed enrollment of new Pool Customers, 4) return of existing Pool Customers to Company's Sales Service, or 5) transfer of Pool Customers to another Supplier. If Company identifies a firm supply deficiency, such deficiency shall be resolved to the Company's satisfaction by one or a combination of the following, at the Supplier's discretion: 1) immediate acquisition by Supplier of additional firm supply, 2) delayed enrollment of new Pool Customers, 3) return of existing Pool Customers to Company's Sales Service, or 4) transfer of Pool Customers to another Supplier.

Allocation of Peaking Supplies:

During the Winter Season, Company shall reserve a portion of its vaporized propane capacity for Supplier Pools, based on the product of each Pool's then-applicable Peak Design Day Demand and the portion of Company's total design day needs forecasted to be met by vaporized propane that month. The portion reserved shall be applied as a reduction to the Peak Design Day Demand that Supplier must meet pursuant to its Comparable Firm Capacity Requirement.

When the Pool's Expected Demand reaches the volume of Supplier's Comparable Firm Capacity Requirement, Company shall supply the Pool's gas needs in excess of the Supplier's Comparable Firm Capacity Requirements with vaporized propane or alternate peaking supplies. The fully allocated costs of the propane or alternate peaking supply provided by Company hereunder shall be billed directly to Supplier.

By October 1 of each year, and when there is a material change in Company's propane peaking capacity, Company shall indicate the percentage of Supplier Pool's Peak Design Day Demand that will be met with Company's vaporized propane, or alternate peaking supplies, allocated by Company to such Pool.

C. PHYSICAL AND OPERATING CHARACTERISTICS OF VEDO

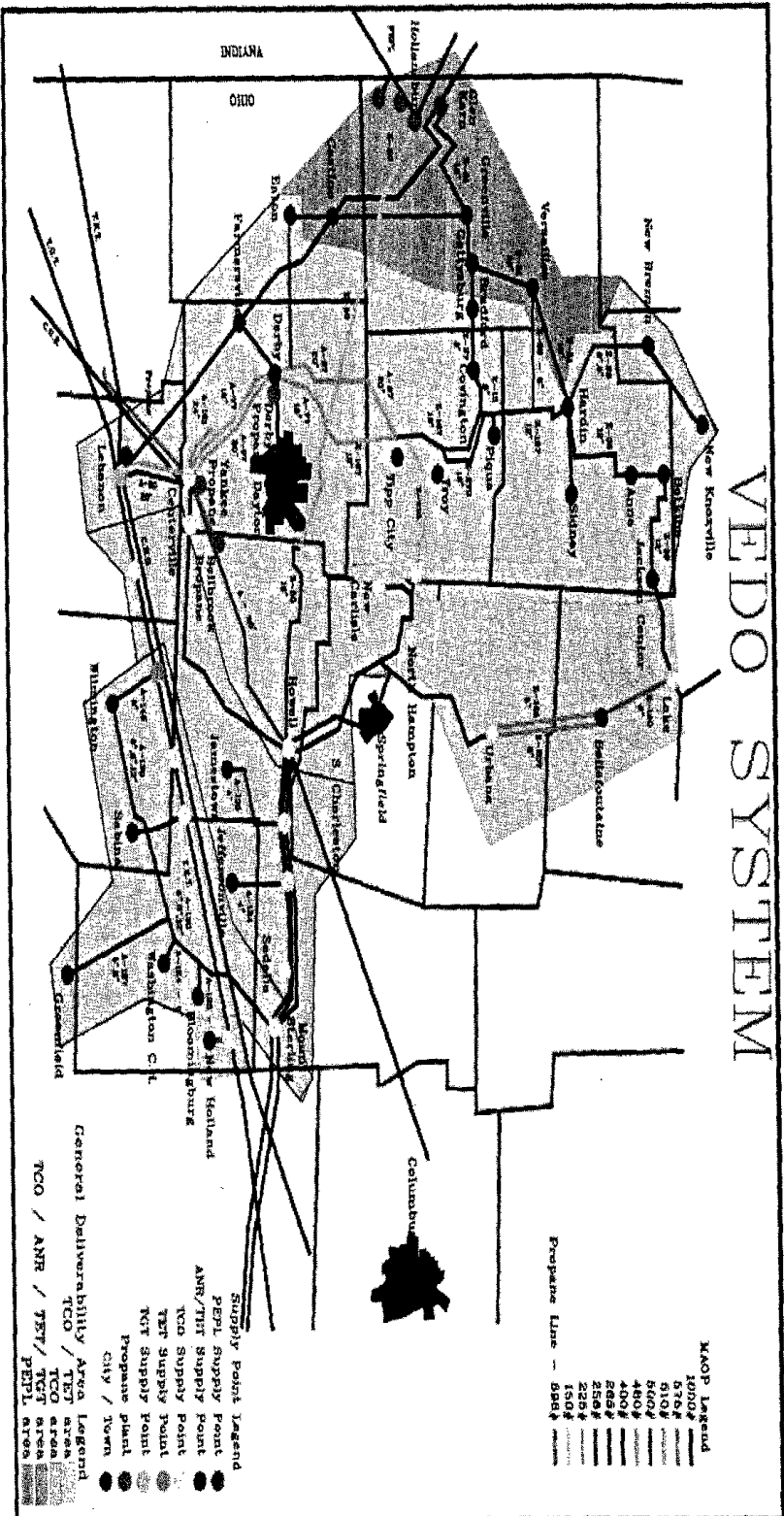
CUSTOMER VOLUMES AND REVENUES

VEDO is among the four largest gas distributors in the state of Ohio and serves the city of and area around Dayton, Ohio. In 2005, VEDO sold or transported 29.8 BCF to an average of almost 243,000 customers. VEDO transported an additional 23.6 BCF of gas for approximately 71,000 customers. For 2005, natural gas sales revenues were \$354 million and transportation revenues were \$32.9 million. VEDO's service area is shown in Exhibit II-1.

Exhibit II-2 identifies volumes and average annual customer counts for both sales and transportation sectors for 2001 through 2005. The data show that there has been a decline in sales and more significant growth in transportation volumes primarily due to the Customer Choice transportation program put in place in January 2003. The number of customers over the period has increased very slightly for combined sales and transportation. Overall, VEDO has had a .1 percent decline in annual growth in its throughput and 0.1 percent annual growth in the number of customers.

Exhibit II-3 shows revenues and consumption per customer by class for jurisdictional sales, and unit sales margins for 2001 through 2005. Sales revenue growth has been significantly greater than volume growth over the period due to higher gas prices and distribution margin. Non-weather normalized consumption per customer has dropped slightly over the period, most likely reflecting the improvement in appliance efficiency for both new and existing customers. Transportation revenue growth on a \$/Mcf basis, on the other hand, has risen slightly over the period while use per customer growth has dropped, reflecting more small choice customers going to transportation.

EXHIBIT II-1



**GAS SALES, CHOICE AND TRANSPORTATION VOLUMES AND NUMBER OF CUSTOMERS
(2001-2005)**

Tickmark Explanations:

(1) - Vectren Energy Delivery of Ohio, Inc. implemented a new tariff in April 2005. Upon implementation of the new tariff, class presentation changed to follow the tariff. Commercial represents tariff 320.

(2) - Vectren Energy Delivery of Ohio, Inc. implemented a new tariff in April 2005. Upon implementation of the new tariff, class presentation changed to follow the tariff. Industrial represents tariffs 330 and 341.

(3) - Vectren Energy Delivery of Ohio, Inc. implemented a new tariff in April 2005. Based on the new tariff, all third party throughput has been represented as industrial for 2005 and in prior years, it was divided between commercial and industrial.

(4) Represents sales to Dayton Power and Light, Hutchings Station.

EXHIBIT II-3

GAS SALES, TRANSPORTATION UNIT REVENUES AND AVERAGE USE PER CUSTOMER (2001-2005)

SALES	\$/Mcf (1)					01 vs. 05 % Change	Non-Normalized Use Per Customer - Mcf (2)					01 vs. 05 % Change
	2001	2002	2003	2004	2005		2001	2002	2003	2004	2005	
Residential	\$ 9,7106	\$ 7,2949	\$ 8,4180	\$ 9,9869	\$ 12,2124	4.7%	82	94	99	87	88	1.4%
Commercial - Firm (3)	\$ 9,0176	\$ 6,8044	\$ 7,9644	\$ 9,4394	\$ 11,5907	5.1%	380	422	471	431	413	1.7%
Industrial - Firm (4)	\$ 8,4700	\$ 6,5646	\$ 7,8041	\$ 9,2504	\$ 10,8057	5.1%	1,958	1,509	1,520	1,462	5,718	23.9%
Sales to Electric Utilities (6)	\$ 8,4469	\$ 5,9145	\$ 7,9558	\$ 8,9358	\$ 11,4137	6.2%	311,000	132,000	294,000	187,000	278,000	-2.2%
Total Sales	\$ 9,3536	\$ 7,1031	\$ 8,2031	\$ 9,7344	\$ 11,8440	4.8%	114	125	134	120	123	1.6%

TRANSPORTATION												
TRANSPORTATION	\$/Mcf (1)					01 vs. 05 % Change	Non-Normalized Use Per Customer - Mcf (2)					01 vs. 05 % Change
	2001	2002	2003	2004	2005		2001	2002	2003	2004	2005	
Choice - Residential	\$ -	\$ -	\$ 2,5139	\$ 2,2244	\$ 2,4684	N/A	-	-	65	101	91	N/A
Choice - Non-Residential	\$ -	\$ -	\$ 1,9442	\$ 1,8023	\$ 1,9125	N/A	-	-	332	447	413	N/A
Subtotal Choice	\$ -	\$ -	\$ 2,3462	\$ 2,1196	\$ 2,3451	N/A	-	-	85	125	110	N/A
Commercial (5)	\$ 0,7978	\$ 1,6942	\$ 1,3559	\$ 1,2575	\$ -	-100.0%	20,887	10,754	10,993	10,435	-	N/A
Industrial (5)	\$ 0,8342	\$ 0,7314	\$ 0,7716	\$ 0,7602	\$ 0,9344	2.3%	58,713	79,325	74,965	76,779	24,422	N/A
Other	N/A	N/A	N/A	N/A	N/A	0%	-	-	-	-	-	N/A
Subtotal Interruptible	\$ 0,8168	\$ 0,9798	\$ 0,9320	\$ 0,9076	\$ 0,9344	2.7%	31,462	29,992	28,856	26,617	24,432	-4.0%
Total Transportation	\$ 0,8168	\$ 0,9798	\$ 1,0788	\$ 1,3018	\$ 1,3970	11.3%	31,462	29,992	798	382	332	-59.4%
TOTAL THROUGHPUT	\$ 6,4879	\$ 5,2241	\$ 5,9348	\$ 5,9881	\$ 7,2883	2.35%	172	181	184	173	170	-0.23%

Tickmark Explanations:

- (1) - Values were calculated by dividing revenue by mcf reported on Exhibit II-2.
- (2) - Values were calculated by dividing mcf by customers reported on Exhibit II-2.
- (3) - Vectren Energy Delivery of Ohio, Inc. implemented a new tariff in April 2005. Upon implementation of the new tariff, class presentation changed to follow the tariff. Commercial represents tariff 320.
- (4) - Vectren Energy Delivery of Ohio, Inc. implemented a new tariff in April 2005. Upon implementation of the new tariff, class presentation changed to follow the tariff. Industrial represents tariffs 330 and 341.
- (5) - Vectren Energy Delivery of Ohio, Inc. implemented a new tariff in April 2005. Based on the new tariff, all third party throughput has been represented as industrial for 2005 and in prior years, it was divided between commercial and industrial.
- (6) Represents sales to Dayton Power and Light, Hutchings Station.

GAS SUPPLY SOURCES

The gas supplies for sales customers are broken into three types which include:

- Fixed supplies – which are advance purchase volumes at a fixed price on the respective interstate pipeline for delivery each day of the month.
- Take-or-Release (TOR) supplies – which are first-of-the-month index priced purchases for delivery each day of the month.
- Swing supplies – which are supplies that can be called on when needed during the course of the month to meet customer daily demands. These supplies are priced at the respective gas daily average price for the respective interstate pipeline pricing point.

The data presented in Table II-2 below show the volumes and percentage breakdown of the supply types along with the volumes for storage refill from the gas supply plan prepared for the last year of the audit period. The storage refill gas volumes are primarily comprised of first-of-the-month priced supply depending on what perceived future gas prices are for the next 5 quarters.

Table II-2

2004-05 Supply Plan by Contract Type – City Gate Deliveries

Contract Type	% of Annual Supply	Nominal Daily Volume Normal Winter Dt/Day	Total Seasonal Volume Winter Dt	Nominal Daily Volume Summer Dt/Day	Total Seasonal Volume Summer Dt	Total Annual Volume Dt
Fixed	18.2%	29,528	4,458,676	4,680	1,001,470	5,460,146
Take-or-Release (TOR)	19.9%	22,913	3,459,854	11,655	2,494,208	5,954,062
Swing	24.3%	23,790	3,592,251	17,332	3,708,943	7,301,194
Storage Refill	37.6%	0	0	52,639	11,264,792	11,264,792
TOTAL	100.00%	76,231	11,510,781	86,306	18,469,413	29,980,194

STORAGE

A summary of VEDO's storage capacity with contract expiration dates is presented in Table II-3 below. During the audit period, both storage agreements expired on March 31, 2005. VEDO extended both but broke the Columbia FSS into three different staggered expiration contracts.

Table II-3

Summary of Storage Capacity Contracts 2005-06

Storage Service	Maximum Daily Deliverability D/Day	Maximum City Gate Seasonal Volume - Dt	Contract Expiration Date
Panhandle Eastern - FSS	46,080	4,203,360	3/31/07
Columbia Gas Trans - FSS	120,000	4,589,090	3/31/08
Columbia Gas Trans - FSS	40,000	1,529,697	3/31/08
Columbia Gas Trans - FSS	40,000	1,529,697	3/31/09
TOTAL	246,080	11,851,844	N/A

Storage provides 60 percent of the peak day capacity and approximately 50 percent of the normal winter heating season supply for firm customers. With this much reliance on it, storage essentially drives the entire portfolio. The company follows two primary operating guidelines for its two storage services:

1. TCO and PEPL storage ratchets are planned not to be reached prior to February 15th to protect against a late winter peak day;
2. 20 percent of storage volumes are used through April 1st to cover a severe winter of 10% colder than normal; and ;
3. A minimum 2.5 percent of the TCO seasonal contract quantity are left vacant on November 1 to allow for injections on warm days in early November.

PIPELINE CAPACITY

VEDO has 31 delivery points from five interstate pipeline companies. Table II-4 below shows the maximum capacity of each along with the amount of firm capacity

TABLE II-4

Station Name	Pipeline	Approx. Meter Capacity (MCF/D)	Firm Capacity Nov '02 - Oct '03	Firm Capacity Nov '03 - Oct '04	Firm Capacity Nov '04 - Oct '05
Lebanon	TGT	349,992			
TGT Total Capacity		349,992	51,190	37,190	38,000
Howell	TCO	259,080			
Centerville	TCO	214,008			
Troy Z-215	TCO	5,808			
Mount Sterling	TCO	21,176			
Sabina	TCO	14,588			
Urbana	TCO	15,694			
Lake	TCO	7,176			
Jamestown	TCO	1,553			
Jeffersonville	TCO	2,118			
New Carlisle	TCO	3,765			
South Charleston	TCO	1,553			
North Hampton	TCO	424			
Sedalia	TCO	188			
South Solon	TCO	188			
Centerville Terrace	TCO	71			
Bowersville	TCO	494			
Corwin	TCO	1,600			
New Holland	TCO	706			
Dayton Rurals	TCO	NA			
TCO Total Capacity		550,190	313,836	270,605	231,494
Red Lion	ANR/TET	100,000			
Derby	ANR	200,000			
Castline	ANR/TET	30,000			
ANR Total Capacity		330,000	21,000		9,797
Gapo	TET	31,000			
Red Lion	TET/ANR	100,000			
Castline	TET/ANR	30,000			
Dayton Rurals	TET	NA			
TET Total Capacity		161,000	46,225	46,225	31,225
Glen Karr*	PEPL/ANR/TET	60,000			
Hollansburg Supply	PEPL	77,000			
Hollansburg Town Border	PEPL	NA			
New Paris	PEPL	NA			
PEPL Total Capacity		137,000	83,580	83,580	83,580

* Actual capacity is 80,000 Mcf/d. VEDO only has rights for 60,000 Dth/d.

under contract for each of the audit period years. Table II-5 below shows VEDO's upstream, storage delivery and city-gate pipeline capacity. Since TCO is not a long line

pipeline, VEDO must rely primarily on upstream pipelines to deliver gas to TCO, who must in turn deliver to VEDO's city-gates.

Table II-5

Firm Transportation Capacity for Upstream and City Gate Deliveries

Pipeline	Svc Type	Exp Date	Contract		Winter	Summer
					MDQ	MDQ
Col Gas	SST	3/31/2005	ADS3	*See Below	231,494	0
	SST	3/31/2008	New			100,000
PEPL	EFT	3/31/2007	12769	**See Below	46,080	21,450
	FTS	3/31/2007	12770		37,500	37,500
TETCO	LLFT	4/30/2008	894215		10,500	10,500
TGT	FT	4/30/2005	ADS4		38,000	2,000
ANR	FTS	3/31/2005	WDS4		9,797	0
Total City Gate Deliverability					373,371	150,000
Col Gas	FSS (SCQ)	3/31/2005	ADS3	8,853,318		
	FSS	3/31/2005	ADS3		231,494	0
	FSS (SCQ)	3/31/2008	New	7,648,484		
	FSS	3/31/2008	New			100,000
PEPL	FSS (SCQ)	3/31/2007	15567	4,203,360		
	FS	3/31/2007	15567		46,704	21,017
	FTS	4/30/2005	15564		10,521	10,521
Trunkline	FTS	4/30/2005	15435		10,634	10,634
TETCO	LLFT	3/31/2006	894229		23,580	0
	FT	3/31/2008	Gano Road			4,200
Total Upstream Deliverability					322,933	145,372

* There was a capacity release of Columbia FSS and SST which reduced the VEDO SCQ by 386, 202 and the SST by 10,110 on 3/17/04 for the period April 2004 through March 2005.

** Apr - Oct serves only as maximum storage inj. This number has not been included in the Total City Gate Deliverability.

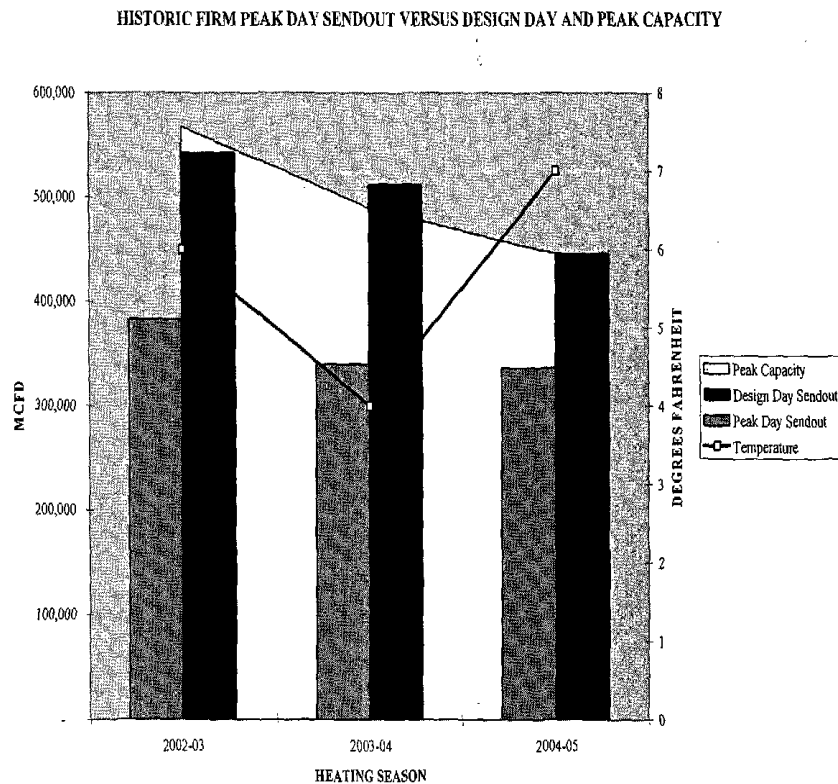
Because of the large amount of TCO storage located in Ohio, VEDO requires only enough upstream capacity to bring in gas supplies from the southwest and mid-continent to serve essentially the Company's average daily demand versus its peak demand. Since upstream pipeline capacity is generally more expensive than TCO storage plus FSS

transportation, this situation mitigates the cost, to some degree, of having to rely on two pipelines instead of only one to deliver gas to the city-gate. If this storage were not located in Ohio, VEDO would most likely have to pay considerably more due to the need to transport on another pipeline plus rely on TCO for city-gate deliveries.

PEAK DAY DESIGN

A comparison of VEDO's actual peak day with both the design and winter peak day capacity is presented in Exhibit II-4 below.

EXHIBIT II-4



The projected design peak day demand is based upon three variables: the design current day temperature, the design prior day temperature, and the design wind speed. Design current day temperature results from statistical analysis using the most recent 30-year NOAA temperature. The design current day temperature is based upon a 1 in 27 year recurrence or a 3.7% percent probability that the temperature will be colder than the

design temperature. VEDO's design conditions for each of the three years of the audit period and for 2005-06 winter are presented in Table II-6 below.

Table II-6

VEDO Peak Day Design Criteria

Design Criterion	2002-03	2003-04	2004-05	2005-06
Design Day Temperature - °F	-16	-16	-14.5	-14.5
Prior Day Temperature - °F	NA	20.5	-1	-1
Wind Speed - mph	23	23	18.4	18.4

D. ORGANIZATION OVERVIEW

CORPORATE PROFILE

Vectren, an Indiana corporation, is an energy and applied technology holding company headquartered in Evansville, Indiana. The Company organized on June 10, 1999, to effect the merger of Indiana Energy and SIGCORP. On March 31, 2000, Indiana Energy merged with SIGCORP and into Vectren.

Vectren's Gas Utility Services segment includes the operations of Indiana Gas, the Ohio operations, and SIGECO's natural gas distribution business and provides natural gas distribution and transportation services to nearly two-thirds of Indiana and to west central Ohio.

The Ohio operations provide energy delivery services to approximately 318,000 natural gas customers located near Dayton in west central Ohio. The Ohio operations are owned as a tenancy in common by Vectren Energy Delivery of Ohio, Inc. (VEDO), a wholly owned subsidiary, (53% ownership) and Indiana Gas (47% ownership). The Ohio operations were acquired from The Dayton Power and Light Company on October 31, 2000. The Ohio operations generally do business as Vectren Energy Delivery of Ohio (VEDO).

GAS SUPPLY AND GAS CONTROL ORGANIZATION

During the audit period, the Director, Gas Supply was primarily responsible for directing gas acquisition, gas supply planning, and hedging programs; directing the development and implementation of daily, monthly, seasonal and long-term gas demand forecasts used by the Regulatory Affairs and Fuels Department; and serving as the Portfolio Administrator Liaison on contract matters.

The Director, Gas Supply was more specifically responsible for activities such as: assuring the development of cost effective daily, monthly, seasonal, and long-term Gas Supply Plans and directing the efforts of the Portfolio Administrator, Gas Control and others in this process; Maintaining a diversified Commodity Portfolio; Directing the financial hedging activity; and conducting the VEDO Choice capacity release activity.

The previous m/p auditor had recommended that VEDO replace the retired Director of Gas Supply. Vectren did hire a new Director of Gas Supply in August 2003.

The Director, Gas Supply reported to the Vice President, Regulatory Affairs and Fuels. The Vice President, Regulatory Affairs and Fuels reported to the Executive Vice President, General Counsel and Secretary. The Vice President, Regulatory Affairs was primarily responsible for: coordinating Vectren's gas supply planning, procurement, and hedging activities; coordinating Vectren's participating in rate and other regulatory proceedings before the state regulatory commissions; and developing and administering Vectren's Tariffs for Gas and Electric Service.

The responsibility for facilitating the safe, reliable, optimum movement of natural gas supplies through the VEDO pipeline system to customers and ensuring the successful roll out and ongoing success of the VEDO Gas Choice Program functions related to Supplier interaction and management was as that of the Manager, Gas Control and Ohio Choice. During the audit period, this position reported to the Director, Field Services West, who also reported to the Vice President, Energy Delivery.

And during the audit period, the Manager, LP Operations, responsible for gas storage and LP operations, reported to the Director, Energy Delivery Control, who reported through the Vice President and President of Energy Delivery to the Executive Vice President and Chief Operating Officer.

The organizational structure in effect during the audit period, as described above, is presented in Exhibit II-5 titled "Gas Supply and Choice Personnel, Audit Period."

EXHIBIT II-5

Gas Supply and Choice Personnel – Audit Period

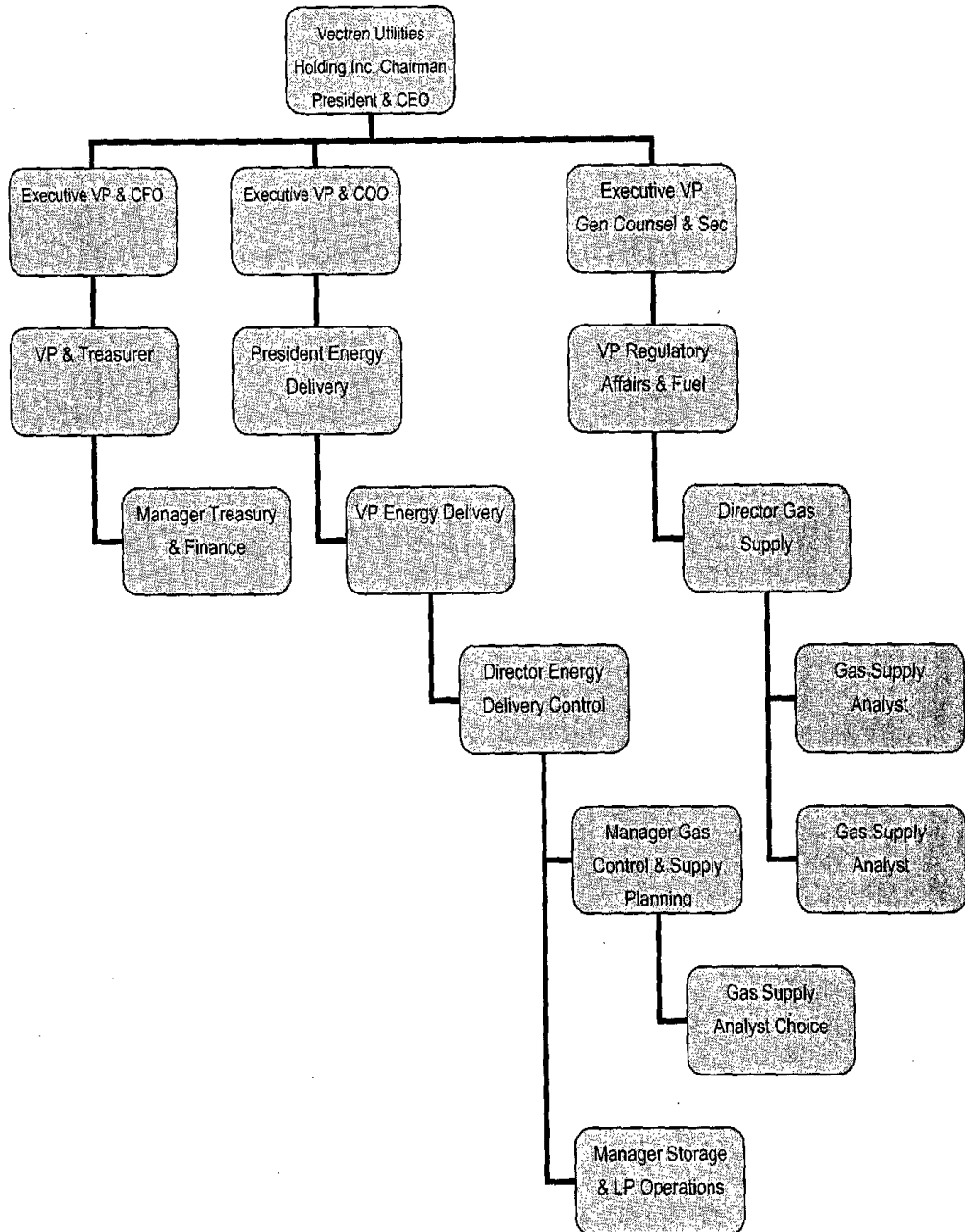
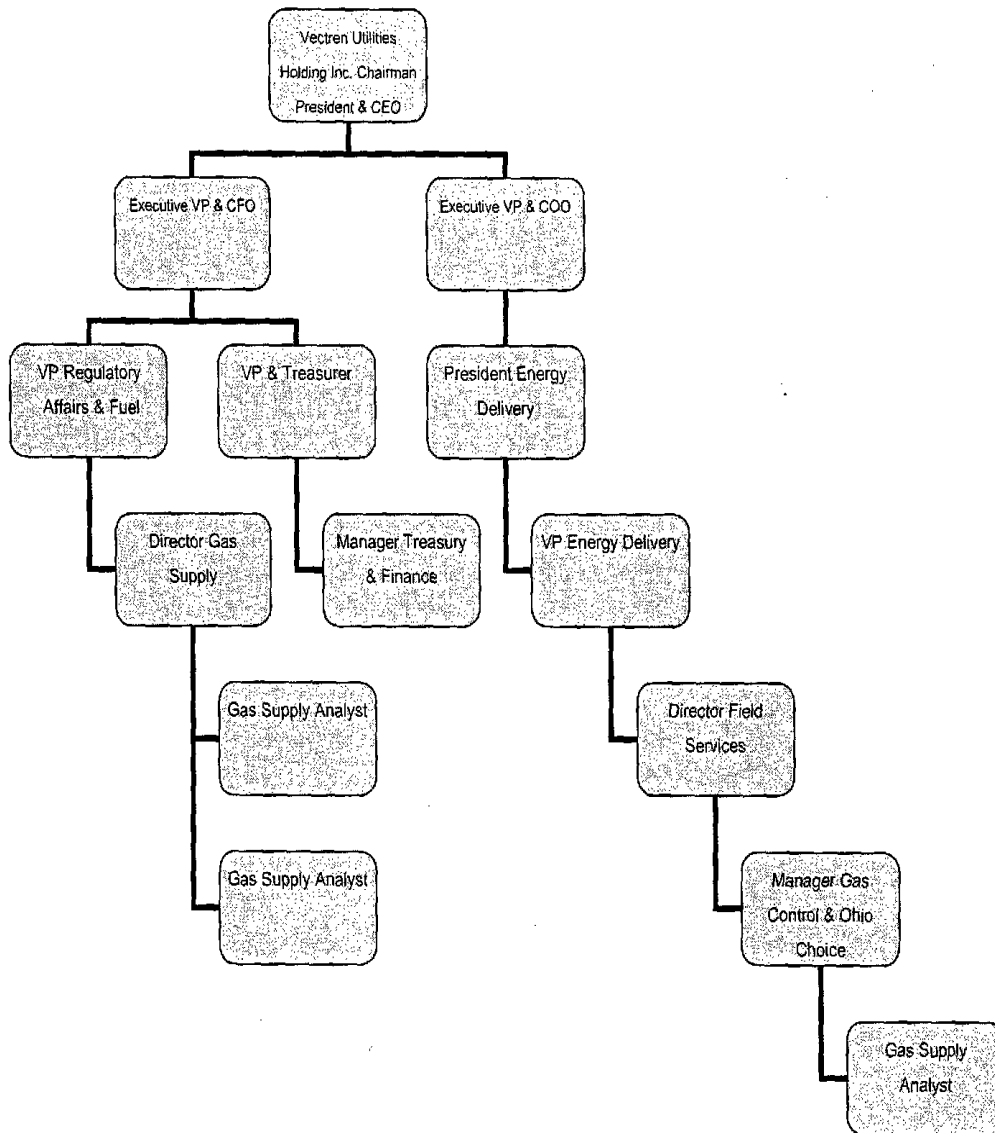


EXHIBIT II-6

Gas Supply and Choice Personnel – Effective November 2004



An organizational change was made following the end of the audit period. Effective March 2006, the Vice President, Regulatory Affairs and Fuels has a new reporting relationship to the Executive Vice President and Chief Financial Officer. Yet, this organizational change did not represent a change in the Gas Control or Gas Supply department structures. The current organizational structure is presented in Exhibit II-6 titled "Gas Supply and Choice Personnel, – Effective November 2004."

GAS SUPPLY PLANNING PROCESS

Annual Gas Supply Planning

The annual gas supply plan for VEDO is the source from which the monthly supply plans are derived for each respective utility. The demands for each month are calculated on a minimum day, average day, and maximum day basis. The average monthly demand is projected based upon normal heating degree days for each given month. The total system demands are then forecasted for both transportation customers and sales customers. Storage inventory targets for storage services are forecasted for each month in the upcoming year. These inventory targets serve as a guidepost for both the injection and withdrawal seasons.

The annual supply plan is used as the guide for the upcoming season's monthly supply plans. The annual supply considers, but is not necessarily limited to, the projected seasonal demands, storage injection and/or withdrawal requirements, and any significant operational factors. The annual supply identifies the projected available annual capacity release volumes and the volume of unutilized capacity for VEDO.

The gas supplies for sales customers are broken into three types both on a wellhead and city gate basis. The three types include:

- Fixed supplies – which are advance purchase volumes at a fixed price on the respective interstate pipeline for delivery each day of the month.
- Take-or-Release (TOR) supplies – which are first-of-the-month index priced purchases for delivery each day of the month.
- Swing supplies – which are supplies that can be called on when needed during the course of the month to meet customer daily demands. These supplies are priced at the respective gas daily average price for the respective interstate pipeline pricing point.

While the annual gas supply plan serves as a framework from which the monthly supply plans are derived, there are differences in the two. For instance, Gas Supply receives from Gas Control any known or scheduled operational constraints for the

upcoming month for purposes of building the monthly plan, which could impact the monthly economic dispatch analysis performed for each utility. (Examples could include company-owned pipeline or storage maintenance, interstate pipeline delivery point restrictions, etc.) The annual plan would not reflect this operational constraint, but the monthly plan is adjusted accordingly for the change.

Monthly Supply Planning

The monthly gas supply plan for each VUHI gas utility is a subset of the annual gas supply plan for the respective utility. The demands for each month are calculated on a minimum day, average day, and maximum day basis. The average monthly demand is projected based upon normal heating degree days for each given month. The total system demands are then forecasted for both transportation customers and sales customers. Storage inventory targets for both company-owned and third party storage services are forecasted for the month.

The gas supplies for sales customers are broken into three types both on a wellhead and city gate basis. The three types include:

- Fixed supplies – which are advance purchase volumes at a fixed price on the respective interstate pipeline for delivery each day of the month.
- Take-or-Release (TOR) supplies – which are first-of-the-month index priced purchases for delivery each day of the month.
- Swing supplies – which are supplies that can be called on when needed during the course of the month to meet customer daily demands. These supplies are priced at the respective gas daily average price for the respective interstate pipeline pricing point.

Gas Supply would receive from Gas Control any known or scheduled operational constraints for the upcoming month, which could impact the monthly economic dispatch analysis performed for each utility. Examples could include company-owned pipeline or storage maintenance, interstate pipeline delivery point restrictions, etc.

Once completed, Gas Supply will email the monthly gas supply plan for each utility to the Portfolio Manager and Gas Control. Gas Supply, Gas Control, and the Portfolio Manager will subsequently hold a conference call each month to verify all the information within each plan. The monthly supply planning meeting occurs approximately five days prior to the NYMEX settlement for the prompt month.

From this point, the Portfolio Manager is responsible for performing the necessary nomination of supplies to each utility in order to fulfill the monthly delivery obligations requested by each utility for delivery.

Daily Supply Planning

First, around 7:00 a.m., Gas Supply receives from Gas Control (Wagner) their Daily Demand Forecast Report for system supply and transportation customers for the upcoming five-day period for each utility. Included in this information is a preliminary amount of end-user deliveries on each respective interstate pipeline per utility.

Second, Gas Supply also receives from Gas Control any known or scheduled operational constraints for the upcoming five-day period, which could impact the daily economic dispatch analysis performed for each utility. Examples could include company-owned pipeline or storage maintenance, interstate pipeline delivery point restrictions, etc.

Third, Gas Supply takes the above information and create the daily gas supply plan for each Vectren Utilities Holding, Inc. (VUHI) gas utility. Included in this plan would be the determination of the mix of all the interstate and company-owned transportation and storage capacity available from each utility's portfolio. After taking into account all the baseload supplies (fixed priced volumes and TOR first-of-the-month priced volumes) from the Monthly Supply Plan, the remaining daily supply needs would be sourced by using the daily economic dispatch model for each utility. Included in this analysis would be the daily monitoring of storage inventory targets for company-owned and third party facilities.

Fourth, once completed, Gas Supply emails the daily supply plan for each utility to the respective portfolio manager (PM) and Gas Control. Gas Supply, Gas Control, and then the PM hold a 15 to 30 minute morning conference call to verify all the information within each plan.

Fifth, from this point on, the PM is responsible for performing the necessary nomination of supplies to each utility in order to fulfill the daily delivery obligations requested by each utility for delivery. The PM will then send out a daily plan (by 8:45 a.m. that morning) that serves as a guide for their internal use and provides Gas Supply a confirmation of all the daily purchases.

Finally, once Gas Supply has received confirmation for each VUHI gas utility, the group reviews the confirmation and sends a final daily plan out to Gas Control for implementation (by 9:00 a.m.)

Fixed Price Gas Supply Procurement Program

Originally, Vectren worked with Cambridge Energy Research Associates to design its advance purchase (fixed supply) program. Subsequently, Vectren, with assistance from Risk Management, Inc. (RMI), developed a Gas Supply Hedging Program that is

applicable to all of Vectren's utilities. VEDO's Gas Supply personnel perform all of VEDO's gas hedging.

The goal of VEDO's hedging program is to mitigate the adverse impacts to customers from severe fly-ups in natural gas prices. VEDO's goal is to mitigate both summer and winter price volatility via a combination of physical and financial transactions. The hedging strategy for VEDO has two overall goals: (a) to hedge approximately 65% of the annual purchases and (b) to hedge approximately 75% of the winter deliveries. VEDO's Portfolio Approach currently consists of the following components:

1. Fixed-price gas that is acquired in advance of the month of delivery based on a structured process ("Advance Purchases").
2. Financial hedges that effectively cap, collar, or fix gas prices on a portion of future purchases ("Financial Hedges").
3. Storage gas purchased at typically lower prices in the summer months for redelivery to customers during the heating season.
4. First-of-month ("FOM") gas purchased and priced based on monthly indices just before the month of delivery.
5. Daily purchases acquired during the month at daily indices as needed to meet daily "swing" demand.

There is a well-defined program in place for purchasing fixed gas for each Vectren utility. Both Gas Supply and the Risk Management Committee (RMC) designed this program. The program must be adhered to when purchasing fixed-price gas for future months.

Step 1: The program contains time targets grouped by quarter years. For the three-month period encompassing the current month, each utility is to be hedged at the prescribed 90 to 92% (depending on the utility) level. The next succeeding quarter is to be 40 to 75% hedged; the next quarter 20 to 50%; and the most future quarter 10 to 30% hedged. A Hedge Committee (HC), comprised of all members of Gas Supply, the Risk Manager, as well as the Vice President, Regulatory Affairs and Fuels, meets every week to discuss the current status of the program.

Step 2: During the HC meetings, items such as current market conditions/trends, historical pricing, storage inventory levels, and daily, monthly, and weekly market updates from PIRA Energy Group and Risk Management Incorporated (RMI) are discussed. (Note: PIRA is an international energy-consulting firm that provides clients with data, analysis, and forecasting on international oil, natural gas, and electricity

markets. Vectren is a retainer client of PIRA.) Both short-term and long-term strategies are discussed at the meetings, with minutes of the meeting kept for future reference.

Step 3: After a strategy is formed in the meetings within the confines of the hedging program, the market is monitored on an on-going basis by members of Gas Supply. When market conditions for a purchase present themselves (as monitored by the Director, Gas Supply and Gas Supply Analysts), orders are placed either with the Portfolio Administrator (ProLiance) for VEDN and VEDS, or directly with suppliers for VEDO. The orders are placed with exact contract amounts to be purchased, along with price caps for each month that gas is being purchased for.

III. GENERAL REQUIREMENTS - FINDINGS AND CONCLUSIONS

This chapter presents UII's findings and conclusions concerning VEDO's gas purchasing practices and policies.

OVERALL ASSESSMENT

In contrast to the previous management/performance audit, this auditor found the Company to have remedied virtually all the major deficiencies cited in the report and subsequent Commission orders as the findings that follow will show. Even the one instance of imprudent action occurred in only the first year of the three year audit period and was discontinued once the Company was made aware of it. In fact, UII will show in the remainder of this report that VEDO's GCR performance is at a minimum on par with other Ohio gas distribution companies and will likely improve in the future.

Findings of imprudence resulting in cost disallowances, as those from the previous audit, represent a failure of both the Company and the regulatory process to properly serve GCR customers. Fortunately for both the Commission and the Company, this is clearly no longer the case. Most of the adverse findings in this report represent areas for improvement rather than deficiencies which should be the way the Ohio management/performance audit process functions. UII subjected VEDO to rigorous gas supply management and procurement standards that we consider best practices in the industry and the Company was acceptably close to meeting them in most areas for which they should be commended.

In addition, unlike what appeared to be the case in prior audit, the Company was willing and able to provide the necessary data and analyses to allow UII to properly, efficiently and effectively conduct the audit. Part of this may be due to the learning process VEDO went through by now being subjected twice to a management/performance

audit which is not part of the regulatory regimen in their other jurisdiction. In UII's opinion, the Company is clearly better as result of this audit process than was the case in the prior audit period. Once the Company was shown the direction required for improvement, they followed it which the following findings and recommendation will clearly show. The adversarial hearings that followed the previous audit are an expensive and inefficient use of both Commission and Company resources and should be avoided to the extent possible. It is unlikely that this will occur again if the Company continues with its current performance exhibited during this audit period. The Company has already indicated to UII informally that it has taken steps to address several recommendations contained in this report which provides further evidence of its commitment to improve and more closely meet or exceed GCR performance expectations in the State of Ohio.

A. SUPPLY PORTFOLIO AND CAPACITY ARRANGEMENTS

- 1. The Company has appropriate matching of capacity and commodity to demand levels for GCR customers with the exception of the 5% reserve margin it carried for the first year of the audit period.**

Capacity Changes over the Audit Period

Exhibit III-1 shows what VEDO's capacity portfolio has transitioned from the contracts it inherited from DPL to its reconfigured portfolio as of the last year of the audit period. In addition, VEDO peak day design conditions and sendout for GCR customers are shown compared to the capacity under contract for each year indicating any surplus or deficit.

November 2002 to October 2003

The firm capacity agreements for the period November 2002 through October 2003 were obtained as part of the acquisition of the DPL gas properties on November 1, 2000. However, for the winter of 2003, VEDO added 34,000 Dth per day of capacity to meet its 5% reserve margin with the Columbia Gas WDS5 and Texas Gas WDS6 contracts. Since the PUCO concluded in the previous audit that a 5% reserve margin in combination with already conservative design day criteria was imprudent in its June 14, 2005 Order, the \$831,740 cost of this capacity should be disallowed. The annual demand charges from these firm capacity agreements to serve the VEDO sales customers demands from November 2002 through October 2003 totaled \$40.6 million which after deducting for the 5% reserve margin would be \$39.8 million.

EXHIBIT III-1

VEDO Winter Capacity for the Audit Period Compared to Peak Day Design

Pipeline	Svc Type	Expiration Date	Contract	City Gate	2000 LTR (OP&L Contracts)			VEDO Winter MDQ D/D/Day	
					2001	2003	2004	2005	
Columbia Gas	FSS	3/31/2005	ADS3 (Renewed)						
	SST	10/31/2004	38021 (ADS3)	Y	241,604	241,604	241,604	231,494	
	FTS	10/31/2004	38082 (ADS2 & ADS2.1)	Y	10,500	10,500	25,000		
	FTS	3/31/2005	WDS5	Y					
	FSS	10/31/2004	ADS3 (Renewed)	Y	241,604	241,604	241,604	231,494	
Columbia Gulf	FSS	10/31/2004	37995 (ADS3)						
	FTS-1	10/31/2004	38040		50,950	50,950	50,950	27,253	
	EFT	3/31/2005	012770	Y	37,500	37,500	37,500	37,500	
	EFT	4/30/2005	015564		31,228	31,228	31,228	31,228	
	EFT (ST)	3/31/2005	012769	Y	46,080	46,080	46,080	43,704	
Perhandle Eastern	FTS	3/31/2005	015567	Y	46,704	46,704	46,704	46,080	
	FTS	3/31/2007	12769 (Renewed)						
	EFT	10/31/2004	014878		15,538	15,538	15,538	31,623	
	EFT	4/30/2005	015435		31,623	31,623	31,623	31,623	
	EFT								
Texas Eastern	LFT	4/30/2005	870172	Y	31,225	31,225	31,225	31,225	
	LFT	10/31/2004	870170	Y	15,000	15,000	15,000	23,580	
	LFT	10/31/2004	870173		15,000	15,000	15,000	23,580	
	LFT	3/31/2008	Geno Road		23,580	23,580	23,580	4,200	
	FT-1	4/30/2005	ADS4 (Renewed)	Y	37,190	37,190	37,190	38,000	
Texas Gas	FT	10/31/2004	ADS4 (Renewed)	Y					
	FT	10/31/2004	ADS4 (Renewed)	Y					
	FT	2/28/2003	WDS6	Y					
	FTS	3/31/2003	WDS4	Y					
	FTS-1	10/31/2002	99914	Y	22,250	21,000		9,797	
Subtotal City Gate Pipeline & Storage					482,581	515,631	437,800	394,056	
Propane					52,187	52,187	52,187	52,187	
Total City Gate Winter MDQ					535,068	567,818	489,987	446,243	
Peak Day Requirement per LTR D/D @ 1.023 DUMCF					533,141	542,505	512,523	446,291	
Surplus Above(Below) Design D/D					1,928	25,313	(22,736)	(8)	
Surplus Above(Below) Design %					0.4%	4.7%	-4.4%	0.0%	
Potential Avoidable									
ProLience Contract Reduction Savings									
Design Conditions per LTR									
Current Temp HDD					83	81	81	79.5	
Previous Day HDD					62	NA	44.5	66	
Windspeed					15 mph	23 mph	23 mph	18.4 mph	
Current Day Temperature Probability of Occurrence					1.40%	2.40%	2.40%	3.60%	
Current Day Temperature Recurrence in Years					71	42	42	28	

November 2003 – October 2004

On January 31, 2003, under Section 4.4 of the Gas Sales and Portfolio Administration Agreement with ProLiance Energy LLC, VEDO exercised its right to reduce by five percent the firm capacity entitlements for the period commencing November 1, 2003. VEDO exercised this option in anticipation of Choice program participation which was the only reason for a reduction allowed under the agreement. By exercising this option, VEDO was able to eliminate over \$1.4 million of demand cost charges prior to the expiration of these agreements with the respective interstate pipeline suppliers, as shown in the chart on the next page. This reduction, along with the non-replacement of other winter-only capacity agreements previously held but not needed for the 2003-2004 winter season due to customer migration to Choice suppliers, allowed the annual demand costs for the twelve month period November 2003 through October 2004 to be reduced to \$37.4 million. Although Exhibit III-1 shows a deficit against design for the winter peak, the design conditions were even more conservative than what VEDO is using currently. This matter will be discussed later in the report.

November 2004 – October 2005

Five capacity agreements that had been obtained from DPL had expiration dates of October 31, 2004. The expiring agreements had a total of 81,191 Dth of peak day city gate deliverability, annual deliverability of 42,591,226 Dth, and annual demand charges totaling \$6,910,732. Given changes in the natural gas markets and the needs of its Ohio customers, including the growth of the VEDO Choice Program to slightly over 60,000 accounts, VEDO elected to terminate these agreements and reconfigure its interstate pipeline and storage portfolio to meet projected monthly peak day sales requirements for the VEDO GCR customers.

VEDO, through its portfolio administrator ProLiance Energy LLC, sent out a Request for Proposals for Firm Transportation and/or Storage Capacity to interstate pipeline suppliers for service to start on November 1, 2004. VEDO replaced the five expiring agreements with the two lowest bid services from the RFP process: firm transportation service from ANR with a MDQ of 9,797 Dth for the period November 1, 2004 through March 31, 2005; and firm transportation service from Texas Gas with a MDQ of 38,000 Dth for the period November 1, 2004 through April 30, 2005. These seasonal agreements had annual deliverability of 8,357,347 Dth. In addition, VEDO contracted for a small volume of firm transportation on Texas Eastern to serve an isolated market area (Gano Road). A comparison of the capacity to forecasted peak day sendout shows the two to be essentially equal under a set of design conditions that are less conservative than in previous years. For the twelve month period November 2004 through October 2005, demand charges totaled \$32.4 million.

As a result of dropping year round Columbia Gas FT capacity in the portfolio reconfiguration, VEDO utilized its ongoing SST service from Columbia Gas Transmission in order to refill the Columbia Gas FSS storage capacity during the April 1, 2005 through October 31, 2005 storage refill season. This Columbia SST capacity is secondary firm in level of priority from TCO Pool to Columbia storage fields. Gas Supply had evaluated this risk of relying on secondary firm service during the summer months and, based on past experience, did not believe that there existed significant risk that would cause interruption in storage refill.

Audit Period Gas Costs

Exhibit III-2

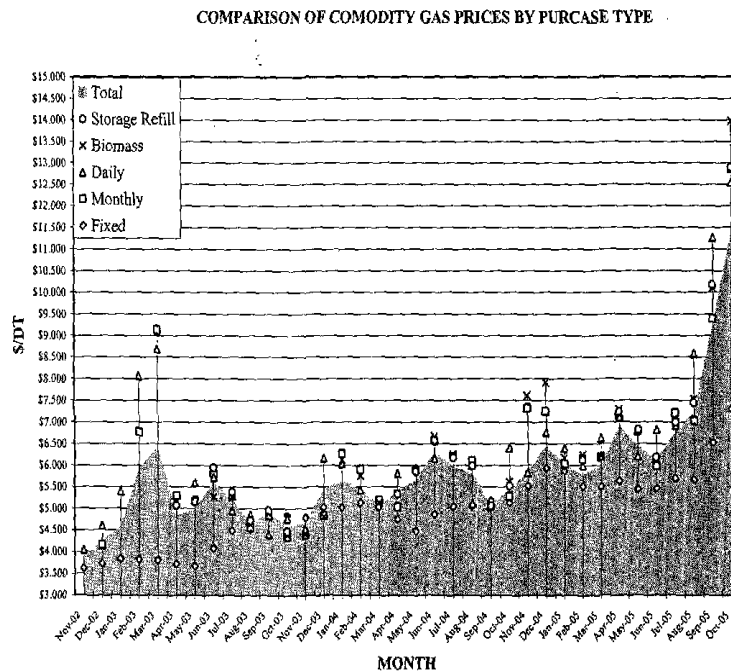
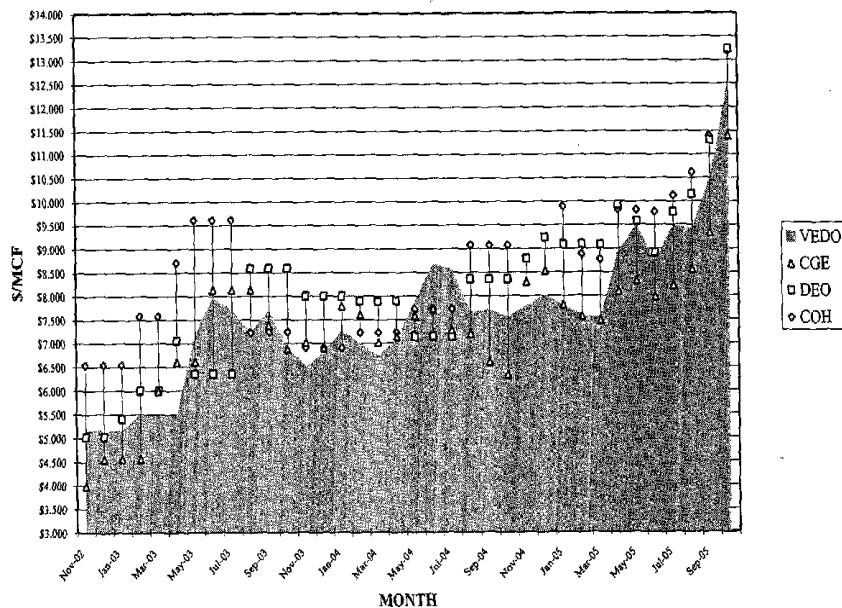


Exhibit III-2 above shows the gas commodity purchase prices, including Biomass production, by contract type for November, 2002 through October, 2005. Commodity prices were relatively stable within a \$2.50 per Dth range until August 2005 when Hurricane Katrina and others hit the Gulf Coast causing prices to double by October 2005. Detailed Gas Purchase Data showing pipeline source, volumes and total costs of gas supply for each month of the audit period is presented in Appendix A.

Exhibit III-3 below shows a GCR comparison over the audit period among the four largest gas utilities in the State. For most of the audit period, VEDO's GCR was below both Dominion East Ohio (DEO) and Columbia of Ohio (COH). This is somewhat expected since both are tied to their parent pipeline's systems which are higher cost relative to VEDO's pipeline mix that carries a lower cost. Another reason is that VEDO has proprietary peak shaving while DEO and COH do not, which reduces fixed costs further. However, the opposite is true when VEDO is compared to Cincinnati Gas & Electric (CGE). Both are served from the same pipelines and have propane peak shaving. In spite of similar purchasing opportunities, CGE has provided its customers with lower cost gas supplies than VEDO over the audit period. Two potential contributing factors to CGE's lower costs can be found in the Exeter Audit Report issued on April 21, 2006 in Case 05-218-GA-GCR. First, CGE has about 20% of its peak day design covered with proprietary propane peak shaving while VEDO has slightly less than 12%. The second factor is CGE has a less conservative, but still adequate, peak day design compared with VEDO.

Exhibit III-3

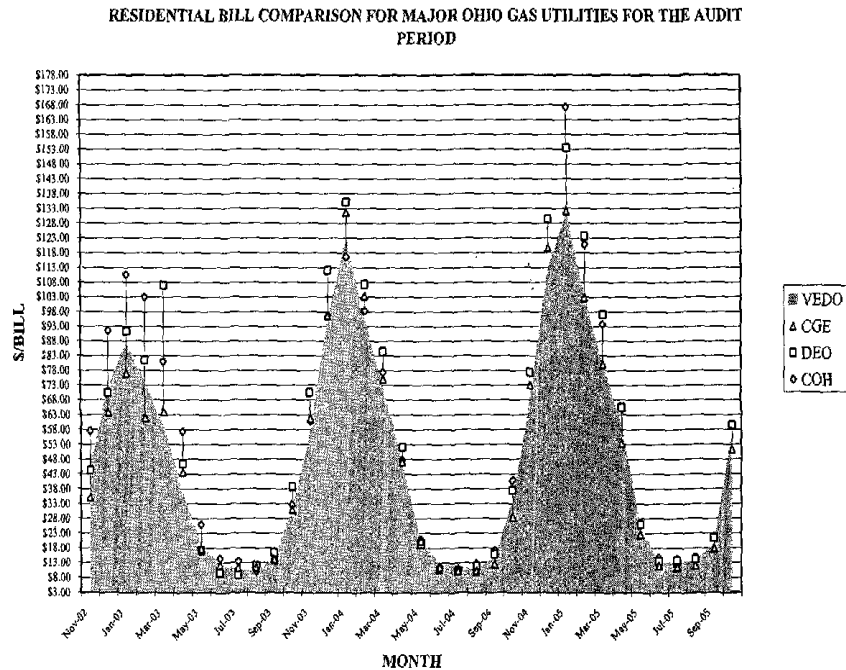
GCR COMPARISON FOR MAJOR OHIO GAS UTILITIES FOR THE AUDIT PERIOD



A comparison of Residential Bills is another relative measure of cost competitiveness amongst the four utilities. This comparison is presented in Exhibit III-4 below. The residential bill was calculated using the same usage for each utility each

month and applying it to the GCR costs presented in the previous exhibit. This analysis shows that VEDO residential customers pay very close to the same amount as CGE residential customers and for the most part less than either COH or DEO.

Exhibit III-4



2. **VEDO's peak day forecasting methodology is structurally sound but its failure to determine the joint probability of the simultaneous occurrence of its 3 principle design criteria has resulted in an overly conservative forecast, even after taking forecasting bias into consideration.**

Peak Day Forecasting Model Structure

A critical area in the Company's long-term planning is peak day forecasting. Peak day forecasting accuracy is far more important than annual load forecasting because of the potential financial and reliability impact on customers. As a result of this fact and recommendations made in the two prior GCR audits (Exeter and Liberty), VEDO has put a good deal of emphasis on peak day forecasting accuracy because of these customer impacts. VEDO adopted Dayton Power and Light's (DP&L's) peak day forecasting equation when it acquired the company in the Fall of 2000.

In response to Exeter's recommendations in Case 00-220-GA-GCR, VEDO hired Regional Economic Research, Inc. (RER), to determine if Exeter's recommended refinements to DPL's peak forecast methodology (including references to peak day and wind effective temperature) were justified and whether VEDO had complied with them. Specifically Exeter presented the following findings:

1. Failure to account for differences peak day demand between weekends and weekday periods.
2. Use of 12-years of historical data to develop the forecast overstates consumption due to effects of conservation.
3. The design day criteria were overly conservative especially in light of the fact that gas supplies and capacity would be available in light a shortfall but at high prices, and
4. Use of a wind effective temperature rather than separate wind and temperature variables did not increase predictive capability.

VEDO's current daily gas demand model explicitly accounts for differences among weekends, holidays and weekdays by use binary variables for each (1 if true and 0 if not true). Exeter was correct in pointing out that without accounting for structural changes in demand due to conservation or other trends results in overstated consumption. The balance needs to be struck between having enough historical data to capture weather variation and retaining a reasonable number of degrees of freedom. This needs to be done without out going so far back in time as to significantly change the relationship between weather and demand.

Exeter recommended three years of data but RER suggested five years, which they considered a better balance between capturing the current customer usage trends while still having enough weather data to establish statistical accuracy. RER's assessment of the 81 HDD peak day temperature, along with the 18.4 mph wind speed to conclude the selection of that criteria was a planning issue and not a structural problem with the model. Finally, on the issue of the wind effective temperature RER recommended capturing this relationship by creating an interactive variable HDD* wind speed. This variable could then be included along with temperature and wind speed as separate variables. VEDO now has wind and temperature as separate variables. But VEDO did not use the combined variable as RER suggested. In Case 02-220-GA-GCR, Liberty made additional recommendations for improving VEDO peak day forecasting ability as follows:

1. Use the correct NOAA weather data for wind speed and temperature.

2. Note that VEDO's combination of values for wind speed and temperature for a peak day is unlikely to occur coincidently and results in an overly conservative peak day forecast. Use a combination of values that result in a joint probability of occurrence in the range of 3-5%.
3. Replace the dummied winter wind variable with the actual wind speed variable, replace the dummied heat requirement sales variable with the actual sales variable and re-estimate the equation with the appropriate autoregressive moving average (ARMA) structure.

UII agrees with VEDO that Liberty was in error on the issue of the Company not using proper NOAA data. Thus, it is UII's opinion that this matter does not need to be pursued further. VEDO chose to comply with the other two recommendations of Liberty by hiring Itron to review its design day load estimation approach and determine what variable(s) should be used to yield a 3 to 5% probability of occurrence. In June, 2005, Itron completed a project to update VEDO's long-term sales and peak day demand forecast. Instead of using VEDO's daily demand model that was used in previous LTFR filings, it chose a less complex monthly peak model. Itron also re-estimated design day loads using the daily model that were consistent with what was used in the past to provide a check on the results. In contrast to RER's recommendation, Itron used 6 years and 3 months (1/1/99-3/31/05) of weather data instead of the three years recommended by Exeter. Itron used a daily regression model using daily gas sendout as the dependent variables with average daily temperature, average daily wind speed, prior day average temperature, and day of the week, holiday and monthly binaries.

A second factor Itron considered in their analysis was that the relationship between temperature and daily gas use is nonlinear. While heating occurs when the average temperature falls below 65 degrees, the slope (the relationship between gas demand and temperature) is not as steep as the slope after the average temperature falls below 55 degrees. This phenomenon is usually attributed to people's tendency to resist turning on the heat when the temperature is around 65 degrees. Whereas they generally must turn on the heat when the temperature gets closer to 55 degrees. The way Itron captured this nonlinearity was to create a weather response function that included both HDD with a base average temperature of 65 degrees (HDD65) and HDD with a base of 55 degrees (HDD55).

The resulting Itron model had a R^2 of 0.99 and a mean absolute deviation (MAD) of 8,153 MCF with average error of (MAPE) of 5.8%. The model indicates that both current day temperature (as captured by HDD65 and HDD55) and prior day temperature (LagHDD55) are statistically significant as well as the current day average winter speed. Their analysis shows that about 80% of the weather sensitive demand can be explained by current temperature alone with prior day temperature and wind speed accounting for balance at about 10% each. Table III-1 below shows how VEDO's peak day model has

evolved over the audit period with the Itron daily model being the most recent iteration. Comparing coefficients across the time period shows little relative change amongst the various daily models but significant differences with the monthly model used in the 2005 LTFR. The monthly model shows a much greater current day temperature response than the 3 daily models. VEDO has indicated the results of both the Daily and Monthly peak day models are similar on cold days, but the daily one is better at forecasting use on weekends and holidays compared to weekdays which is why VEDO is considering using it for the 2006 LTFR. Fundamentally VEDO has complied with all prior audit recommendations as to model structure nor can UII find any structural problems with the Company's approach.

Table III-1

Comparison of Peak Day Model Coefficients over the Audit Period

Variable	Coefficients in Itron Daily Peak Day Forecasting Equation 2005 Study	Coefficients in Monthly Peak Day Forecasting VEDO Model 2005 LTFR	Coefficients in Daily Peak Day Forecasting VEDO Model 2004 LTFR	Coefficients in Daily Peak Day Forecasting VEDO Model 2003 LTFR	Coefficients in Daily Peak Day Forecasting VEDO Model 2002 LTFR
Base Use	73,181	95,998	79,880	79,500	78,002
Friday	(9,841)	NA	(7,748)	(8,447)	(8,382)
Sunday	(10,042)	NA	(10,352)	(9,987)	(10,313)
Saturday	(16,761)	NA	(17,769)	(18,666)	(17,727)
IsAHoliday	(11,142)	NA	(9,218)	(8,566)	(7,850)
March	18,804	NA	17,118	17,753	12,091
April	9,520	NA	9,052	9,875	6,021
HDD65	2,559	1,544	2,695	2,668	2,376
HDD55	3,865	5,763	4,723	4,818	3,982
HDD30	NA	NA	NA	(891)	NA
LagHDD55	805	NA	(967)	(935)	889
Windspeed	2,845	494	4,082	3,973	2,188
TrendVar	(2,465)	NA	NA	NA	NA
Summer Gas Trend	NA	NA	(0.003)	(0.003)	(0.002)
AR(1)	NA	NA	0.960	0.953	NA
MA(1)	NA	NA	(0.854)	(0.824)	0.390
YearAft03	NA	(16,859)	NA	NA	NA
May 03	NA	(46,370)	NA	NA	NA
Heat Required Sales	NA	2,664	NA	NA	NA

Design Day Criteria

The first step in evaluating VEDO's peak day criteria is to make a probability analysis of peak day weather data over the past 30 years which is presented in Table III-2 below. The analysis shows that a day colder than 79.5 HDD will occur once every 27.9 years or a probability of 3.6%. This is essentially the same as VEDO's probability of 3.7% with the difference due to either the time period or UII's use of the MS Excel probability function to derive this value. However the probability analysis used by Itron in the study does not agree with either of these results. Itron stated a temperature of 80 HDD has a probability of 6.7% compared with UII's result of 3.2%. The reason for this difference is Itron took the total number of days in the 30 year period that were colder than 80 HDD (2) while our

analysis was based up on the number of peak days colder than that which was one. Thus their study appears to indicate that VEDO's peak design temperature is less conservative than it really is statistically.

Table III-2

30 YEAR PEAK DAYS FOR VEDO

Season	Month	Day	Temperature ° F	Dayton Degree Days
1975	Feb	9	11	54.0
1976	Dec	31	3	62.0
1977	Jan	17	-12	77.0
1978	Jan	10	1	64.0
1979	Feb	17	-1	66.0
1980	Mar	2	4	61.0
1981	Jan	4	1	64.0
1982	Jan	10	-11	76.0
1983	Dec	24	-10	75.0
1984	Jan	21	-9	74.0
1985	Jan	20	-18	83.0
1986	Jan	29	7	58.0
1987	Jan	24	5	60.0
1988	Feb	6	3	62.0
1989	Dec	22	-9	74.0
1990	Dec	24	11	54.0
1991	Jan	22	10	55.0
1992	Jan	16	6	59.0
1993	Feb	18	0	65.0
1994	Jan	18	-15	80.0
1995	Feb	12	3	62.0
1996	Feb	4	-1	66.0
1997	Jan	13	1	64.0
1998	Dec	23	15	50.0
1999	Jan	5	4	61.0
2000	Jan	21	1	64.0
2001	Jan	3	15	50.0
2002	Jan	4	12	53.0
2003	Jan	23	6	59.0
2004	Jan	31	1	64.0
Mean				63.9
Std Dev				8.7
Maximum				83.0
Recurrence at Max - Yrs				72.7
40 Year Recurrence				80.9
30 Year Recurrence				79.8
20 Year Recurrence				78.1
2003 Design - DD				81.0
Recurrence Interval - Yrs				41.3
2004 & 2005 Design - DD				79.5
Recurrence Interval - Yrs				27.9

However, VEDO's peak day design criteria also include the prior day temperature and wind speed which makes its peak day design potentially far more conservative than the 3.7% probability they claim. The reason for this is neither Itron nor VEDO has done any joint probability analysis of the simultaneous occurrence on a cold day of its design temperature of -14.5° F, its prior day temperature of -1° F and a wind speed of 18.4 mph. Liberty also questioned this fact in the previous audit citing that high wind speeds and cold temperatures do not necessarily occur simultaneously. UII's analysis presented in Table III-3 below confirms this conclusion using the Itron Daily Forecasting equation at some of the most severe peak day conditions that have actually

Table III-3

2005 Peak Day Daily Model - Itron November 2005

Variable	Coefficients in Daily Peak Day Forecasting Equation	Vectren Design Day	Design Day with Avg Wind & Avg Prior Day HDD	Coldest Peak Day in 30 years 1/20/1985	2nd Coldest Peak Day in 30 years 1/18/1994	9th Coldest Peak Day in 30 years 2/4/1996	10th Coldest Peak Day in 30 years 2/18/1993	Average Wind Speed and Prior Day Temp for 4 Peak Days
Temp		-14.5	-14.5	-18	-15	-1	0	NA
Wind		18.4	12.0	11	15	9.1	12.7	12.0
PriorDayTemp		-1	7.0	5	9	0	14	7.0
Const	73,181	73,181	73,181	73,181	73,181	73,181	73,181	
Friday	(9,841)	-	-	-	-	-	-	
Sunday	(10,042)	-	-	-	-	-	-	
Saturday	(16,761)	-	-	-	-	-	-	
IsAHoliday	(11,142)	-	-	-	-	-	-	
March	18,804	-	-	-	-	-	-	
April	9,520	-	-	-	-	-	-	
HDD65	2,559	203,453	203,453	212,410	204,733	168,905	166,345	
HDD55	3,885	268,631	268,631	282,159	270,564	216,451	212,586	
LagHDD55	805	45,075	38,636	40,246	37,026	44,270	33,001	
Windspeed	2,845	52,357	34,003	31,300	42,682	25,894	36,138	
TrendVar	(2,465)	(12,352)	(12,352)	(12,352)	(12,352)	(12,352)	(12,352)	
Forecasted Peak Day Sendout		630,345	605,552	626,944	615,833	516,348	508,899	
Difference vs. Design MCF/Day		-	(24,793)	(3,401)	(14,512)	(113,997)	(121,446)	
Difference vs. Design %			-3.9%	-0.5%	-2.3%	-18.1%	-19.3%	
		% Explained	% Explained	% Explained	% Explained	% Explained	% Explained	
Current Day Temp		85%	86%	89%	88%	87%	87%	
Prior Day Temp		8%	7%	7%	7%	10%	8%	
Wind speed		9%	6%	6%	8%	6%	8%	
Current Day Temperature Recurrence Interval - Yrs		27.9	27.9	72.7	31.7	2.5	2.2	

occurred in the past 30 years compared with VEDO design conditions. The conditions experienced on the coldest day in 30 years produced a lower sendout than VEDO's design conditions and has a recurrence of once in 72.7 years. This equates to a 1.4% probability. The second coldest day has yet a lower sendout and a recurrence of once in 31.7 years or 3.2% probability. On neither of these days did the wind speed nor prior day temperature approach VEDO's design. Taking this one step further, averaging the wind speed and prior day temperature for which data is available produces a sendout that is 3.9% lower than at design conditions.

Since UII has neither the tools nor statistical expertise to calculate the joint probability of occurrence of the VEDO design conditions, we cannot definitively state that VEDO is

carrying a "statistical reserve margin" of 3.9%. But the analysis strongly points to this margin. VEDO has stated that the incremental cost of winter capacity is roughly \$0.29 per Dth on ANR or Texas Gas. The GCR customer share of this potentially overly conservative design could be as much as \$700,000 a year. However, without a precise joint probability analysis this amount is speculative and should not be taken as a legitimate basis for cost disallowance.

Peak Day Forecasting Accuracy

A potential mitigating factor to VEDO's overly conservative peak day design criteria would be any bias in the model to either under or over forecast peak day sendout. Since VEDO has had no peak day temperatures below 0°F in the past 5 or six years as the data, the potential for an even greater bias is there. A comparison of forecasted peak day sendout with actual sendout for the most recent cold days for both the Daily and Monthly peak models shows an average forecasting error of -2% for each. Thus both models tend to under forecast peak day sendout at colder temperatures but none of these colder temperatures is close to design. This consistent under forecasting bias should be considered as a potential offset to VEDO's overly conservative peak day design conditions cited in the previous section. VEDO did not explicitly take any forecasting biases into consideration to justify more conservative design conditions. VEDO took various statistical error measures that were done on an absolute basis which would not indicate which direction the forecasting error was so no bias was determined. This apparent under forecasting bias is another reason UII does not believe any cost disallowance is justified at this time regarding this issue.

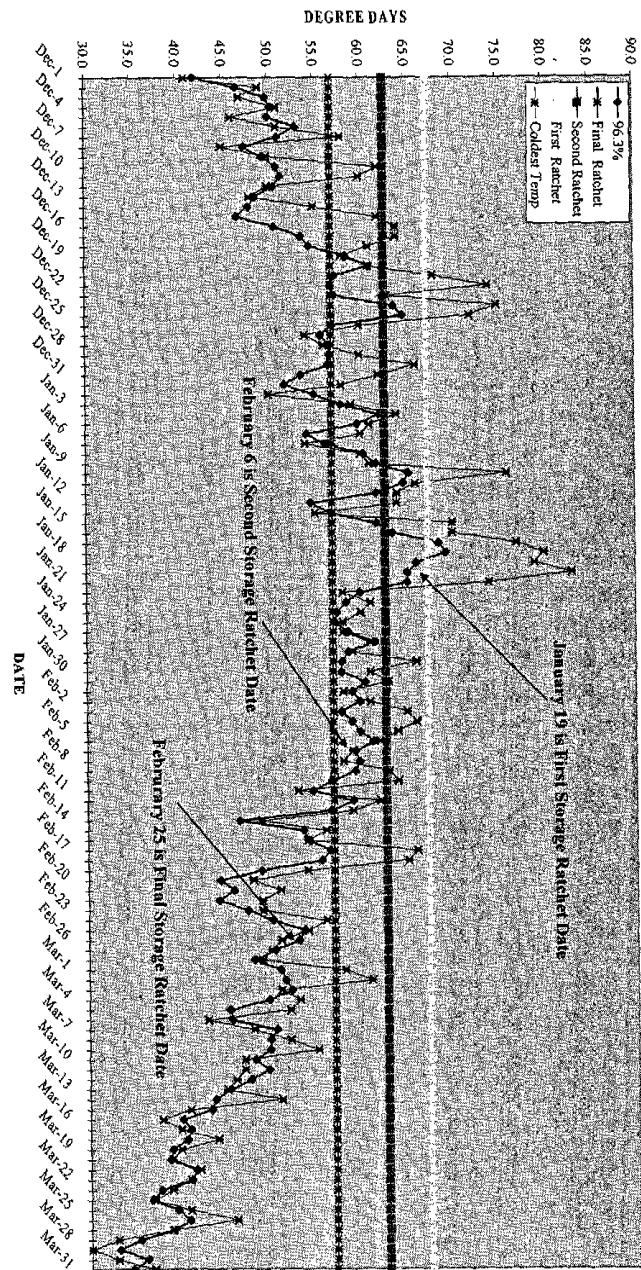
3. VEDO's late winter peaking criterion is statistically over-conservative.

Later Winter Peak

The key factor in determining an appropriate late winter design is the storage ratchets. VEDO's current late winter design is to hold back the first storage ratchet(s) until February 15th. UII believes this may be too conservative based upon statistical analysis. A statistical daily weather analysis based upon 30 years of temperature data is

EXHIBIT III-5

96.3% CONFIDENCE INTERVAL THAT THE TEMPERATURE WILL NOT BE COLDER COMPARED TO STORAGE RATCHETS



shown in Exhibit III-5. The 3 storage ratchets were equated to HDD based upon 6,358 Dth sendout per DD. Two lines representing the coldest temperature experienced on that date in the past 30 years along with the temperature that has a 27.9 year recurrence (96.3% Confidence Interval). The latter is the same probability as VEDO's peak day design temperature. Since the first ratchet is required to meet a design peak day, January 19th was chosen as the point when the Company could reach its first ratchet. A more conservative date would be January 21st since no day has been colder in the past 30 years. The same rationale could be used for two remaining ratchets. Basing ratchet conservation on the coldest day-date experienced is the most conservative design VEDO should consider. A potentially more cost effective design would be to hold the first ratchet until January 19th and then hold the other two to the point where there is only a 3.7% probability that the temperature would be colder which would be February 6th and 25th respectively.

VEDO's storage ratchets are in two or three steps for its storage services, as shown in Exhibit III-6 below, for a total reduction to maximum deliverability of approximately 48 percent. This reduction in peak day capacity is equivalent to the sendout that would occur at 60.9 degree days or 4.1 °F. Since the first ratchet is above the 96.3% confidence level, January 21st would be the date at which no peak day in the past 30 years has been colder. Choosing this date would be the most conservative design. After February 10th there are only 3 or 4 days that have been colder than the 95% level and then only by a few °F. The third ratchet date would be March 10th where historically there have been only two days colder than this date and only by a few degrees. Therefore, the analysis indicates that a more appropriate late winter peaking criterion would be January 21st than the current February 15th.

EXHIBIT III-6

2005-2006 VEDO STORAGE RATCHETS IN DT/DAY

Storage Service	Dt/Day	1st Ratchet	2nd Ratchet	3rd Ratchet
Percent of Maximum Volume	100%	20-30%	15-20%	10%
TCO	200,000	160,000	130,000	100,000
PEPL	46,080	34,560	34,560	27,648
Total Deliverability	246,080	194,560	164,560	127,648
Ratchet Decline - Dt/Day		-51,520	-81,520	-118,432
Ratchet Decline - %		-20.9%	-33.1%	-48.1%
Equiv DD at @6,358 Dt/DD		-8.1	-12.8	-18.6
Peak Day Design DD for full capacity				79.5
DD For First Ratchet				71.4
DD For 2nd Ratchet				66.7
DD For 3rd Ratchet				60.9

Moving the late winter peak to late in January from February 15th could potentially reduce costs. First, VEDO would not have to carry inventory for as long. This would reduce working capital costs. Second, it may allow the Company to reduce its in season daily or monthly purchases which could reduce gas costs provided it did not reduce its ability to provide banking service to transportation or Choice customers who pay for this as part of the tariff.

Design Winter

VEDO's current design winter is based upon 15% colder than normal weather which has a 20-year recurrence or 5 percent probability. Of the three principal winter design criterion, this is the least critical. The reason for this is the Company has 151 days during the winter to respond to colder conditions while on a peak day it has only 24 hours. With the longer response time, the Company can meet supply shortfalls with spot purchases or make in season storage injections if prices are low enough. To change the design winter to more severe conditions, as with the peak day, would raise costs while not appreciably improving reliability and UII considers VEDO's design winter criterion to be adequate.

- 4. VEDO uses the same load forecasting methodologies for Choice and GCR customers appropriately matches capacity to load. But, currently Choice customers are inappropriately paying for storage carrying costs through base rates.**

VEDO supplies each of the Choice Suppliers with a Directed Delivery Quantity and Related Data statement each month that provides peak day and delivery point capacity to be used. The statement is available on line and also shows the next five day load forecast for those customers served by that supplier. The forecasting methodology is identical to that used for GCR customers so VEDO only allocates the forecasted load by the number and type of customers that supplier is serving. Therefore there is complete consistency between the two forecasts.

Exhibit III-7 shows the capacity used to meet combined peak day demand for GCR, Choice and Transportation customers for each of the three years of audit period. The data show that migration to the Choice program cause peak day load to shrink for both GCR sales and regular transportation will total peak load remained about the same for similar peak day conditions. As with the forecast the allocation of city gate deliveries is approximately proportional with the exception of PEPL capacity which is used only for GCR customers. The reason for this is gas supplies of PEPL have the lowest delivered cost of any source and the capacity is limited serving the Dayton areas so GCR customers benefit incrementally over Choice customers. However, as of April 2006, PEPL capacity became available for release to Choice suppliers, but only in amounts proportional to the PEPL portion of the VEDO supply portfolio and only on new Choice loads, not existing ones.

EXHIBIT III-7

Actual Capacity Dispatch on Audit Period Peak Days

Source	GCR	Choice	Transport	System
January 23, 2003 - 59 HDD				
TCO	201,879	4,040	45,888	251,807
PEPL	73,781	-	-	73,781
Biogas	-	-	-	-
ANR/TET	71,245	3,581	44,324	119,150
TGT	15,213	5,104	14,800	35,117
Propane	22,134	-	-	22,134
Line Pack	(1,264)	-	-	(1,264)
Total	382,988	12,725	105,012	500,725
January 30, 2004 - 61 HDD				
TCO	212,378	30,896	42,682	285,956
PEPL	66,728	-	-	66,728
Biogas	183	-	-	183
ANR/TET	8,579	29,284	34,371	72,234
TGT	30,120	13,589	15,031	58,740
Propane	12,868	-	-	12,868
Line Pack	9,157	-	-	9,157
Total	340,013	73,769	92,084	505,866
January 17, 2004 - 58 HDD				
TCO	152,855	22,654	24,554	200,063
PEPL	73,303	-	-	73,303
Biogas	642	-	-	642
ANR/TET	40,983	38,505	31,058	110,546
TGT	47,145	10,047	15,040	72,232
Propane	24,143	-	-	24,143
Line Pack	(2,637)	-	-	(2,637)
Total	336,434	71,206	70,652	478,292

VEDO recovers the carrying costs on its pipeline storage inventory through its base rates – in particular through its volumetric Distribution Charges. The Distribution Charges currently are the same for both GCR and Transportation customers for each equivalent rate class. This results in a disparity in that the carrying costs are incurred for pipeline storage services primarily used to provide gas supply service to GCR customers, but they are recovered from Transportation customers too. The Transportation customers may also be paying for similar type costs in the prices they pay their suppliers. (A portion of VEDO's pipeline storage is used to provide operational balancing services to both GCR and Transportation customers, but those pipeline charges are identified and allocated to Choice customers through the Balancing Cost Rider.)

The VEDO Choice Working Group has discussed the advisability of trying to remedy this disparity by recovering these storage carrying costs through the GCR rather than through base rates, but the discussions have been preliminary and a detailed proposal

for presentation to the PUCO has not been formulated by the group. The proportion of these costs recovered from Transportation customers would be approximately 28%.

B. NATURAL GAS PRICE RISK MANAGEMENT

5. **The Company's Risk Management program has provided lower cost gas supplies to GCR customers during the audit period compared with monthly purchases but price volatility is greater than for Choice Customers who have flat bill pricing options.**

VEDO's Risk Management program consists of both physical and financial hedging.

1. Purchase 65% of normal weather annual volumes at hedged prices.
2. Purchase 35% of normal weather volumes at market prices
3. Purchase 75% of winter sales at hedged prices.

Advance Purchases

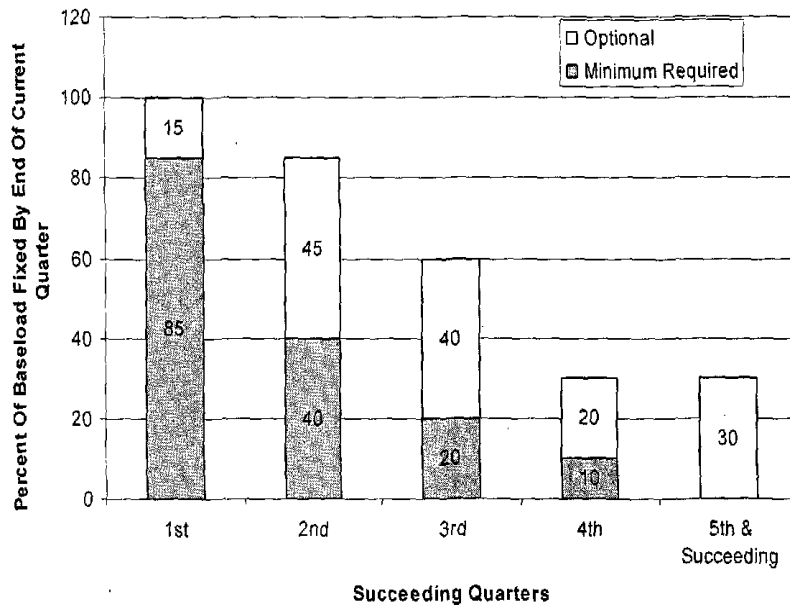
The physical hedging consists of both advance purchases with major producers along with storage refill gas. Advance purchases cover 75% to 100% of base load gas purchases which is the amount of gas demand independent of weather along with storage injections on a warm day with some adjustment for transportation swing volumes. The time horizon for advanced purchases is as much as 5 quarters ahead of the current period and consists of the following:

1. Advance Purchases are fixed priced up to 24 months in advance of month of delivery.
2. The Program utilizes the combination of price triggers used within a dollar cost averaging framework to take advantage of price dips and time triggers to ensure that minimum purchase targets are met.
3. The Hedge Committee relies on a consultant, Risk Management Inc., and other industry reports including PIRA to determine the price triggers.
4. Quarterly hedge targets

The varying percentage of base load purchased is presented in Exhibit III-8 below.

EXHIBIT III-8

Advance Purchases – Time Triggers

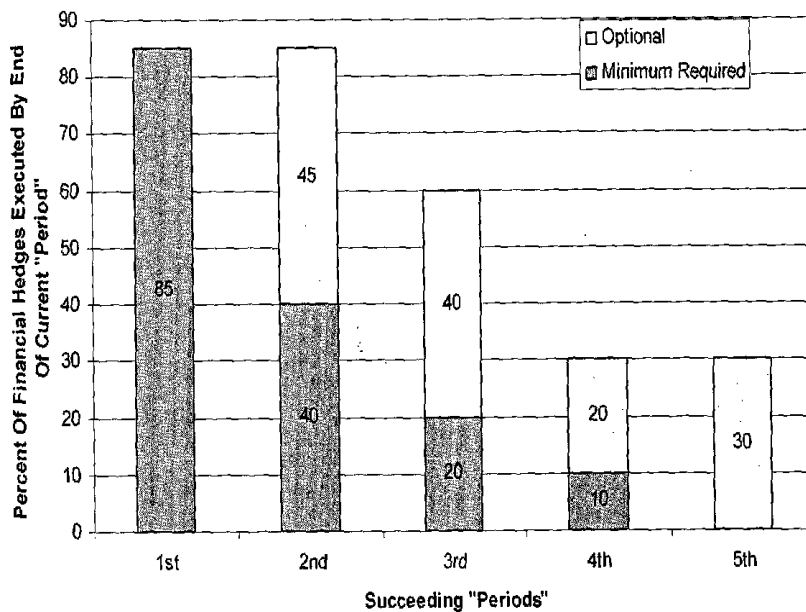


Financial Hedging

VEDO cannot achieve its hedging goal of 65% of annual purchases through advanced purchases alone. Therefore financial hedges are used for one purpose up to two seasons in advance, which is to hedge up to 85% of the ratable (1/7th per month) of summer storage injections. In the past financial hedging of storage refill gas was not required since the summer was a low demand period when prices were lower. However in recent years electric generation demand for natural gas in the summer has increased tremendously in the past 5 years. As result, summer gas prices have become more volatile leading the Company to institute its financial hedging program. As with the Advance Purchase Program, it involves a combination of price triggers to take advantage of price dips and time triggers to ensure that targets are met. Exhibit III-9 below shows the time triggers.

EXHIBIT III-9

Financial Hedges – Time Triggers



<u>Period</u>	<u>Description</u>
Apr-May	Early Summer - Volatility tied to end of Winter Storage levels
Jun-Aug	Summer - Volatility due to Summer Heat (Peaker usage)
Sept-Oct	Early Fall - Volatile prices due to Hurricane Season
Nov-Dec	Early Winter - Volatility tied to projected storage levels
Jan-Mar	Late Winter - Volatility resulting from winter weather

Risk Management Results

VEDO's advance purchases for the audit period have saved GCR customers approximately \$30.5 million compared with the Company purchasing gas at the first-of-the-month index prices. The results for the financial hedging program have not been nearly as successful costing GCR customers approximately \$4.5 million. These results are what should be expected in a rising gas price market as was the case during the audit period. Overall, the combined results of VEDO's Risk Management Program reduced GCR customer gas costs for the audit period by almost \$25.9 million as shown in Table III-4 below for each month of the audit period

Table III-4

VEDO HEDGE STRATEGY RESULTS

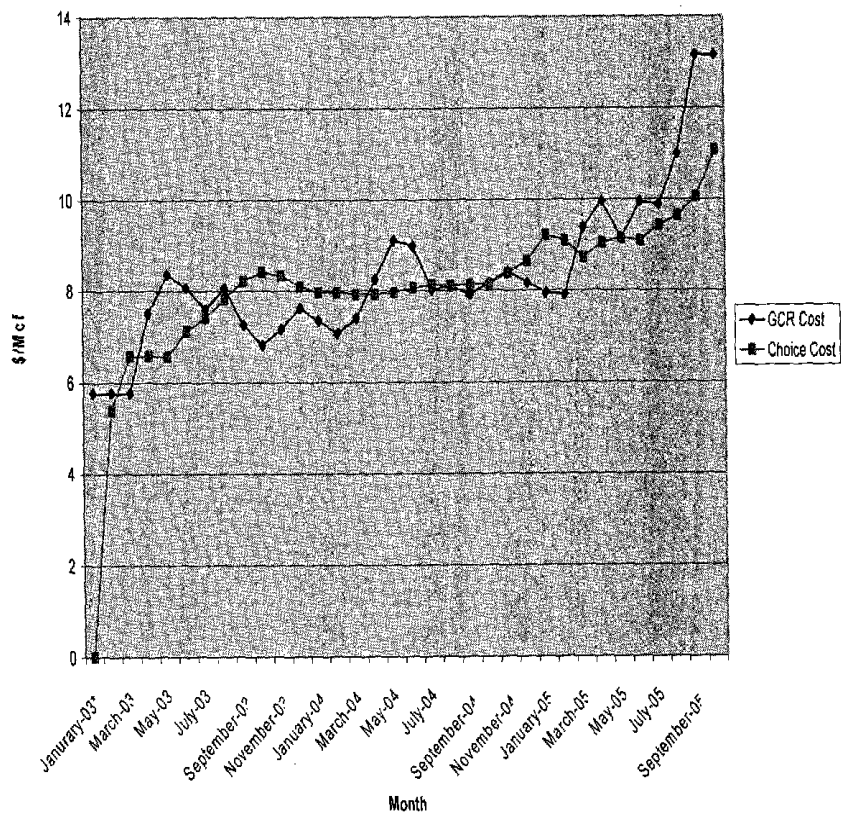
Month	Advance Purchase Plan Savings/(Costs)	Financial Hedge Plan Savings/(Costs)	Monthly Total
Nov-02	\$834,478	\$0	\$834,478
Dec-02	\$738,354	\$0	\$738,354
Jan-03	\$2,494,183	\$0	\$2,494,183
Feb-03	\$3,194,940	\$0	\$3,194,940
Mar-03	\$8,542,009	\$0	\$8,542,009
Apr-03	\$1,114,861	\$0	\$1,114,861
May-03	\$610,312	\$0	\$610,312
Jun-03	\$756,295	(\$45,850)	\$710,445
Jul-03	\$347,845	(\$625,400)	(\$277,555)
Aug-03	\$38,822	(\$1,089,700)	(\$1,050,878)
Sep-03	\$12,880	(\$1,164,750)	(\$1,151,870)
Oct-03	(\$274,907)	(\$1,555,100)	(\$1,830,007)
Nov-03	(\$502,500)	\$0	(\$502,500)
Dec-03	(\$562,650)	\$0	(\$562,650)
Jan-04	\$1,050,565	\$0	\$1,050,565
Feb-04	\$495,582	\$0	\$495,582
Mar-04	(\$96,571)	\$0	(\$96,571)
Apr-04	\$221,898	\$0	\$221,898
May-04	\$433,509	(\$52,500)	\$381,009
Jun-04	\$561,208	\$450,000	\$1,011,208
Jul-04	\$451,431	(\$172,750)	\$278,681
Aug-04	\$287,218	(\$282,000)	\$5,218
Sep-04	(\$125,516)	(\$260,000)	(\$385,516)
Oct-04	\$98,540	(\$161,350)	(\$62,810)
Nov-04	\$1,917,665	\$0	\$1,917,665
Dec-04	\$1,210,943	\$0	\$1,210,943
Jan-05	\$115,860	\$0	\$115,860
Feb-05	\$431,317	\$0	\$431,317
Mar-05	\$565,056	\$0	\$565,056
Apr-05	\$536,573	\$83,250	\$619,823
May-05	\$452,333	(\$61,350)	\$390,983
Jun-05	\$170,955	(\$141,250)	\$29,705
Jul-05	\$403,166	(\$123,650)	\$279,516
Aug-05	\$474,119	(\$99,460)	\$374,659
Sep-05	\$1,226,191	\$510,700	\$1,736,891
Oct-05	\$2,223,858	\$239,070	\$2,462,928
Total	\$30,450,821	(\$4,552,090)	\$25,898,731

VEDO's stated purpose of its Risk Management program is to reduce customer price volatility and not necessarily reduce gas costs. However, when compared with the prices paid by Choice Customers, VEDO's stated goal has only been partially achieved. Exhibit III-10 below shows Choice Customers paid an average of \$0.043 more for gas but having much flatter pricing curve than for GCR customers. The primary reason for this is Choice suppliers offer customers a flat bill option while VEDO does not. Choice

customers pay a slight premium to have fixed prices for a year, but the result is much less monthly price fluctuation.

EXHIBIT III-10

Comparison of VEDO GCR Sales Rates with Average Choice Supply Rates



C. GAS PORTFOLIO MANAGEMENT AGREEMENT

6. **Although the ProLiance Portfolio Management Agreement was deemed imprudent by the PUCO in the previous audit, GCR customers were not disadvantaged during the current Audit Period.**

VEDO had a portfolio management agreement with its affiliate ProLiance for the entire audit period. Essential provisions of the agreement were as follows:

- 5 year term expiring on October 31, 2005.
- Contract capacity reduction rights contingent on a portion of sales load migration to the Choice Program of 5% as of October 31, 2002, another 8% as of October 31, 2003 and up to 10% as of October 31, 2004.
- An annual transportation credit of \$1,388,609 that would be adjusted up or down each year in proportion to amount of surplus annual capacity over normal requirements compared to the surplus capacity amount of 19,045,012 Dth for the contract base period based upon the 2000/2001 gas supply plan. The price paid by ProLiance to VEDO for the surplus capacity was fixed at \$0.0729 per Dth for each year of the contract and was set using published prices for capacity sales during 1998-1999.
- ProLiance would invoice VEDO for gas at the price provided to them by supplier and pipeline along with the volumes. ProLiance was responsible for delivering all volumes required at the city gate even if different from nominations but the price was at VEDO's daily dispatch prices.

The primary issue concerning the agreement that came out of the previous audit was VEDO entered into it without going out for competitive bids. The conclusion was that the lack of competitive bidding produced a transportation credit that was below market compared to that provided by CES, the previous portfolio manager for DP&L. The PUCO, as mentioned in the previous chapter, agreed with the auditor and found VEDO imprudent disallowing \$1,980,000 after making an adjustment to reflect a drop in market value of capacity on TCO system.

Unlike either the previous auditor, UII does have a market benchmark that was the result of a competitive bid process for capacity value to make our evaluation. As previously mentioned, the ProLiance agreement expired at the end of the audit period. As a result, VEDO sent out a request for bids on August 23, 2005 to 13 companies. Four responded with the high bid from Sequent Energy Management, a subsidiary of AGL

Resources, of \$1.8 million and the low bidder was ProLiance at \$850,000. A simple comparison of the Sequent bid of \$1.8 million annually to the ProLiance agreement during the three years of the audit period is presented in Exhibit III-10. This analysis assumes that the summer-winter price spread of \$2.68 that existed when the bids were submitted in September 2005 was in place throughout the audit period. Further adjustments were made in the analysis to reflect greater amounts of both pipeline and storage capacity that VEDO had in first two years of the audit period compared with the amount that was included in the bid package. Finally a \$1,435,386 adjustment was made to reflect the benefit that GCR customers received from the 5% contract reduction provisions of the ProLiance agreement which VEDO exercised on January 31, 2003 effective November 1, 2003. The net result with these assumptions is the ProLiance agreement undervalued capacity for the audit period by slightly over \$1 million.

This was essentially the logic used in the previous audit to value capacity by comparing it to prices paid under the DP&L contract with CES prior to Vectren's acquisition of the gas assets. Using market conditions in a prior period or even future period to make a valuation is not a valid approach. The PUCO seemed to recognize that capacity marketplace had changed making a \$1,000,000 adjustment down to the valuation to reflect deteriorating capacity prices during the previous audit period on the TCO system compared to those that existed prior to the prior audit period in its December 21, 2005 order. UII agrees with the direction of the Commission on this issue and believes the market conditions that existed when Sequent and others made their bids need to be adjusted to reflect those that were in place during the current audit period.

Sequent Energy Management attributed roughly 81% of its annual management fee bid to VEDO's storage capacity portfolio. Bidder 1, the second high bidder, showed that 100% of its proposed annual management fee was derived from VEDO's storage capacity portfolio, with no dollar value assigned to the interstate firm transportation capacities. If the bidders who offer to provide portfolio management services perceive that most or all of the value to pay in the management fee is derived from the optimization of the storage capacity assets, then, logically, when the winter-summer price spread differential is greater, the value to pay to provide portfolio management services would be greater. Conversely, when the differential was less so would be the value of the portfolio.

Both Exhibit III-11 and 12 show the winter-summer commodity price differentials during the last four Septembers. The reason for using these September dates is the bid response due date of September 15, 2005 for the VEDO RFP for portfolio management services. As these exhibits show, the winter-summer price spread on September 15, 2005 averaged \$2.62 per Dth. On September 15 of each of the three prior years, this same winter-summer average price spread never exceeded \$0.47 per Dth. With the winter-summer commodity price differential 5.5 times greater on the due date for VEDO's RFP than during the same time frame in the audit period, the 2005-2006 management fees

ANALYSIS OF PROLIANCE CONTRACT PORTFOLIO VALUE VERSUS SEQUENT ENERGY BID AT 2005 WINTER PRICE SPREAD

Sequent Bid		Dtr or DVD		Portfolio Value		% of Value		Proliance Bid		% of Sequent Bid		Audit Period 2002-2003		Audit Period 2003-2004		Audit Period 2004-2005		Audit Period 2005-2006		Audit Period 2006-2007		Audit Period 2007-2008		Audit Period 2008-2009		Audit Period 2009-2010		Audit Period 2010-2011		Audit Period 2011-2012		Audit Period 2012-2013		Audit Period 2013-2014		Audit Period 2014-2015		Audit Period 2015-2016		Audit Period 2016-2017		Audit Period 2017-2018		Audit Period 2018-2019		Audit Period 2019-2020		Audit Period 2020-2021		Audit Period 2021-2022		Audit Period 2022-2023		Audit Period 2023-2024		Audit Period 2024-2025		Audit Period 2025-2026		Audit Period 2026-2027		Audit Period 2027-2028		Audit Period 2028-2029		Audit Period 2029-2030		Audit Period 2030-2031		Audit Period 2031-2032		Audit Period 2032-2033		Audit Period 2033-2034		Audit Period 2034-2035		Audit Period 2035-2036		Audit Period 2036-2037		Audit Period 2037-2038		Audit Period 2038-2039		Audit Period 2039-2040		Audit Period 2040-2041		Audit Period 2041-2042		Audit Period 2042-2043		Audit Period 2043-2044		Audit Period 2044-2045		Audit Period 2045-2046		Audit Period 2046-2047		Audit Period 2047-2048		Audit Period 2048-2049		Audit Period 2049-2050		Audit Period 2050-2051		Audit Period 2051-2052		Audit Period 2052-2053		Audit Period 2053-2054		Audit Period 2054-2055		Audit Period 2055-2056		Audit Period 2056-2057		Audit Period 2057-2058		Audit Period 2058-2059		Audit Period 2059-2060		Audit Period 2060-2061		Audit Period 2061-2062		Audit Period 2062-2063		Audit Period 2063-2064		Audit Period 2064-2065		Audit Period 2065-2066		Audit Period 2066-2067		Audit Period 2067-2068		Audit Period 2068-2069		Audit Period 2069-2070		Audit Period 2070-2071		Audit Period 2071-2072		Audit Period 2072-2073		Audit Period 2073-2074		Audit Period 2074-2075		Audit Period 2075-2076		Audit Period 2076-2077		Audit Period 2077-2078		Audit Period 2078-2079		Audit Period 2079-2080		Audit Period 2080-2081		Audit Period 2081-2082		Audit Period 2082-2083		Audit Period 2083-2084		Audit Period 2084-2085		Audit Period 2085-2086		Audit Period 2086-2087		Audit Period 2087-2088		Audit Period 2088-2089		Audit Period 2089-2090		Audit Period 2090-2091		Audit Period 2091-2092		Audit Period 2092-2093		Audit Period 2093-2094		Audit Period 2094-2095		Audit Period 2095-2096		Audit Period 2096-2097		Audit Period 2097-2098		Audit Period 2098-2099		Audit Period 2099-2100		Audit Period 2100-2101		Audit Period 2101-2102		Audit Period 2102-2103		Audit Period 2103-2104		Audit Period 2104-2105		Audit Period 2105-2106		Audit Period 2106-2107		Audit Period 2107-2108		Audit Period 2108-2109		Audit Period 2109-2110		Audit Period 2110-2111		Audit Period 2111-2112		Audit Period 2112-2113		Audit Period 2113-2114		Audit Period 2114-2115		Audit Period 2115-2116		Audit Period 2116-2117		Audit Period 2117-2118		Audit Period 2118-2119		Audit Period 2119-2120		Audit Period 2120-2121		Audit Period 2121-2122		Audit Period 2122-2123		Audit Period 2123-2124		Audit Period 2124-2125		Audit Period 2125-2126		Audit Period 2126-2127		Audit Period 2127-2128		Audit Period 2128-2129		Audit Period 2129-2130		Audit Period 2130-2131		Audit Period 2131-2132		Audit Period 2132-2133		Audit Period 2133-2134		Audit Period 2134-2135		Audit Period 2135-2136		Audit Period 2136-2137		Audit Period 2137-2138		Audit Period 2138-2139		Audit Period 2139-2140		Audit Period 2140-2141		Audit Period 2141-2142		Audit Period 2142-2143		Audit Period 2143-2144		Audit Period 2144-2145		Audit Period 2145-2146		Audit Period 2146-2147		Audit Period 2147-2148		Audit Period 2148-2149		Audit Period 2149-2150		Audit Period 2150-2151		Audit Period 2151-2152		Audit Period 2152-2153		Audit Period 2153-2154		Audit Period 2154-2155		Audit Period 2155-2156		Audit Period 2156-2157		Audit Period 2157-2158		Audit Period 2158-2159		Audit Period 2159-2160		Audit Period 2160-2161		Audit Period 2161-2162		Audit Period 2162-2163		Audit Period 2163-2164		Audit Period 2164-2165		Audit Period 2165-2166		Audit Period 2166-2167		Audit Period 2167-2168		Audit Period 2168-2169		Audit Period 2169-2170		Audit Period 2170-2171		Audit Period 2171-2172		Audit Period 2172-2173		Audit Period 2173-2174		Audit Period 2174-2175		Audit Period 2175-2176		Audit Period 2176-2177		Audit Period 2177-2178		Audit Period 2178-2179		Audit Period 2179-2180		Audit Period 2180-2181		Audit Period 2181-2182		Audit Period 2182-2183		Audit Period 2183-2184		Audit Period 2184-2185		Audit Period 2185-2186		Audit Period 2186-2187		Audit Period 2187-2188		Audit Period 2188-2189		Audit Period 2189-2190		Audit Period 2190-2191		Audit Period 2191-2192		Audit Period 2192-2193		Audit Period 2193-2194		Audit Period 2194-2195		Audit Period 2195-2196		Audit Period 2196-2197		Audit Period 2197-2198		Audit Period 2198-2199		Audit Period 2199-2200		Audit Period 2200-2201		Audit Period 2201-2202		Audit Period 2202-2203		Audit Period 2203-2204		Audit Period 2204-2205		Audit Period 2205-2206		Audit Period 2206-2207		Audit Period 2207-2208		Audit Period 2208-2209		Audit Period 2209-2210		Audit Period 2210-2211		Audit Period 2211-2212		Audit Period 2212-2213		Audit Period 2213-2214		Audit Period 2214-2215		Audit Period 2215-2216		Audit Period 2216-2217		Audit Period 2217-2218		Audit Period 2218-2219		Audit Period 2219-2220		Audit Period 2220-2221		Audit Period 2221-2222		Audit Period 2222-2223		Audit Period 2223-2224		Audit Period 2224-2225		Audit Period 2225-2226		Audit Period 2226-2227		Audit Period 2227-2228		Audit Period 2228-2229		Audit Period 2229-2230		Audit Period 2230-2231		Audit Period 2231-2232		Audit Period 2232-2233		Audit Period 2233-2234		Audit Period 2234-2235		Audit Period 2235-2236		Audit Period 2236-2237		Audit Period 2237-2238		Audit Period 2238-2239		Audit Period 2239-2240		Audit Period 2240-2241		Audit Period 2241-2242		Audit Period 2242-2243		Audit Period 2243-2244		Audit Period 2244-2245		Audit Period 2245-2246		Audit Period 2246-2247		Audit Period 2247-2248		Audit Period 2248-2249		Audit Period 2249-2250		Audit Period 2250-2251		Audit Period 2251-2252		Audit Period 2252-2253		Audit Period 2253-2254		Audit Period 2254-2255		Audit Period 2255-2256		Audit Period 2256-2257		Audit Period 2257-2258		Audit Period 2258-2259		Audit Period 2259-2260		Audit Period 2260-2261		Audit Period 2261-2262		Audit Period 2262-2263		Audit Period 2263-2264		Audit Period 2264-2265		Audit Period 2265-2266		Audit Period 2266-2267		Audit Period 2267-2268		Audit Period 2268-2269		Audit Period 2269-2270		Audit Period 2270-2271		Audit Period 2271-2272		Audit Period 2272-2273		Audit Period 2273-2274		Audit Period 2274-2275		Audit Period 2275-2276		Audit Period 2276-2277		Audit Period 2277-2278		Audit Period 2278-2279		Audit Period 2279-2280		Audit Period 2280-2281		Audit Period 2281-2282		Audit Period 2282-2283		Audit Period 2283-2284		Audit Period 2284-2285		Audit Period 2285-2286		Audit Period 2286-2287		Audit Period 2287-2288		Audit Period 2288-2289		Audit Period 2289-2290		Audit Period 2290-2291		Audit Period 2291-2292		Audit Period 2292-2293		Audit Period 2293-2294		Audit Period 2294-2295		Audit Period 2295-2296		Audit Period 2296-2297		Audit Period 2297-2298		Audit Period 2298-2299		Audit Period 2299-2300		Audit Period 2300-2301		Audit Period 2301-2302		Audit Period 2302-2303		Audit Period 2303-2304		Audit Period 2304-2305		Audit Period 2305-2306		Audit Period 2306-2307		Audit Period 2307-2308		Audit Period 2308-2309		Audit Period 2309-2310		Audit Period 2310-2311		Audit Period 2311-2312		Audit Period 2312-2313		Audit Period 2313-2314		Audit Period 2314-2315		Audit Period 2315-2316		Audit Period 2316-2317		Audit Period 2317-2318		Audit Period 2318-2319		Audit Period 2319-2320		Audit Period 2320-2321		Audit Period 2321-2322		Audit Period 2322-2323		Audit Period 2323-2324		Audit Period 2324-2325		Audit Period 2325-2326		Audit Period 2326-2327		Audit Period 2327-2328		Audit Period 2328-2329		Audit Period 2329-2330		Audit Period 2330-2331		Audit Period 2331-2332		Audit Period 2332-2333		Audit Period 2333-2334		Audit Period 2334-2335		Audit Period 2335-2336		Audit Period 2336-2337		Audit Period 2337-2338		Audit Period 2338-2339		Audit Period 2339-2340		Audit Period 2340-2341		Audit Period 2341-2342		Audit Period 2342-2343		Audit Period 2343-2344		Audit Period 2344-2345		Audit Period 2345-2346		Audit Period 2346-2347		Audit Period 2347-2348		Audit Period 2348-2349		Audit Period 2349-2350		Audit Period 2350-2351		Audit Period 2351-2352		Audit Period 2352-2353		Audit Period 2353-2354		Audit Period 2354-2355		Audit Period 2355-2356		Audit Period 2356-2357		Audit Period 2357-2358		Audit Period 2358-2359		Audit Period 2359-2360		Audit Period 2360-2361		Audit Period 2361-2362		Audit Period 2362-2363		Audit Period 2363-2364		Audit Period 2364-2365		Audit Period 2365-2366		Audit Period 2366-2367		Audit Period 2367-2368		Audit Period 2368-2369		Audit Period 2369-2370		Audit Period 2370-2371		Audit Period 2371-2372		Audit Period 2372-2373		Audit Period 2373-2374		Audit Period 2374-2375		Audit Period 2375-2376		Audit Period 2376-2377		Audit Period 2377-2378		Audit Period 2378-2379		Audit Period 2379-2380		Audit Period 2380-2381		Audit Period 2381-2382		Audit Period 2382-2383		Audit Period 2383-2384		Audit Period 2384-2385		Audit Period 2385-2386		Audit Period 2386-2387		Audit Period 2387-2388		Audit Period 2388-2389		Audit Period 2389-2390		Audit Period 2390-2391		Audit Period 2391-2392		Audit Period 2392-2393		Audit Period 2393-2394		Audit Period 2394-2395		Audit Period 2395-2396		Audit Period 2396-2397		Audit Period 2397-2398		Audit Period 2398-2399		Audit Period 2399-2400		Audit Period 2400-2401		Audit Period 2401-2402		Audit Period 2402-2403		Audit Period 2403-2404		Audit Period 2404-2405		Audit Period 2405-2406		Audit Period 2406-2407		Audit Period 2407-2408		Audit Period 2408-2409		Audit Period 2409-2410		Audit Period 2410-2411		Audit Period 2411-2412		Audit Period 2412-2413		Audit Period 2413-2414		Audit Period 2414-2415		Audit Period 2415-2416		Audit Period 2416-2417		Audit Period 2417-2418		Audit Period 2418-2419		Audit Period 2419-2420		Audit Period 2420-2421		Audit Period 2421-2422		Audit Period 2422-2423		Audit Period 2423-2424		Audit Period 2424-2425		Audit Period 2425-2426		Audit Period 2426-2427		Audit Period 2427-2428		Audit Period 2428-2429		Audit Period 2429-2430		Audit Period 2430-2431		Audit Period 2431-2432		Audit Period 2432-2433		Audit Period 2433-2434		Audit Period 2434-2435		Audit Period 2435-2436		Audit Period 2436-2437		Audit Period 2437-2438		Audit Period 2438-2439		Audit Period 2439-2440		Audit Period 2440-2441		Audit Period 2441-2442		Audit Period 2442-2443		Audit Period 2443-2444		Audit Period 2444-2445		Audit Period 2445-2446		Audit Period 2446-2447		Audit Period 2447-2448		Audit Period 2448-2449		Audit Period 2449-2450		Audit Period 2450-2451		Audit Period 2451-2452		Audit Period 2452-2453		Audit Period 2453-2454		Audit Period 2454-2455		Audit Period 2455-2456		Audit Period 2456-2457		Audit Period 2457-2458		Audit Period 2458-2459		Audit Period 2459-2460		Audit Period 2460-2461		Audit Period 2461-2462		Audit Period 2462-2463		Audit Period 2463-2464		Audit Period 2464-2465		Audit Period 2465-2466		Audit Period 2466-2467		Audit Period 2467-2468		Audit Period 2468-2469		Audit Period 2469-2470		Audit Period 2470-2471		Audit Period 2471-2472		Audit Period 2472-2473		Audit Period 2473-2474		Audit Period 2474-2475		Audit Period 2475-2476		Audit Period 2476-2477		Audit Period 2477-2478		Audit Period 2478-2479		Audit Period 2479-2480		Audit Period 2480-2481		Audit Period 2481-2482		Audit Period 2482-2483		Audit Period 2483-2484		Audit Period 2484-2485		Audit Period 2485-2486		Audit Period 2486-2487		Audit Period 2487-2488		Audit Period 2488-2489		Audit Period 2489-2490		Audit Period 2490-2491		Audit Period 2491-2492		Audit Period 2492-2493		Audit Period 2493-2494		Audit Period 2494-2495		Audit Period 2495-2496		Audit Period 2496-2497		Audit Period 2497-2498		Audit Period 2498-2499		Audit Period 2499-2500		Audit Period 2500-2501		Audit Period 2501-2502		Audit Period 2502-2503		Audit Period 2503-2504		Audit Period 2504-2505		Audit Period 2505-2506		Audit Period 2506-2507		Audit Period 2507-2508		Audit Period 2508-2509		Audit Period 2509-2510		Audit Period 2510-2511		Audit Period 2511-2512		Audit Period 2512-2513		Audit Period 2513-2514		Audit Period 2514-2515		Audit Period 2515-2516		Audit Period 2516-2517		Audit Period 2517-2518		Audit Period 2518-2519		Audit Period 2519-2520		Audit Period 2520-2521		Audit Period 2521-2522		Audit Period 2522-2523		Audit Period 2523-2524		Audit Period 2524-2525		Audit Period 2525-2526		Audit Period 2526-2527		Audit Period 2527-2528		Audit Period 2528-2529		Audit Period 2529-2530		Audit Period 2530-2531		Audit Period 2531-2532		Audit Period 2532-2533		Audit Period 2533-2534		Audit Period 2534-2535		Audit Period 2535-2536		Audit Period 2536-2537		Audit Period 2537-2538		Audit Period 2538-2539		Audit Period 2539-2540		Audit Period 2540-2541		Audit Period 2541-2542		Audit Period 2542-2543		Audit Period 2543-2544		Audit Period 2544-2545		Audit Period 2545-2546		Audit Period 2546-2547		Audit Period 2547-2548		Audit Period 2548-2549		Audit Period 2549-2550		Audit Period 2550-2551		Audit Period 2551-2552		Audit Period 2552-2553		Audit Period 2553-2554		Audit Period 2554-2555		Audit Period 2555-2556		Audit Period 2556-2557		Audit Period 2557-2558		Audit Period 2558-2559		Audit Period 2559-2560		Audit Period 2560-2561		Audit Period 2561-2562		Audit Period 2562-2563		Audit Period 2563-2564		Audit Period 2564-2565		Audit Period 2565-2566		Audit Period 2566-2567		Audit Period 2567-2568		Audit Period 2568-2569		Audit Period 2569-2570		Audit Period 2570-2571		Audit Period 2571-2572		Audit Period 2572-2573		Audit Period 2573-2574		Audit Period 2574-2575		Audit Period 2575-2576		Audit Period 2576-2577		Audit Period 2577-2578		Audit Period 2578-2579		Audit Period 2579-2580		Audit Period 2580-2581		Audit Period 2581-2582		Audit Period 2582-2583		Audit Period 2583-2584		Audit Period 2584-2585		Audit Period 2585-2586		Audit Period 2586-2587		Audit Period 2587-2588		Audit Period 2588-2589		Audit Period 2589-2590		Audit Period 2590-2591		Audit Period 2591-2592		Audit Period 2592-2593		Audit Period 2593-2594		Audit Period 2594-2595		Audit Period 2595-2596		Audit Period 2596-2597		Audit Period 2597-2598		Audit Period 2598-2599		Audit Period 2599-2600		Audit Period 2600-2601		Audit Period 2601-2602		Audit Period 2602-2603		Audit Period 2603-2604		Audit Period 2604-2605		Audit Period 2605-2606		Audit Period 2606-2607		Audit Period 2607-2608		Audit Period 2608-2609		Audit Period 2609-2610		Audit Period 2610-2611		Audit Period 2611-2612		Audit Period 2612-2613		Audit Period 2613-2614		Audit Period 2614-2615		Audit Period 2615-2616		Audit Period 2616-2617		Audit Period 2617-2	
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EXHIBIT III-12

Net (Benefit)/Cost to GCR Customers of ProLance Contr: \$ (3,104,106

received by VEDO should have been significantly higher than the fee paid by ProLiance for each year during the audit period. The detailed responses received from the competitive bid process to provide VEDO portfolio management service last September document the value to be derived from the average winter/summer commodity price spreads.

In Exhibit III-12, UII calculated the relative percentage of the bid period summer-winter price differential for each year of the audit period. The percentages were 3.961, 17.714, and 12.383 respectively, thus significantly lower. These percentages were then applied to the \$1.4 million value Sequent attached to storage capacity in its bid yielding an adjusted storage value for each year. Since VEDO had more storage capacity in the first two years of the audit period compared to the bid period, the value had to be adjusted upward to reflect the relative volumetric difference. The adjusted market value of storage for the audit period based upon the Sequent bid was \$526,907. Then the various prices for pipeline capacity in the Sequent bid were applied to VEDO pipeline capacity portfolio for each year of the audit period. The value of pipeline capacity for the three years on this basis was \$1,352,823 giving a total market adjusted value of \$1,879,730. Then the ProLiance transportation credit for each year of the audit period along with the capacity reduction amount was subtracted from this adjusted amount yielding a relative benefit to GCR customers of \$3,104,105. The reason a portfolio manager, like Sequent, attaches so much value to this summer-winter differential is the difficulty a TCO storage holder like VEDO has to use all 100% of the storage capacity each winter season. That unused storage quantity could then be used to support a sale during the winter, the gas for which can be purchased at lower summer prices, with the margin locked in via financial hedges. Therefore, for VEDO let's assume that a portfolio manager's bid value analysis concludes that VEDO will not use 7% of the TCO storage SCQ ($7,648,484 * .07 = 535,394$). Using the NYMEX closing prices from September 15, 2005, which are included in Exhibits III-10 and 11, a portfolio manager would sell this volume of 535,394 Dth of March 2006 futures via the NYMEX and simultaneously purchase the same volume of May 2006 futures on the NYMEX. The NYMEX commodity price differential between March 2006 and May 2006 was \$2.53 per Dth. This single transaction would net the portfolio manager \$1,354,547. The math for this is as follows:

1. Sell the 7% of TCO storage SCQ at the March 2006 NYMEX price: 535,394 Dth x \$12.157 per Dth = \$6,508,784.86
2. Purchase the 7% of TCO storage SCQ at the May 2006 NYMEX price: 535,394 Dth x \$9.627 per Dth = \$5,154,238.04
3. Net margin generated by the portfolio manager from this transaction = \$6,508,784.86 - \$5,154,238.04 = \$1,354,546.82

A similar transaction could be performed for the Panhandle storage. In VEDO's case, a portfolio manager bid value analysis might conclude that VEDO will not use 2% of the Panhandle SCQ ($4,203,360 \times .02 = 84,067$). Performing the same math as listed above for the TCO storage, the transaction would net the portfolio manager \$212,690. These two low risk transactions assumptions which net \$1,567,237 illustrate some of the potential analysis by a portfolio manager based on winter-summer differentials when preparing a bid to provide portfolio management services.

To illustrate the value of the winter-summer spread differential, if the same set of transactions listed above were performed using the September 15, 2004 NYMEX closing prices for March 2005 and May 2005, the combined transactions would have netted the portfolio manager a margin of \$361,146. The NYMEX commodity price differential between March 2005 and May 2005 was \$0.583 per Dth. UII believes that making adjustments to the storage value bid by Sequent using historical NYMEX prices is appropriate for determining whether or not GCR customers were disadvantaged. The competitive bids received by VEDO provide a credible benchmark to evaluate the relative value provided by the ProLiance agreement. The PUCO took a similar approach in the previous case using less precise metrics than UII was able to apply to the evaluation for this audit period. The reason GCR customers benefited under the terms of the ProLiance agreement is it attached more value to pipeline capacity compared to current market conditions because it was based upon market conditions that existed back in 1998-99 when capacity was more valuable than it is today. This does not excuse VEDO's imprudence nor does it demonstrate foresight on the Company's part. Rather GCR customers benefited from a significant change in the capacity market and the ProLiance agreement happened to expire at an opportune time.

IV. SPECIFIC REQUIREMENTS

This chapter presents the follow-up of the audit recommendations ordered by the Commission in Case No. 02-220-GA-GCR.

7. **VEDO has procedures and job descriptions that adequately define the responsibilities and authorities of various levels of management within the gas supply organization. However, procedures and process profiles are not formally approved or dated for document control purposes.**

The organizational gaps identified during the prior audit appeared to revolve around different cylinders of responsibility among Delivery, Regulatory Affairs and ProLiance for gas supply planning, procurement and operations. Delivery is responsible for operating the system and short-term gas supply plans, Regulatory Affairs is responsible for long-term supply planning and ProLiance for gas procurement and supply plan preparation. Although responsibility and delegation of authority were documented during the previous audit, there was no specific guidance for the responsibility of individual levels of action and of all the major functions related to gas supply.

VEDO currently has job descriptions for key management personnel that define authorities and responsibilities for the major functions of the gas supply. And, in response to the previous audit recommendation, VEDO has developed a number of formal procedures and process profiles that cover various aspects of the gas supply planning and procurement functions and clearly delineate authorities and responsibilities of gas supply and choice personnel as they relate to those functions. These procedures include the following:

- Annual Gas Supply Planning
- Monthly Gas Supply Planning
- Daily Gas Supply Planning

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- Daily Forecasting
 - Annual Forecasting
 - Long-Term Forecast Report (LTFR) Preparation
 - Demand Forecasting - LTFR
 - Propane Procurement
 - Fixed Price Gas Supply Procurement
 - Gas Supply Hedging Risk Management
 - Lost and Unaccounted for Gas Management
 - Portfolio Administrator Monthly Invoice Approval Process and other process documents developed pursuant to Sarbanes-Oxley requirements

UJI has reviewed the job descriptions and the above procedural documents and considers them adequate in terms of delineation of responsibilities and authorities for the major functions of the gas supply organization and related personnel. And, VEDO considered process improvement opportunities and followed up on those opportunities. However, those documents are not yet formally approved or dated for version control purposes. Thus, including a review of document control in the next scheduled internal audit is warranted. (Reference No. 9)

In addition, the manner in which the entire area functions is as important as the processes and procedures in place. UJI did not identify any major functional weaknesses in the gas supply area with the exception of the peak day design criteria that are conceptual, not procedural.

8. VEDO now has adequate formalized procedures covering the management of price risks to which Vectren is exposed in the fuel supply area are now in place and adequate.

Vectren had a functioning RMC comprised of top executives in the Company that meet regularly during the prior audit period. The RMC charter included appointing a Hedge Committee (HC) charged with the development, implementation and maintenance of strategies used to meet the objectives of the Gas Supply Hedging Program. However, the Company did not have any formalized risk management procedures in effect during the prior audit period but claimed that they were in the process of preparing them.

Therefore, follow up during this audit and an internal audit conducted in 2004 (Reference Finding 9) was required to ensure that the Company has indeed developed these procedures.

In March 2004 Vectren established formal Gas Risk Management Policy & Procedures covering natural gas risk management for the three utilities including VEDO. These procedures formalized the functions of the RMC and HC that were already in place.

Of greater importance in UII's opinion is whether or not Vectren has sufficient management controls to ensure that people responsible for the risk management activities follow these procedures and the procedures are properly designed to balance the risks between shareholders and GCR customers.

Our conclusion is that the procedures are complete and provide adequate guidance to the personnel responsible for the risk management activities.

9. The Company has conducted a thorough and ample internal audit and follow-up audit of the gas supply organization.

According to information presented in the last management / performance audit report, Vectren's Internal Audit staff determines the areas to be audited based upon a risk assessment process. During the prior audit period, it had been five years since the gas supply function was audited. Typically internal audit departments assess the risks to shareholders not customers. Gas costs are a pass through to regulated utility customers in both Indiana and Ohio. In UII's opinion, the gas supply function may not have been selected during these five years since it was not viewed as a high risk to shareholders. However, with the recent cost disallowances orders by the PUCO, shareholder risk assessment needed to be recalibrated.

An internal audit of the gas supply function for Ohio operations was performed in the summer of 2004, as recommended by the prior auditor. (It should be noted that VEDO established a schedule of ongoing internal audits during and following the audit period in response to the prior audit's findings.)

During the 2004 audit, the gas supply function was divided into eight individual functions that were addressed during the audit: "gas supply planning, ProLiance agreement, firm gas supply, gas hedging, ProLiance invoice, purchase propane, management function and unaccounted for gas." It is UII's opinion that this internal audit was a very thorough and ample review of VEDO's gas supply function.

A "Gas Inventory Review" was subsequently performed in the fall of 2005. One objective of this review was to verify that corrective action was taken on those conditions identified during the 2004 Gas Supply Audit. In UII's opinion, this follow-up audit sufficiently covered the findings in the 2004 audit. Yet, due to the timing of follow-up audit, we believe that there was not ample opportunity to follow-up completely on the procedure document deficiency cited in the 2004 report due to time constraints. (The primary objective of the 2005 audit was to review was a Gas Inventory Review.)

For example, although the 2004 audit found that "The individual functions reviewed are adequately controlled and are being performed in an efficient and effective manner, except for the unaccounted for gas process for VEDO," the audit report cited that "The policy and procedures manual is incomplete as to all processes performed by the Gas Supply function." In response to this finding, management had committed to completely document all processes no later than December 31, 2004. Yet, several procedures of the functions covered in the 2004 audit were documented later in 2005 and at least one procedure, i.e. Procedures for Affiliate Training, was issued in 2006. Procedures were not dated and formally approved at the time of the follow-up. (Also Reference No. 7)

As several gas supply processes and procedures have been documented later in the audit period and are not yet formally approved or dated for version control, it is UII's opinion that document control be included as an objective in an internal audit scheduled within the next year. (Also Reference No. 7)

Also, as the affiliate guidelines were formally adopted for VEDO subsequent to the 2004 internal audit and hence not available during that audit (Reference No. 14), it is UII's opinion that adherence to the "VEDO-specific" affiliate guidelines is addressed during an audit scheduled within the next twelve months. (It was verified during this m / p audit and the 2004 audit that training certificates were on file. Thus, training is not an issue. Reference No. 14)

10. The Company has no physical constraints on its distribution system that limit the volumes it can take from individual pipelines.

Based upon previous m/p audits of DP&L while with RM&A, UII is aware of two areas of VEDO's service territory that were served exclusively by only one pipeline (PEPL or TCO) and comprise approximately 10% of system demand. We therefore assume that what the previous m/p auditor is referring to as physical constraints are distribution system limitations to receive pipeline deliveries versus limitations of pipeline to deliver gas. The previous m/p auditor was not specific on which physical constraints were being referred to in this recommendation. Table II-4 in the previous chapter showed gate station capacities and none other than isolated portions of VEDO systems, there are

no distribution capacity constraints. However, PEPL does have limited capacity in the region, and at this time VEDO has contracted for the maximum firm transportation and storage that is available to it from PEPL. Since VEDO's lowest cost gas supplies are available off the PEPL system, the Company maximizes its dispatch of these supplies.

11. The Company surveyed its large dual fuel customers and found little if any interest in interruptible sales.

VEDO conducted a recent survey of existing Rate 330 customers, Large General Sales Service, as to their interest in Interruptible Sales Service. None of those contacted have opted for, or expressed any interest in, converting to Interruptible Sales Service currently or in the near future. VEDO representatives are in frequent contact with all large customers and work with them regularly to assess their tariff options. The results of the survey are present in Table IV-1 below.

Table IV-1

Results of Large Customer Survey Regarding Interruptible Sales Service

Rate	Customer #	Premise #	Name	Comments
330	400100004	2100004	GREENFIELD BD OF ED	no alternate fuel on site. No interest at this time
330	400100086	2100082	HARTZELL PROPELLER INC	considering natural gas transportation (rate 345)
330	400100094	2100089	B F GOODRICH CO	no alternate fuel on site. No interest at this time
330	400341401	2100124	FIRST TOOL CORP	inactive premise
330	400109623	2100153	DAYTON CHRISTIAN SCHOOLS	left message
				considering natural gas transportation (rate 345) & want to discuss interruptible rate in more detail. In process of doing an analysis for them on rates
330	400100166	2100181	ELIZABETH PLACE	
330	401629981	2100196	TEAM INDUSTRIAL LLC	inactive premise
330	400398292	2100198	DAYTON METRO HOUSING AUTHORITY	voicemail left
330	400100199	2100231	AUNT MILLIE'S BAKERIES	no alternate fuel on site. Given corporate contact for future reference
330	400100266	2100309	METPROTECH INC	voicemail left but this account used to be a rate 345 and do not believe alternate fuel on site
330	400100408	2100494	WRIGHT PATTERSON AIR FORCE BASE	message left on voicemail
330	401542998	2121801	GE CONSUMER FINANCE	considering natural gas transportation (rate 345)
330	400270442	2126209	THE WAY INTL	migrated to rate 345 December '05
330	400133571	2131547	MULLINS RUBBER PROD INC	no alternate fuel on site. No interest at this time
330	400139117	2136688	OHIO DEPT OF CORRECTIONS	in the process of migrating to rate 345
330	400173477	2169274	PSB CO INC WEST	no alternate fuel on site
330	400250273	2245186	REGIONAL TRANSIT AUTH	considering natural gas transportation (rate 345)
330	400107447	2282674	NATIONAL CITY BANK	voicemail left
330	400156632	2295028	WILBERFORCE UNIVERSITY	some alternate fuel on site but no interest in an interruptible sales rate
330	400188727	2332970	CHAKERES THEATRES INC	currently utilizing the dual fuel rate (rate 341)
330	400306949	2345069	BANTA PUBLICATIONS	voicemail left
330	400379527	2378559	HDI LTD	voicemail left
330	400395127	2395439	DAP INC	considering natural gas transportation (rate 345)
330	400495363	2395886	REYNOLDS & REYNOLDS CO	inactive premise
330	400318383	2399270	DAYTON POWER & LIGHT CO	no answer at site. Tried to leave message @ least
330	400423919	2435205	REGIONAL TRANSIT AUTH	considering natural gas transportation (rate 345)
330	400461898	2468569	FLORIDA PROD ENGINEERING	no alternate fuel on site
				no alternate fuel on site. Reviewed in past but not feasible
330	400100161	2487295	STANDARD REGISTER CO	
330	400274395	2499838	CITY OF MORaine	voicemail left
				voicemail left. Have been to site previously and no alternate fuel capabilities are on the premise
330	400507668	2519358	AMERICAN HONDA RDC	no alternate fuel on site for this location. More interest in rate 345.
330	400150219	2599732	AIRBORNE EXPRESS INC	

12 The Company's current curtailment plan is generally adequate; however, it does not explicitly address Choice vendor loss of gas supply.

Rule 11 of VEDO's General Terms and Conditions for Gas Service covering curtailment procedures dated April 13, 2005 are presented in Appendix B and its Curtailment Plan dated November 2005 is presented in Appendix C. UII has examined them both and found them to comply with Chapter 4901:5-25 of the Ohio Administrative Code covering Gas Emergencies.

However, the loss of gas supply due to Choice Suppliers is not specifically addressed in VEDO's Curtailment Procedures (Rule 11 of VEDO's General Terms and Conditions, on Sheet 70 of VEDO's Tariff for Gas Service). VEDO's Tariff does provide that VEDO would supply Customers of a defaulting Gas Supplier until such default was remedied by the Choice Supplier or the Supplier was removed from the Choice Program and the Customer moved to another Supplier. VEDO stated in absence of a specific provision, it would utilize the Gas Supply Curtailment Sequence (Rule 11, Section B1) in the event the loss of supply from a Choice Supplier(s) caused the need to curtail. To correct this tariff omission, the Company said the Gas Supply Curtailment definition in Rule 11, Section A (6), could be changed to specifically address Choice Supplier shortfalls. The definition could be changed to read as follows:

- A. (6) Gas Supply Curtailment. Curtailment resulting from insufficient quantities of Company-supplied gas to meet the demands of Company's Sales Customers or temporarily-supplied Choice Customers.

UII agrees that this change to the curtailment rules will cover the circumstance.

13 The Company used the SENDOUT™ gas supply optimization model to better configure its gas portfolio as of November 1, 2004 to meet sales customer requirements.

The VEDO system, like other LDCs in the Ohio Choice environment, experienced an increasing level of customer migration to Choice suppliers from inception of its Choice program. By the summer of 2004, roughly 60,000 residential and commercial customer accounts had migrated from sales service to various Choice suppliers. With this in mind, the following key areas needed to be examined:

- What is the optimal mix of transportation and storage capacity assets needed to serve the current VEDO sales customer requirements?
- What mix of assets would VEDO need in order to provide system balancing if/when significantly larger percentages of traditional sales customers migrate to Choice suppliers?

VEDO, with the help of New Energy Associates, conducted a capacity planning project to consider the following:

- Minimize costs for VEDO's customers within reliability guidelines.
- Determine city gate capabilities for all VEDO receipt points from interstate pipeline suppliers.
- Determine by city gate the total system take away capability at each point. This needed to include allocations at each point for the sales customers, Choice customers, and the traditional General Transportation customers.
- Review the various interstate pipeline alternatives incorporating the basis differentials and all demand and commodity costs to the VEDO city gate.

UII is familiar with the model and reviewed copies of the SENDOUT Version 11.0.5 reports and found the analysis to be rigorous. The SENDOUT optimization model reviewed all the responses to the Request for Proposals for Firm Transportation and/or Storage Capacity to interstate pipeline suppliers to start on November 1, 2004. VEDO followed through with the interstate firm capacity agreements based on its analysis as well as the results from the SENDOUT model. VEDO, through its portfolio administrator ProLiance Energy LLC, sent out a Request for Proposals for Firm Transportation and/or Storage Capacity to interstate pipeline suppliers for service to start on November 1, 2004. VEDO replaced the five expiring agreements with the two lowest bid services from the RFP process: firm transportation service from ANR with a MDQ of 9,797 dth for the period November 1, 2004 through March 31, 2005; and firm transportation service from Texas Gas with a MDQ of 38,000 Dth for the period November 1, 2004 through April 30, 2005. These seasonal agreements had annual deliverability of 8,357,347 Dth. In addition, VEDO contracted for a small volume of firm transportation on Texas Eastern to serve an isolated market area (Gano Road). Together the three new contracts had demand charges totaling \$2,398,746, providing the VEDO GCR customers an annual savings of \$5,012,561 from the prior year's firm capacity portfolio. For the twelve month period November 2004 through October 2005, demand charges totaled \$32.4 million.

As a result of dropping year round Columbia Gas FT capacity in the portfolio reconfiguration, VEDO utilized its ongoing SST service from Columbia Gas Transmission in order to refill the Columbia Gas FSS storage capacity during the April 1, 2005 through October 31, 2005 storage refill season. This Columbia SST capacity is secondary firm in level of priority from TCO Pool to Columbia storage fields. Gas Supply has evaluated this risk of relying on secondary firm service during the summer months and, based on past experience, did not believe that there existed significant risk that would cause interruption in storage refill. Table IV-2 below shows how VEDO's opportunity to reconfigure its capacity along with the use of a supply optimization tool

Table IV-2

Year	Annual GCR Sales Dth	Annual Capacity Dth	Annual Load Factor %
Nov 01-Oct 02	38,880,617	68,242,385	57%
Nov 02-Oct 03	38,465,475	68,242,385	56%
Nov 03-Oct 04	29,899,614	58,988,166	51%
Nov 04-Oct 05	29,846,797	40,131,500	74%

allowed it to sculpt its portfolio to more closely match its load profile. In addition, exercising its capacity reduction rights under the ProLiance Agreement allowed it to improve its load factor during the second year of the audit period.

14. **The Company has adopted written Affiliate Guidelines and conducted employee training in affiliate relations. And, the annual requirement of employees to state in writing affirming that they understand the affiliate relations guidelines and intend to comply with the guidelines has been met.**

During the prior m/p audit, Vectren had a very detail set of procedures that govern activities related to Indiana Gas Company in the area of affiliate relationships between the utility and its affiliates. Vectren employees were required to sign statements that they have read, understand and will comply with these guidelines. However, no such guidelines existed for VEDO during the prior audit period.

This gap was also identified during the 2004 internal audit (Reference No. 9). At that time management had committed to adopt a "set of broader affiliate guidelines, modeled on those in place for Indiana Gas" and to "perform training for gas supply personnel and document their understanding of the guidelines."

VEDO has stated that the Company developed and voluntarily adopted written Affiliate Guidelines for VEDO in October 2004. The Affiliate Guidelines supplement the "Affiliate Code of Conduct" which was in place in the VEDO tariff during the audit period. As part of the process of adopting the new guidelines, VEDO identified those groups within the Company most likely to encounter affiliate issues, and conducted training on the Affiliate Guidelines with those groups in late 2004 and again in December 2005 and January 2006. VEDO has training certificates on file that are signed by employees by employees stating that they have received the guidelines and participated in the training. This fact was verified during the 2004 internal audit and this m / p audit.

The guidelines were provided to Vectren Source. With respect to Vectren Source employees, training on affiliate guidelines is provided to all customer service representatives, as well as all internal marketing and commodity operations personnel and other management employees likely to encounter affiliate issues.

UII reviewed training materials, such as those for Choice Customer Service representatives issued in September 2005, during this audit. UII finds that the training adequately addressed affiliate guidelines and the code of conduct for these personnel. UII also verified during this audit that the Affiliate Guidelines are posted on Vectren's internet site as required by the "Procedures for Affiliate Training," although this was done several months following the audit period.

In UII's opinion, existence of the guidelines and signed statements is not necessarily sufficient to demonstrate compliance alone. A further indicator would be that the Company has monitored employee adherence to the guidelines and taken appropriate sanctions against employees for non-compliance. VEDO has stated two situations, each of which has been carefully investigated and resolved, were brought to management's attention. One situation involved a request for information from an affiliate, and the second involved a change to an internal communication process for all VEDO Choice program suppliers. Based on VEDO's statements, UII concludes that adequate controls exist to ensure monitoring of adherence to the Affiliate Guidelines.

With regards to the above, UII recommends that this process and adherence to the Affiliate Guidelines and Conduct of Conduct be audited during an internal audit scheduled during the next twelve months, as the guidelines were not in place prior to the 2004 internal audit. (Reference No. 9)

15. VEDO has developed a competitive bid process for the selection of its asset management service its oversight of the asset manager and its performance is adequate.

VEDO selected ProLiance as its asset manager without the benefit of competitive bidding. Although the PUCO did not explicitly deem this lack of competitive bidding imprudent, it would have preferred the Company had done so to sufficiently examine other options available in the marketplace besides those offered by its affiliate. VEDO recognized this and developed a competitive bid process to examine other supply portfolio options at the expiration of the ProLiance agreement on October 31, 2005.

VEDO sent out a request for bids on August 23, 2005 to 13 companies with the following detailed portfolio management requirements:

- Section 1 - Instructions to Bidders
- Section 2 - Historical Load Profile
- Section 3 - Draft Portfolio Management Agreement
- Section 4 - VEDO Interstate Pipeline Capacity Portfolio
- Section 5 - Assignment/Assumption Agreement
- Section 6 - Pricing Sheet for Portfolio Management Services

Four responded with the high bid from Sequent Energy Management, a subsidiary of AGL Resources, of \$1.8 million and the low bidder was ProLiance at \$850,000. A summary of the responding bids is presented in Table IV-3 below.

Table IV-3

Supplier Name	Annual Management Fee	Agreeable to VEDO's Credit Requirements
Sequent Energy Management LLC	\$1,800,000	Yes
Bidder 1	\$1,329,996	No
Bidder 2	\$900,000	No
ProLiance Energy LLC	\$850,000	Yes

VEDO put a credit requirement in the bid specifications because the portfolio manager would be starting the contract with \$122 million or so of gas in storage priced well below the winter market prices. Sequent Energy was selected as the high bidder and according to the Company has been an excellent portfolio manager.

- 16. The Company's Propane Asset study properly concluded that the best use of the assets was to continue with current practices but no economic analysis was done on the potential benefits of expanding capacity.**

UJI does not agree with all the previous m/p auditor's analysis or recommendations regarding propane peak shaving. Propane Peak shaving is typically the very cheapest source of peak day capacity on a total cost basis than virtually any other source. It is also a replenishable source within the winter unlike storage. The primary cost to customers is the cost of service for the plants and propane inventory in base rates which is currently \$207,582 annually. Typically, propane carries a higher cost than natural gas because most propane is extracted from natural gas so it carries a minimum value of the BTU

shrink plus extraction cost. Propane peak shaving can also be used to offset winter storage deliverability ratchets for late winter peaking needs. As previously mentioned, propane peak shaving could also be used as a source of "supply of last resort" for Choice Customers should their supply fail to deliver. VEDO completed its Propane Asset Study on January 31, 2006.

Facilities

Vectren's propane facilities are comprised of three propane-air plants, Yankee (built in 1959), Bellbrook (built in 1960) and Derby (built in 1972), and one storage cavern, Todhunter (built in 1959). These plants were added to the system and designed to provide peak shaving and emergency supply. Together, the three propane plants can provide, conditions permitting, up to approximately 52,000 Dth of supply at full output over 24 hours. The two largest propane plants, Yankee and Bellbrook, have limited on-site tank storage (each stores propane equivalent to approximately 7,000 Dth) and their operations rely on propane being pumped from the Todhunter cavern through a pipeline owned by the Company. Yankee is connected to the Todhunter cavern by an 18-mile long 6-inch pipeline, and Bellbrook is connected to Yankee by an 8-mile long 4-inch pipeline. Yankee has a maximum daily production capacity of approximately 17,300Dth/day and Bellbrook can produce up to approximately 26,500 Dth/day. Due to the availability of propane that can be transported through the Company's pipeline, Yankee and Bellbrook are generally the first two plants to come on line during peak shaving operations. The third plant, Derby, can produce up to approximately 8,200 Dth/day. Derby runs entirely off onsite tank storage of propane equivalent to approximately 32,500 Dth that must be refilled via truck, which significantly limits Derby's operations and increases the cost of operation.

Due to the condensing and vaporizing of the liquid propane stored in the tanks located at the three plants that occurs naturally during atmospheric temperature changes, the tanks can only be filled to a maximum of 85% of their capacity. The Todhunter cavern, which is connected to a third-party interstate propane delivery pipeline, can hold approximately 6.6 million gallons of recoverable propane. Using a conversion ratio of 11 gallons of propane to 1 Dth of natural gas, 6.6 million gallons of propane has the heating value of approximately 600,000 Dth.

Operational Constraints

The study identified a number of operating limitations as follows:

1. Derby Constraints – Derby is not located on the pipeline so it can only be used for peaking and refilled by truck so storage is limited.

2. Ambient Air Temperature – lack of sufficient cooling requires the plants to be operated at temperatures below 18° F.
3. Minimum Daily Demand – there must be a minimum of 400,000 Dth per day of demand to ensure that the propane-air mixture is no more than 40% of the total volume to prevent ignition problems.
4. Maintenance – the plants range from 33 to 45 years old so if off-peak and non-emergency usage were to increase, then the risk of a forced outage at times of critical need increases.
5. Customer Concerns – adding propane to the natural gas mixture impacts the quality of certain customers that have sensitive equipment or specialized manufacturing in the metals industry.
6. Regulator Adjustments – Prior to using the propane plants several system regulators are adjusted to maximize gas flow past the plants.
7. Timing and Staffing Considerations – VEDO does have full time staff stationed at the plants so it relies on call out of personnel when the plants need to be operated. If operations were increased, additional workforce would be required.

Current Operations

The Company's strategy for propane operations has been to the plants available for use to meet severe conditions and peak demand days, utilizing the plants when they might to offset higher price gas. The facilities also serve as standby supply to offset potential interstate pipeline curtailments and reduced delivery pressure. Given market price volatility, VEDO also considers operating the plants at non-peak times to reduce costs. VEDO's practice has been to ensure that at the beginning of each heating season, it has propane volumes sufficient to provide approximately 120 hours of continuous full output operations, which has historically provides sufficient propane for all uses. VEDO currently operates the propane plants for the following purposes in approximately order of priority:

1. Peak Shaving
2. Peak Shaving for Choice Suppliers
3. Emergency Supply
4. Supplementing Supply on Cold Mornings, and

5. Replacement of Swing Gas Purchases

Alternative Uses of Propane

In addition to the current uses of propane, the Company also considered the following options:

1. Non-tariff Sales
2. Wholesale Sales; Leasing
3. Increased Propane Storage; Arbitrage Opportunities

The benefit versus the potential increase in plant maintenance costs due to longer operations for non-tariffs sales was not great enough to justify the operating risks. A second option was to make wholesales sales out of the Todhunter cavern by partnering with an established wholesale to provide such services. However, VEDO would be competing with TEPPCO (Texas Eastern Products Pipeline Company) who owns several other caverns and is a major propane pipeline operator with significant storage puts VEDO at a competitive disadvantage. Finally, arbitrage opportunities are far more limited with propane than natural gas because of the limited time that propane plants operate compared with a gas storage field. This results in times when propane cannot be used even if prices are attractive.

Conclusion

After analyzing the various options and taking into account the operational and financial limitations of the propane assets, VEDO concluded that it was prudent to maintain its current operations with respect to the propane assets. UII agrees with this conclusion however one major area not address in the study was cost versus benefit to GCR and Choice customers of expanding the capacity of any or all of the three plants. For example, VEDO's current incremental cost of capacity during the winter is \$0.28 per Dth. On this basis, if VEDO were able to expand vaporization capacity by 10,000 Dth per day with a resulting annual cost of service below \$400,000 to \$500,000, then it should consider making the investment.

17. **ProLiance has never made modifications at the morning meetings to the gas supply plan without explicit approval by VEDO.**

According to the previous m/p auditor's discussion of this in the last audit report, they reported that VEDO provides ProLiance, each morning with daily forecast out of its third-party forecast model that calculates least cost supply alternatives. They claimed in the report that ProLiance will frequently modify this forecast due to its ability to provide supplies from its system portfolio. What UII assumes is really the issue is daily dispatch

versus gas portfolio optimization. The distinction is once the portfolio of capacity and gas supplies are contracted for, the decision becomes one of economic dispatch taking the least cost supplies first and then layer in each successive supply cost increment until demand is met. Economic dispatch does not normally vary that drastically on a day to day basis but can month to month depending on market developments or pipeline problems. Liberty's conclusion in this case was not based upon the correct information. ProLiance did not have, and never has had, the ability to make changes to the least cost daily supply plan prepared by Gas Supply during the audit period. As Portfolio Administrator, ProLiance had the ability to alter the delivery path of the volumes ordered to the VEDO system, if these changes were operationally acceptable and approved by the Gas Control group. Even when this situation occurred, VEDO still would only pay the commodity prices as developed each day in the least cost daily supply plan.

18. The Company's LAUF programs during the audit period have been effective and resulted in a declining LAUF percentage trend.

Unaccounted-for gas is an operating parameter used in the natural gas industry as an overall indicator of the quality of system operations. It is the difference between the quantity of gas bought by and delivered to an LDC and the quantity of gas sold and delivered to the end-use customers. This quantity is commonly expressed as a percentage of total system purchases. It can be a valuable indicator of the effectiveness of long-term system improvement projects and programs to improve metering accuracy. It is also a factor used in determining the Gas Cost Recovery (GCR) mechanism that makes up the largest portion of the customers' gas bills. The GCR rate is determined primarily by dividing the costs of all purchased quantities by the quantities of gas sold. Since the LAUF has an impact on how the costs of purchased gas are spread among sales customers, the higher the level of LAUF, the higher the cost to the Company's customers.

There are a number of possible causes for lost and unaccounted-for gas. These include:

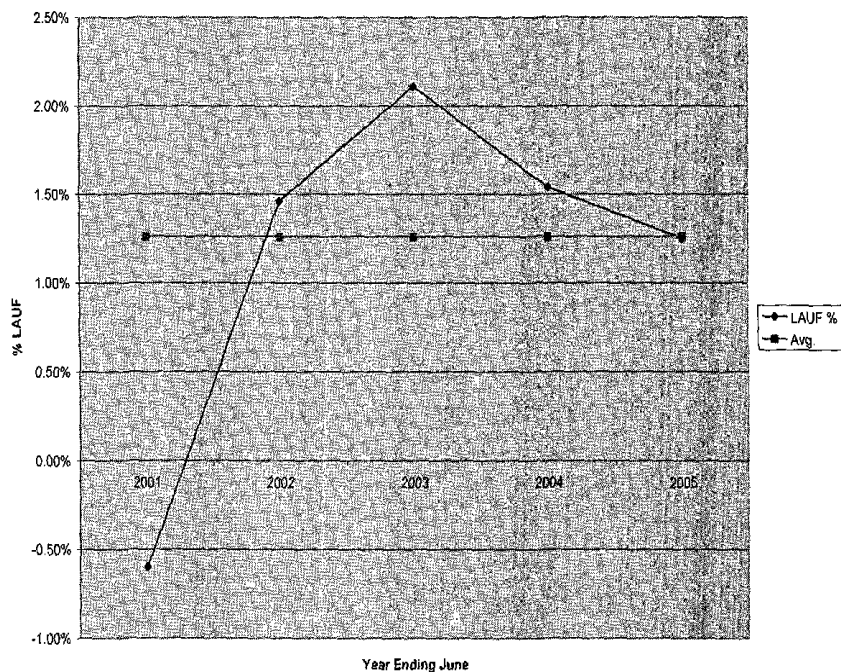
- System leaks and escaping gas from damaged facilities
- Measuring inaccuracies by both suppliers and customers
- Losses from theft of service
- Elevation variations in the service territory causing small differentials in base pressure levels
- Migration of gas out of storage fields
- Accounting imbalances between supply volumes and sales volumes because of billing period variations.

VEDO views unaccounted-for volumes as those remaining after subtracting gas measured at the sales points from that purchased at delivery points.

A number widely used in the industry as a reasonable threshold to indicate effective management in this area is an annual average of 2 percent of total deliveries lost and unaccounted-for. For VEDO, this number has been averaging 2.2 percent for the past six years. The average annual LAUF gas for the Company since 2001 is shown in Exhibit IV-1 below.

EXHIBIT IV-1

LAUF Gas Volumes 2001-2005 for 12 Months Ending June 30



Extensive industry studies conducted by utilities in conjunction with the Gas Research Institute have estimated the proportion of total annual LAUF attributable to each of the following causes:

- Measurement issues, including temperature and elevation variations, and inaccuracies - 63 percent
- Accounting-related issues, including cycle billing - 27 percent

- System leakage - 5 percent
- Theft of service - 2 percent
- Other issues/unknown - 3 percent.

The figures show relatively small variations in the Company's LAUF values for the twelve months ending June 30. This time period for measuring LAUF is typically used to eliminate the large variations that can occur from the effects of weather variations on cycle billing. VEDO also uses this time period to maximize the level of actual readings obtained by its meter readers and minimize the level of estimated billing used.

To supplement this annual snapshot of LAUF, VEDO has created an additional LAUF analysis ("Calendarized") that estimates customer consumption for a calendar month. Please see the electronic filed entitled "DR-69" for this analysis for 2005. The daily system throughput is allocated based on billing cycles to estimate how much of the throughput has actually been billed. By using the estimated customer consumption for each month in the LAUF calculation, the impact of unbilled volumes on the monthly LAUF value is minimized. To provide an additional measure, the Calendarized LAUF values are tracked on a 12 month rolling basis to assist in identifying any trends in LAUF performance.

The Calendarized monthly and 12-month rolling LAUF volume and percentage is reviewed monthly by Operations. If the LAUF monthly value or trend varies from past or expected performance, a cross-functional group consisting of Operations, Accounting, Measurement, and Billing is convened to review LAUF performance and identify a course of action. As a general rule, the cross-functional group will be convened if the 12-month rolling LAUF percentage exceeds 1.8%.

Supply and Customer Metering

VEDO checks the meter accuracy on all its major pipeline gate stations by witnessing the pipeline supplier's meter proving activities as well as installing and maintaining separate electronic meter reading devices on the pipeline's meter to monitor it independently. Currently, 49% of the VEDO's residential meters and 87.5% of VEDO's non-residential meters are temperature compensated.

Theft of Service

VEDO reviewed its existing fraud and theft program during the audit period and explored ways to improve theft and fraud prevention. As a result, VEDO launched a pilot program to improve detection of unauthorized tampering or bypassing of the gas system. The pilot program provided additional support for field technicians that discovered theft or tampering in the field. Additionally, bill audits are conducted regularly to identify

unauthorized use on inactive accounts which were then checked in the field by service technicians. Gas services found on without authorization were disconnected and made safe.

This pilot effort identified in excess of 1,400,000 CCF of lost and unaccounted for gas. VEDO is assessing the results of the pilot and plans to continue to identify cost effective business practices for reducing service theft. For example, Vectren recently hired two additional employees in the credit collections department that are dedicated to addressing theft of service issues.

Results of the pilot program are as follows:

REVENUE PROTECTION PILOT PROGRAM RESULTS	JAN 2004 – DEC 2005
Cases Reported	3044
Cases Investigated and Closed	1818
Criminal Charges Filed	44
Total Ccf Lost	1,441,845 ccf
Ccf Billed	1,163,697 ccf
Theft of Service Billed	\$1,113,888
Investigation Fees Billed	\$150,463
Total Dollars Billed	\$1,264,351
Total Dollars Recovered (39%)	\$434,416
Program Costs	\$246,199

In its recent rate case, VEDO proposed to include pro forma expenses related to a more permanent fraud prevention program. Expense recovery related to the program was rejected.

V. RECOMMENDATIONS

1. **VEDO should refund \$831,740 to GCR customers for its 5% reserve margin for November 1, 2002 through October 31, 2003. (Reference Finding No. 1)**

The PUCO ruled in its June 14, 2005 that VEDO's 5% reserve margin on top a conservative peak day design was imprudent. The cost to GCR customers during the audit period for this 5% reserve margin was \$831,740 which should be refunded to them.

2. **VEDO needs to determine the joint probability of its peak day design criteria and adjust their values to reflect a concurrent joint probability of occurrence in the range of 3% to 5%. (Reference Finding No. 2)**

VEDO's failure to determine the joint probability of all three of its peak day design criteria occurring simultaneously has resulted in an overly conservative design that has a probability of occurrence that is far less than 3%-5%. Determining the joint probability will be further complicated by the lack of wind speed data before 1990. Therefore VEDO should consider eliminating this variable from its peak day forecasting equation if not enough data is available to provide valid statistical results. Finally, VEDO needs to determine the reason(s) why its peak day forecasting equation exhibits an under-forecasting bias at colder temperatures when compared to actual sendout volumes. Without properly addressing both of these issues, VEDO will not be able to contract for the optimum level of capacity to provide a cost effective peak day design.

3. **VEDO needs perform statistical analysis on it late winter peaking criterion to be less conservative. (Reference Finding No. 3)**

VEDO's current late winter peaking date of February 15th to hold back all storage ratchets is too conservative. Statistically, somewhere around January 19th would be more appropriate. The potential benefit to GCR customers could be a reduction in the amount of swing gas supplies that are purchase during coldest months of the winter season at higher prices than the average cost of storage gas.

-
4. **VEDO should remove storage carrying costs from its base rates and include them in its GCR to eliminate the subsidy Choice Customers are provided to GCR Customers. (Reference Finding No. 4)**

VEDO should remove the gas storage costs from its base rates and incorporate a cost tracking mechanism to recover these costs through the GCR. This would eliminate the subsidy currently provided by Choice customers to GCR customers. If the mechanism is based upon forecasted gas costs with a true-up, then GCR customers could potentially see reduced costs if gas prices drop.

5. **VEDO should consider offering a flat bill option for GCR Customers similar to that currently offered by Choice Suppliers to further mitigate gas price volatility. (Reference Finding No. 5)**

The primary purpose of VEDO's Risk Management Program is to reduce gas price volatility for Customers. As an additional element of this program, the Company should consider offering sales customers a flat bill option similar to what Choice Suppliers provide. Choice customers experienced less price volatility than GCR customers over the entire audit period and paid only a few cents more. Flat bill pricing would also provide VEDO with more level cash flow that could reduce working capital costs in the future.

6. **VEDO should include a review of gas supply process profiles and procedures with a focus on documental control as an objective in internal audits scheduled in the next year, and well as employee adherence to the Affiliate Guidelines and Code of Conduct. (Reference Findings No. 7, 9 and 14)**

VEDO performed a thorough and ample internal audit of the various functional processes, as well as affiliate training. However, not all process profiles and procedures for the gas supply functions or affiliate guidelines were documented prior to the internal audit. Documents are not approved or dated for version control. Thus, including a review of document control in the next scheduled audit is warranted. Furthermore, including adherence to the affiliate guidelines in the internal audit(s) scheduled in the upcoming year would also be beneficial, as the guidelines were not documented prior to the internal audit conducted during the audit period.

7. VEDO should modify its Curtailment Procedures to explicitly cover Choice Supplier loss of Gas Supply. (Reference Finding No. 12)

The Gas Supply Curtailment definition in Rule 11, Section A (6), could be changed to specifically address Choice Supplier shortfalls. The definition could be changed to read as follows:

A. (6) Gas Supply Curtailment. Curtailment resulting from insufficient quantities of Company-supplied gas to meet the demands of Company's Sales Customers or temporarily-supplied Choice Customers.

8. VEDO should perform a cost/benefit analysis of expanding propane vaporization capacity to displace pipeline or storage capacity. (Reference Finding No. 16)

Propane Peak Shaving is VEDO's cheapest source of peak day capacity and therefore the Company should perform a cost/benefit analysis of expanding the vaporization capability of the 3 plants. Increasing vaporization capacity would potentially allow VEDO to reduce its winter pipeline capacity by an equal amount which could potentially reduce GCR customer costs.

VI. APPENDICES

APPENDIX A. MONTHLY GAS COSTS FOR AUDIT PERIOD

PUBLIC UTILITIES COMMISSION OF OHIO
MANAGEMENT/PERFORMANCE AUDIT OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

GAS PURCHASE PRICE AND VOLUME DETAIL (November 2002 - October 2005)

Month	Pipeline	Purchase Price \$/Btu				Purchase Volume Btu				Purchase Volume \$				Total
		Fixed	Monthly	Daily	Storage Refill	Fixed	Monthly	Daily	Storage Refill	Fixed	Monthly	Daily	Storage Refill	
Nov-02	PEPL	\$ 3,477.5	\$ -	\$ 3,826.0	\$ -	\$ 825,000	\$ -	\$ 3,172.682	\$ -	\$ 2,868,938	\$ -	\$ 1,223,699	\$ -	\$ 950,171
Nov-02	ANR	\$ -	\$ -	\$ 4,945.8	\$ -	\$ -	\$ -	\$ 572,270	\$ -	\$ -	\$ -	\$ 2,116,274	\$ -	\$ 182,700
Nov-02	TGT	\$ 3,583.3	\$ -	\$ 4,092.6	\$ -	\$ 430,000	\$ -	\$ 371,260	\$ -	\$ 1,611,585	\$ -	\$ -	\$ -	\$ 47,839
Nov-02	Columbia Gulf	\$ 3,861.5	\$ -	\$ 4,131.7	\$ -	\$ 509,000	\$ -	\$ 281,181	\$ -	\$ 1,930,530	\$ -	\$ 1,170,027	\$ -	\$ 163,179
Nov-02	TCO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,090,177
Nov-02	Trunkline/Panhandle/TETCO	\$ -	\$ -	\$ 4,079.0	\$ -	\$ -	\$ -	\$ 383,732	\$ -	\$ -	\$ -	\$ 1,144,083	\$ -	\$ 45,531
Nov-02	Trunkline/TETCO	\$ -	\$ -	\$ 3,992.5	\$ -	\$ 1,775,000	\$ -	\$ 97,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,865
Nov-02	Total	\$ 3,612.0	\$ -	\$ 4,037.7	\$ -	\$ 4,875.7	\$ -	\$ 2,129,476	\$ -	\$ 6,412,272	\$ -	\$ 3,398,083	\$ -	\$ 3,925,716
Dec-02	PEPL	\$ 3,173.1	\$ -	\$ 4,342.1	\$ -	\$ 609,000	\$ -	\$ 470,904	\$ -	\$ 2,054,218	\$ -	\$ 2,844,704	\$ -	\$ 499,277
Dec-02	ANR	\$ -	\$ -	\$ 4,607.3	\$ -	\$ -	\$ -	\$ 614,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,700
Dec-02	TGT	\$ 3,717.4	\$ -	\$ 4,508.6	\$ -	\$ 608,000	\$ -	\$ 571,466	\$ -	\$ 2,260,179	\$ -	\$ 2,416,242	\$ -	\$ 107,841
Dec-02	Columbia Gulf	\$ 3,981.7	\$ -	\$ 4,696.6	\$ -	\$ 750,000	\$ -	\$ 378,601	\$ -	\$ 2,986,275	\$ -	\$ 1,771,188	\$ -	\$ 139,921
Dec-02	TCO	\$ -	\$ -	\$ 4,679.7	\$ -	\$ -	\$ -	\$ 646,221	\$ -	\$ -	\$ -	\$ 3,025,453	\$ -	\$ 2,120,783
Dec-02	Trunkline/Panhandle/TETCO	\$ -	\$ -	\$ 4,614.6	\$ -	\$ 100,000	\$ -	\$ 596,950	\$ -	\$ 381,000	\$ -	\$ 2,754,700	\$ -	\$ 118,021
Dec-02	Trunkline/TETCO	\$ 3,810.9	\$ -	\$ 4,493.7	\$ -	\$ 2,057,000	\$ -	\$ 240,718	\$ -	\$ 3,641,672	\$ -	\$ 1,882,100	\$ -	\$ 319,865
Dec-02	Total	\$ 3,716.3	\$ -	\$ 4,597.4	\$ -	\$ 5,408.0	\$ -	\$ 3,462,931	\$ -	\$ 15,922,887	\$ -	\$ 15,228,887	\$ -	\$ 4,535,667
Jan-03	PEPL	\$ 3,427.8	\$ -	\$ 3,237.7	\$ -	\$ 581,500	\$ -	\$ 216,409	\$ -	\$ 1,995,081	\$ -	\$ 1,131,429	\$ -	\$ 949,771
Jan-03	ANR	\$ -	\$ -	\$ 5,650.0	\$ -	\$ 476,250	\$ -	\$ 476,250	\$ -	\$ -	\$ -	\$ 2,094,479	\$ -	\$ 47,700
Jan-03	TGT	\$ 3,766.6	\$ -	\$ 5,489.7	\$ -	\$ 453,000	\$ -	\$ 334,032	\$ -	\$ 3,286,270	\$ -	\$ 1,653,731	\$ -	\$ 189,091
Jan-03	Columbia Gulf	\$ 3,988.7	\$ -	\$ 5,528.6	\$ -	\$ 950,000	\$ -	\$ 1,117,177	\$ -	\$ 3,289,562	\$ -	\$ 1,742,469	\$ -	\$ 169,031
Jan-03	TCO	\$ -	\$ -	\$ 5,992.5	\$ -	\$ -	\$ -	\$ 117,826	\$ -	\$ -	\$ -	\$ 2,058,187	\$ -	\$ 214,784
Jan-03	Trunkline/Panhandle/TETCO	\$ 4,028.6	\$ -	\$ 5,348.1	\$ -	\$ 409,341	\$ -	\$ 544,005	\$ -	\$ 3,649,477	\$ -	\$ 2,058,187	\$ -	\$ 118,031
Jan-03	Trunkline/TETCO	\$ 4,028.6	\$ -	\$ 5,348.1	\$ -	\$ 140,462	\$ -	\$ 236,347	\$ -	\$ 3,653,561	\$ -	\$ 1,140,834	\$ -	\$ 219,865
Jan-03	Total	\$ 3,831.3	\$ -	\$ 5,397.9	\$ -	\$ 5,408.0	\$ -	\$ 2,460,466	\$ -	\$ 9,715,331	\$ -	\$ 12,188,095	\$ -	\$ 4,128,346
Feb-03	PEPL	\$ 3,463.1	\$ -	\$ 7,219.9	\$ -	\$ 476,000	\$ -	\$ 301,867	\$ -	\$ 1,649,338	\$ -	\$ 2,403,961	\$ -	\$ 949,771
Feb-03	ANR	\$ -	\$ -	\$ 6,935.5	\$ -	\$ -	\$ -	\$ 193,648	\$ -	\$ -	\$ -	\$ 2,185,048	\$ -	\$ 170,721
Feb-03	TGT	\$ 3,750.0	\$ -	\$ 5,624.4	\$ -	\$ 302,500	\$ -	\$ 265,547	\$ -	\$ 1,312,500	\$ -	\$ 2,480,270	\$ -	\$ 204,780
Feb-03	Columbia Gulf	\$ 4,002.2	\$ -	\$ 5,910.0	\$ -	\$ 1,000,000	\$ -	\$ 4,485.5	\$ -	\$ 4,123,496	\$ -	\$ 1,893,241	\$ -	\$ 159,031
Feb-03	TCO	\$ -	\$ -	\$ 5,246.6	\$ -	\$ -	\$ -	\$ 163,406	\$ -	\$ -	\$ -	\$ 4,067,451	\$ -	\$ 2,022,155
Feb-03	Trunkline/Panhandle/TETCO	\$ 3,850.0	\$ -	\$ 7,869.6	\$ -	\$ 100,000	\$ -	\$ 560,264	\$ -	\$ 385,000	\$ -	\$ 1,500,221	\$ -	\$ 118,021
Feb-03	Trunkline/TETCO	\$ 3,850.0	\$ -	\$ 7,869.6	\$ -	\$ 1,908,000	\$ -	\$ 191,877	\$ -	\$ 2,250,184	\$ -	\$ 1,500,221	\$ -	\$ 219,865
Feb-03	Total	\$ 3,820.9	\$ -	\$ 8,038.8	\$ -	\$ 6,923.3	\$ -	\$ 4,223,180	\$ -	\$ 15,111,176	\$ -	\$ 12,549,830	\$ -	\$ 4,305,551
Mar-03	PEPL	\$ 3,369.9	\$ -	\$ 7,917.7	\$ -	\$ 405,000	\$ -	\$ 49,445	\$ -	\$ 1,366,814	\$ -	\$ 1,394,210	\$ -	\$ 949,771
Mar-03	ANR	\$ -	\$ -	\$ 9,420.0	\$ -	\$ -	\$ -	\$ 81,408	\$ -	\$ -	\$ -	\$ 2,072,270	\$ -	\$ 188,700
Mar-03	TGT	\$ 3,645.3	\$ -	\$ 9,900.3	\$ -	\$ 310,000	\$ -	\$ 8,523	\$ -	\$ 1,133,138	\$ -	\$ 888,990	\$ -	\$ 354,529
Mar-03	Columbia Gulf	\$ 4,022.2	\$ -	\$ 8,107.9	\$ -	\$ 900,000	\$ -	\$ 59,847	\$ -	\$ 3,120,196	\$ -	\$ 51,500,230	\$ -	\$ 259,921
Mar-03	TCO	\$ -	\$ -	\$ 8,439.9	\$ -	\$ -	\$ -	\$ 292,801	\$ -	\$ -	\$ -	\$ 2,650,333	\$ -	\$ 2,092,155
Mar-03	Trunkline/Panhandle/TETCO	\$ 3,798.7	\$ -	\$ 7,198.8	\$ -	\$ 1,641,564	\$ -	\$ 131,731	\$ -	\$ 1,200,132	\$ -	\$ 91,594	\$ -	\$ 318,031
Mar-03	Trunkline/TETCO	\$ 3,798.7	\$ -	\$ 7,198.8	\$ -	\$ 44,500	\$ -	\$ 145,796	\$ -	\$ 6,238,441	\$ -	\$ 8,772,593	\$ -	\$ 219,865
Mar-03	Total	\$ 3,890.6	\$ -	\$ 8,696.4	\$ -	\$ 5,332.3	\$ -	\$ 3,340,331	\$ -	\$ 19,124.4	\$ -	\$ 1,827,101	\$ -	\$ 4,283,160
Apr-03	PEPL	\$ 3,890.6	\$ -	\$ 4,956.4	\$ -	\$ 49,800	\$ -	\$ 302,268	\$ -	\$ 1,827,101	\$ -	\$ 2,827,848	\$ -	\$ 853,720
Apr-03	ANR	\$ -	\$ -	\$ 5,291.1	\$ -	\$ -	\$ -	\$ 33,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Apr-03	TGT	\$ 3,890.6	\$ -	\$ 5,291.1	\$ -	\$ 350,010	\$ -	\$ 60,510	\$ -	\$ 1,313,188	\$ -	\$ 1,854,288	\$ -	\$ 38,665
Apr-03	Columbia Gulf	\$ 4,022.2	\$ -	\$ 5,430.0	\$ -	\$ 1,000,000	\$ -	\$ 28,938	\$ -	\$ 1,575,214	\$ -	\$ 3,173,781	\$ -	\$ 159,921
Apr-03	TCO	\$ -	\$ -	\$ 5,430.0	\$ -	\$ -	\$ -	\$ 64,284	\$ -	\$ -	\$ -	\$ 1,505,907	\$ -	\$ 1,426,567
Apr-03	Trunkline/Panhandle/TETCO	\$ 3,824.4	\$ -	\$ 4,911.1	\$ -	\$ 142,540	\$ -	\$ 301,924	\$ -	\$ 3,200,991	\$ -	\$ 253,102	\$ -	\$ 318,021
Apr-03	Trunkline/TETCO	\$ 3,824.4	\$ -	\$ 4,911.1	\$ -	\$ 28,530	\$ -	\$ 48,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,126
Apr-03	Total	\$ 3,892.4	\$ -	\$ 5,293.1	\$ -	\$ 5,246.2	\$ -	\$ 1,616,656	\$ -	\$ 3,200,991	\$ -	\$ 253,102	\$ -	\$ 25,751,871

PUBLIC UTILITIES COMMISSION OF OHIO
MANAGEMENT/PERFORMANCE AUDIT OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

GAS PURCHASE PRICE AND VOLUME DETAIL (November 2002 - October 2005)

Month	Pipeline	Purchase Price \$/M					Purchase Volume M					Purchase Volume \$					Total	
		Fixed	Monthly	Daily	Storage Refill	Biomass	Fixed	Monthly	Daily	Storage Refill	Biomass	Fixed	Monthly	Daily	Storage Refill	Biomass		
Apr-03		\$ 3,716.5	\$ 5,292.7	\$ 5,111.9	\$ 5,069.6	\$ 5,544.4	830,000	171,222	1,004,979	1,994,090	4,130,991	\$ 3,082,268	\$ 641,596	\$ 7,238,224	\$ 9,095,178	\$ 2,939,822	\$ 23,002,369	
May-03	PEPL	\$ 3,800.0	-	\$ 5,599.1	\$ 4,810.0	\$ 5,932.6	51,660	-	208,587	669,429	869,476	\$ 199,665	-	\$ 1,167,930	\$ 2,931,333	-	\$ 851,120	\$ 5,132,688
May-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
May-03	TGT	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
May-03	Columbia Gulf	\$ 3,674.3	\$ 5,144.9	\$ 5,144.9	\$ 5,144.9	\$ 5,098.6	150,000	56,108	600,129	600,129	1,311,176	\$ 551,178	\$ 2,886,483	\$ -	\$ 3,087,604	\$ -	\$ 19,954	\$ 39,954
May-03	TCO	\$ 3,674.3	\$ 5,230.0	\$ 5,230.0	\$ 5,230.0	\$ 5,183.0	175,801	55,924	584,503	584,503	1,358,801	\$ 623,534	\$ 309,260	\$ -	\$ 1,232,213	\$ -	\$ 159,923	\$ 684,187
May-03	Trunkline/Panhandle/TETCO	\$ 3,607.7	-	\$ -	\$ -	\$ 5,183.0	175,801	-	-	-	158,801	\$ -	-	\$ -	\$ -	\$ -	\$ 45,533	\$ 451,867
May-03	Trunkline/TETCO	\$ 3,607.7	-	\$ -	\$ -	\$ 5,183.0	64,201	-	-	-	64,201	\$ 211,361	\$ -	\$ -	\$ -	\$ -	\$ 143,126	\$ 679,067
May-03	Total	\$ 3,659.9	\$ 5,179.8	\$ 5,179.8	\$ 5,179.8	\$ 5,136.6	441,471	616,562	208,587	1,794,063	3,084,083	\$ 1,613,738	\$ 3,195,742	\$ 1,671,930	\$ 9,231,270	\$ -	\$ 17,869,711	
Jun-03	PEPL	\$ 3,800.0	\$ 5,380.0	\$ 5,257.8	\$ 5,800.0	\$ 6,171.3	139,000	193,470	90,432	699,450	1,031,132	\$ 544,024	\$ 1,079,503	\$ 500,428	\$ 3,400,131	\$ -	\$ 852,755	\$ 6,171,901
Jun-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Jun-03	TGT	\$ -	\$ -	\$ 5,740.0	\$ -	\$ 6,407.9	-	-	58,241	-	58,241	\$ -	\$ -	\$ 334,238	\$ -	\$ -	\$ 38,665	\$ 372,203
Jun-03	Columbia Gulf	\$ 3,674.3	\$ 5,199.8	\$ 5,880.0	\$ 5,958.0	\$ 5,753.5	150,000	66,502	134,660	600,150	945,212	\$ 551,145	\$ 160,582	\$ 792,280	\$ 3,576,182	\$ -	\$ 159,923	\$ 5,440,717
Jun-03	TCO	\$ 3,674.3	\$ 6,100.0	\$ 6,317.5	\$ 6,310.0	\$ 6,438.6	150,000	60,720	5,210	584,490	640,420	\$ -	\$ -	\$ 34,060	\$ 3,688,132	\$ -	\$ 1,959,295	\$ 5,501,670
Jun-03	Trunkline/Panhandle/TETCO	\$ 4,683.3	\$ -	\$ 5,669.9	\$ -	\$ 5,358.8	109,110	-	161,400	-	771,110	\$ 108,880	\$ -	\$ 908,188	\$ -	\$ -	\$ 45,533	\$ 1,462,384
Jun-03	Trunkline/TETCO	\$ 4,683.3	\$ -	\$ 6,210.0	\$ -	\$ 7,772.5	40,120	-	10,758	-	33,767	\$ 187,016	\$ -	\$ 65,867	\$ -	\$ -	\$ 143,126	\$ 397,903
Jun-03	Total	\$ 4,063.5	\$ 5,793.9	\$ 5,723.5	\$ 5,944.9	\$ 6,483.2	439,810	314,692	460,701	1,794,090	3,031,080	\$ 1,789,453	\$ 1,822,288	\$ 2,616,251	\$ 10,665,645	\$ 177,952	\$ 2,616,251	\$ 19,228,920
Jul-03	PEPL	\$ 3,800.0	\$ 5,180.0	\$ -	\$ 5,160.0	\$ -	141,453	211,296	609,429	982,178	-	\$ 568,838	\$ 1,094,513	\$ -	\$ 3,136,842	\$ -	\$ 852,755	\$ 5,615,948
Jul-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-03	TGT	\$ -	\$ 5,270.0	\$ 5,173.1	\$ -	\$ 5,844.3	-	48,298	18,208	66,498	-	\$ -	\$ 254,530	\$ 94,151	\$ -	\$ 39,894	\$ 38,035	\$ 169,900
Jul-03	Columbia Gulf	\$ 4,971.5	\$ 5,960.0	\$ -	\$ 5,366.2	\$ 5,441.6	209,994	106,667	600,129	910,780	910,780	\$ 1,015,585	\$ 340,149	\$ -	\$ 3,290,433	\$ -	\$ 159,923	\$ 4,359,500
Jul-03	TCO	\$ 4,971.5	\$ 5,960.0	\$ -	\$ 5,590.0	\$ -	209,994	106,667	384,505	645,172	884,505	\$ -	\$ 370,129	\$ -	\$ 3,505,183	\$ -	\$ 1,396,295	\$ 5,007,806
Jul-03	Trunkline/Panhandle/TETCO	\$ 4,377.5	\$ -	\$ 4,913.8	\$ -	\$ 4,982.2	98,442	-	149,929	208,271	208,271	\$ 253,592	\$ -	\$ 716,714	\$ -	\$ -	\$ 45,533	\$ 1,011,636
Jul-03	Trunkline/TETCO	\$ 4,377.5	\$ -	\$ -	\$ -	\$ 7,813.5	41,633	-	-	14,833	14,833	\$ 182,072	\$ -	\$ -	\$ -	\$ -	\$ 143,126	\$ 324,374
Jul-03	Total	\$ 4,479.5	\$ 5,290.0	\$ 4,941.8	\$ 5,375.9	\$ 6,119.8	414,422	420,918	168,129	1,794,063	2,552,558	\$ 2,023,064	\$ 2,224,321	\$ 830,863	\$ 9,644,038	\$ 103,060	\$ 2,627,386	\$ 17,466,554
Aug-03	PEPL	\$ 3,800.0	\$ 4,550.0	\$ 4,865.9	\$ 4,550.0	\$ -	141,453	191,021	22,811	609,429	986,714	\$ 548,838	\$ 882,246	\$ 110,995	\$ 3,272,903	\$ -	\$ 852,755	\$ 5,172,815
Aug-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	-	48,298	-	-	-	\$ -	\$ 221,620	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-03	TGT	\$ -	\$ 4,630.0	\$ -	\$ -	\$ 5,457.2	-	48,298	-	48,298	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-03	Columbia Gulf	\$ 4,907.0	\$ -	\$ -	\$ 4,670.0	\$ 4,944.9	240,002	-	600,129	909,123	909,123	\$ 1,190,478	\$ -	\$ 2,803,832	\$ -	\$ 159,923	\$ 4,154,123	
Aug-03	TCO	\$ 4,907.0	\$ -	\$ -	\$ 4,940.0	\$ 5,218.9	240,002	-	384,505	884,505	884,505	\$ 244,933	\$ -	\$ 2,887,453	\$ -	\$ 1,396,295	\$ 4,281,720	
Aug-03	Trunkline/Panhandle/TETCO	\$ 4,300.0	\$ -	\$ 4,844.2	\$ -	\$ 4,971.1	98,242	-	215,589	282,819	282,819	\$ 253,592	\$ -	\$ 121,861	\$ -	\$ 45,533	\$ 424,349	
Aug-03	Trunkline/TETCO	\$ 4,300.0	\$ -	\$ -	\$ -	\$ 7,805.2	41,664	-	-	14,664	14,664	\$ 182,072	\$ -	\$ -	\$ -	\$ -	\$ 143,126	\$ 325,198
Aug-03	Total	\$ 4,269.8	\$ 4,269.8	\$ 4,814.4	\$ 4,717.9	\$ 4,630.0	481,461	243,319	48,330	1,794,063	2,595,852	\$ 2,176,442	\$ 1,110,965	\$ 234,836	\$ 8,464,189	\$ 152,552	\$ 2,637,386	\$ 14,756,590
Sep-03	PEPL	\$ 4,200.4	\$ 4,310.0	\$ 4,250.0	\$ 4,810.0	\$ -	239,800	211,440	12,584	609,450	1,093,274	\$ 1,091,664	\$ 1,021,215	\$ 53,545	\$ 2,943,644	\$ -	\$ 852,755	\$ 5,962,465
Sep-03	ANR	\$ -	\$ 4,800.0	\$ -	\$ -	\$ 5,171.2	-	46,740	-	-	-	\$ -	\$ 228,559	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-03	TGT	\$ 5,347.2	\$ -	\$ -	\$ 4,916.6	\$ 5,212.7	295,000	-	31,611	600,150	926,811	\$ 1,576,216	\$ -	\$ 2,994,818	\$ -	\$ 19,954	\$ 4,811,212	
Sep-03	Columbia Gulf	\$ 5,347.2	\$ -	\$ 4,350.0	\$ 5,130.0	\$ 5,189.6	295,000	-	584,490	584,490	1,358,801	\$ -	\$ -	\$ 2,998,434	\$ -	\$ 1,396,295	\$ 4,390,720	
Sep-03	TCO	\$ 5,140.0	\$ -	\$ 4,471.1	\$ -	\$ 5,066.0	9,690	-	28,819	38,509	38,509	\$ 69,807	\$ -	\$ 132,610	\$ -	\$ 45,533	\$ 321,949	
Sep-03	Trunkline/Panhandle/TETCO	\$ 5,140.0	\$ -	\$ -	\$ -	\$ 8,698.8	40,320	-	-	40,320	40,320	\$ 207,245	\$ -	\$ -	\$ -	\$ -	\$ 143,126	\$ 342,271
Sep-03	Trunkline/TETCO	\$ 5,140.0	\$ -	\$ -	\$ -	\$ 8,890.0	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,854	\$ 167,854
Sep-03	Total	\$ 4,835.1	\$ 4,810.9	\$ 4,609.3	\$ 4,950.0	\$ 5,338.6	604,601	238,180	74,014	1,794,090	3,436,470	\$ 2,924,832	\$ 1,249,814	\$ 326,349	\$ 8,896,933	\$ 167,854	\$ 2,666,971	\$ 16,201,851

PUBLIC UTILITIES COMMISSION OF OHIO
MANAGEMENT/PERFORMANCE AUDIT OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

GAS PURCHASE PRICE AND VOLUME DETAIL (November 2002 - October 2005)

Month	Pipeline	Purchase Price \$/D				Purchase Volume Dt				Purchase Volume \$			
		Fixed	Monthly	Daily	Storage Retail	Fixed	Monthly	Daily	Storage Retail	Fixed	Monthly	Daily	Storage Retail
Oct-02	PEPL	\$ 4,198.4	\$ 4,140.0	\$ 4,340.0	\$ 5,039.7	\$ 26,454	299,934	299,934	\$ 609,429	\$ 1,097,688	\$ 1,280,014	\$ 1,280,014	\$ 2,644,922
Oct-02	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-02	TGT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-02	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-02	TCO	\$ 5,347.2	\$ 4,390.0	\$ 4,670.3	\$ 4,641.1	300,018	48,298	41,610	500,129	\$ 1,004,256	\$ 212,028	\$ 194,333	\$ 2,664,965
Oct-02	Trunkline/Panhandle/TETCO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-02	Trunkline/TETCO	\$ 5,113.0	\$ -	\$ -	\$ -	50,003	174,928	174,928	584,005	\$ 253,766	\$ -	\$ -	\$ -
Oct-02	Total	\$ 4,837.0	\$ 4,347.0	\$ 4,773.5	\$ 4,779.9	61,455	342,232	246,542	1,984,663	\$ 2,952,710	\$ 1,492,042	\$ 3,522,347	\$ 5,303,680
Nov-02	PEPL	\$ 4,370.4	\$ -	\$ 4,354.4	\$ -	629,010	-	253,582	-	\$ 2,450,925	\$ -	\$ 1,104,445	\$ -
Nov-02	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nov-02	TGT	\$ 5,325.0	\$ -	\$ 4,501.1	\$ -	50,010	308,853	308,853	-	\$ 266,303	\$ -	\$ 1,393,146	\$ -
Nov-02	Columbia Gulf	\$ 5,662.1	\$ -	\$ 4,601.5	\$ -	300,060	143,375	143,375	-	\$ 1,094,970	\$ -	\$ 683,248	\$ -
Nov-02	TCO	\$ -	\$ -	\$ 4,841.1	\$ -	-	71,073	71,073	-	\$ 273,545	\$ 237,996	\$ 274,031	\$ -
Nov-02	Trunkline/Panhandle/TETCO	\$ 4,450.0	\$ 4,400.0	\$ 4,534.4	\$ -	50,010	54,090	105,566	-	\$ -	\$ -	\$ -	\$ -
Nov-02	Trunkline/TETCO	\$ -	\$ -	\$ -	\$ -	-	9,700	-	-	\$ -	\$ -	\$ -	\$ -
Nov-02	Total	\$ 4,797.3	\$ 4,400.0	\$ 4,359.9	\$ -	1,029,090	151,110	514,339	-	\$ 4,918,843	\$ 664,844	\$ 4,219,214	\$ -
Dec-02	PEPL	\$ 4,381.4	\$ -	\$ 5,777.4	\$ -	658,543	-	79,788	-	\$ 3,063,871	\$ -	\$ 460,868	\$ -
Dec-02	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dec-02	TGT	\$ 5,325.0	\$ -	\$ 6,242.2	\$ -	50,003	430,422	430,422	-	\$ 263,266	\$ -	\$ 2,691,865	\$ -
Dec-02	Columbia Gulf	\$ 5,492.7	\$ 4,831.1	\$ -	\$ -	66,052	230,144	-	-	\$ 3,627,448	\$ 1,116,921	\$ -	\$ -
Dec-02	TCO	\$ -	\$ -	\$ -	\$ -	-	-	-	-	\$ -	\$ -	\$ -	\$ -
Dec-02	Trunkline/Panhandle/TETCO	\$ 4,450.0	\$ 4,790.0	\$ 6,124.4	\$ -	50,003	103,321	391,735	-	\$ -	\$ 49,447	\$ 3,635,664	\$ -
Dec-02	Trunkline/TETCO	\$ -	\$ 4,790.0	\$ 6,615.1	\$ -	10,000	91,140	34,156	-	\$ 225,513	\$ 415,561	\$ 233,972	\$ -
Dec-02	Total	\$ 5,023.2	\$ 4,831.1	\$ 6,163.4	\$ -	1,478,821	311,607	1,234,103	-	\$ 7,180,098	\$ 1,605,929	\$ 7,014,270	\$ -
Jan-03	PEPL	\$ 4,332.6	\$ -	\$ 5,502.2	\$ -	718,566	-	304,177	-	\$ 3,237,879	\$ -	\$ 1,706,796	\$ -
Jan-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jan-03	TGT	\$ 5,325.0	\$ -	\$ 6,212.9	\$ -	50,003	618,639	618,639	-	\$ 263,266	\$ -	\$ 3,643,516	\$ -
Jan-03	Columbia Gulf	\$ 5,818.0	\$ 6,190.0	\$ 6,129.6	\$ -	300,050	81,778	34,476	-	\$ 2,944,177	\$ 506,206	\$ 311,324	\$ -
Jan-03	TCO	\$ -	\$ -	\$ -	\$ -	-	184,512	-	-	\$ -	\$ -	\$ -	\$ -
Jan-03	Trunkline/Panhandle/TETCO	\$ 4,450.0	\$ 6,340.0	\$ 6,076.6	\$ -	50,003	263,899	651,817	-	\$ 222,513	\$ 156,574	\$ 3,960,827	\$ -
Jan-03	Trunkline/TETCO	\$ -	\$ 4,500.0	\$ 6,019.4	\$ -	142,296	141,330	-	-	\$ 631,191	\$ -	\$ 850,722	\$ -
Jan-03	Total	\$ 5,012.7	\$ 6,390.6	\$ 6,021.1	\$ -	1,461,092	292,249	1,254,435	-	\$ 7,334,023	\$ 1,812,586	\$ 10,273,094	\$ -
Feb-03	PEPL	\$ 4,389.7	\$ -	\$ 5,178.6	\$ -	644,388	-	294,513	-	\$ 2,901,581	\$ -	\$ 1,477,168	\$ -
Feb-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Feb-03	TGT	\$ 5,325.0	\$ -	\$ 5,573.2	\$ -	49,996	292,683	384,865	-	\$ 266,229	\$ -	\$ 2,126,673	\$ -
Feb-03	Columbia Gulf	\$ 5,868.6	\$ 6,030.0	\$ 6,030.0	\$ -	494,634	452,400	-	-	\$ 2,902,601	\$ 1,706,298	\$ -	\$ -
Feb-03	TCO	\$ -	\$ -	\$ -	\$ -	-	10,129	-	-	\$ -	\$ 2,732,972	\$ -	\$ -
Feb-03	Trunkline/Panhandle/TETCO	\$ 4,450.0	\$ 5,980.0	\$ 5,512.8	\$ -	49,996	126,413	214,119	-	\$ 222,482	\$ 1,169,375	\$ -	\$ -
Feb-03	Trunkline/TETCO	\$ -	\$ -	\$ -	\$ -	-	133,110	33,960	-	\$ -	\$ 770,797	\$ 181,044	\$ -
Feb-03	Total	\$ 5,127.1	\$ 5,903.8	\$ 5,422.2	\$ -	1,241,414	1,004,604	904,677	-	\$ 6,375,052	\$ 5,936,891	\$ 4,506,260	\$ -
Mar-03	PEPL	\$ 4,397.1	\$ -	\$ -	\$ -	667,275	-	-	-	\$ 3,067,663	\$ -	\$ -	\$ -
Mar-03	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PUBLIC UTILITIES COMMISSION OF OHIO
MANAGEMENT/PERFORMANCE AUDIT OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

APPENDIX A
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GAS PURCHASE PRICE AND VOLUME DETAIL (November 2002 - October 2005)

Month	Phyline	Purchase Price \$/D					Purchase Volume D					Purchase Volume S					Total
		Fixed	Monthly	Daily	Storage Refill	Biomass	Fixed	Monthly	Daily	Storage Refill	Biomass	Fixed	Monthly	Daily	Storage Refill	Biomass	
Mar-04	TGT	\$ 5,325.00	\$ -	\$ -	\$ -	\$ -	\$ 50,003	\$ -	\$ -	\$ -	\$ -	\$ 265,266	\$ -	\$ -	\$ -	\$ -	\$ 50,003
Mar-04	Columbia Gulf	\$ 5,487.50	\$ 5,220.00	\$ -	\$ -	\$ -	\$ 520,025	\$ 331,749	\$ 5,487.50	\$ -	\$ -	\$ 2,853,637	\$ 1,679,530	\$ -	\$ -	\$ -	\$ 841,714
Mar-04	TCO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,999	\$ 130,603	\$ -	\$ -	\$ -	\$ 919,635	\$ 664,769	\$ -	\$ -	\$ -	\$ 320,603
Mar-04	Trunkline	\$ 5,151.00	\$ 5,090.00	\$ -	\$ -	\$ -	\$ 51,300	\$ -	\$ -	\$ -	\$ -	\$ 7,162,251	\$ 2,144,299	\$ -	\$ -	\$ -	\$ 1,908,397
Mar-04	Total	\$ 5,028.00	\$ 5,182.50	\$ -	\$ -	\$ -	\$ 1,427,302	\$ 452,352	\$ -	\$ -	\$ -	\$ 1,000,001	\$ 267,269	\$ -	\$ -	\$ -	\$ 1,148,694
Apr-04	PEPL	\$ 4,455.00	\$ 4,970.00	\$ 5,363.00	\$ 4,970.00	\$ -	\$ 239,790	\$ 154,380	\$ 123,744	\$ 632,780	\$ -	\$ 1,000,001	\$ 267,269	\$ 663,680	\$ 3,114,977	\$ -	\$ 6,183,711
Apr-04	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Apr-04	TGT	\$ -	\$ -	\$ 5,724.00	\$ -	\$ 5,980.00	\$ -	\$ 30,000	\$ 72,446	\$ -	\$ -	\$ -	\$ 160,200	\$ 414,681	\$ -	\$ -	\$ 102,446
Apr-04	Columbia Gulf	\$ 5,132.80	\$ 5,831.70	\$ 5,190.00	\$ 5,190.00	\$ 5,513.70	\$ 210,010	\$ 112,452	\$ 95,650	\$ -	\$ -	\$ 1,073,042	\$ -	\$ -	\$ 3,210,554	\$ -	\$ 918,172
Apr-04	TCO	\$ -	\$ -	\$ 6,082.60	\$ 5,610.00	\$ 7,200.00	\$ 90,144	\$ 401,384	\$ 578,760	\$ -	\$ -	\$ 2,853,637	\$ -	\$ -	\$ 2,597,152	\$ -	\$ 980,144
Apr-04	Trunkline	\$ 4,450.00	\$ -	\$ 5,703.50	\$ -	\$ -	\$ 50,010	\$ -	\$ 514,976	\$ -	\$ -	\$ 225,545	\$ -	\$ -	\$ -	\$ -	\$ 564,986
Apr-04	Total	\$ 4,718.80	\$ 5,002.00	\$ 5,866.00	\$ 5,320.00	\$ 5,340.00	\$ 409,810	\$ 184,280	\$ 1,253,002	\$ 1,805,190	\$ 29,415	\$ 2,368,317	\$ 977,460	\$ 3,112,262	\$ 9,640,949	\$ 151,076	\$ 3,745,811
May-04	PEPL	\$ 4,565.00	\$ 5,400.00	\$ 5,465.00	\$ 5,400.00	\$ -	\$ 301,444	\$ 77,841	\$ 6,737	\$ 930,788	\$ -	\$ 1,076,810	\$ 427,577	\$ 36,818	\$ 3,425,179	\$ -	\$ 1,016,810
May-04	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
May-04	TGT	\$ -	\$ -	\$ 5,800.00	\$ -	\$ 7,878.00	\$ 15,872	\$ 3,781	\$ 295,665	\$ -	\$ -	\$ 195,512	\$ 2,200,487	\$ 21,910	\$ -	\$ -	\$ 19,551
May-04	Columbia Gulf	\$ 3,910.00	\$ 5,940.00	\$ -	\$ 5,940.00	\$ 5,991.00	\$ 50,003	\$ 387,624	\$ 578,770	\$ -	\$ -	\$ 1,031,292	\$ -	\$ -	\$ 3,518,250	\$ -	\$ 1,031,292
May-04	TCO	\$ -	\$ -	\$ 6,035.00	\$ 6,190.00	\$ 8,152.00	\$ 60,309	\$ 46,185	\$ 578,770	\$ -	\$ -	\$ -	\$ 410,453	\$ 278,610	\$ 3,582,394	\$ -	\$ 691,231
May-04	Trunkline/TETCO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,003	\$ 46,872	\$ 15,604	\$ -	\$ -	\$ 222,513	\$ 273,732	\$ 89,879	\$ -	\$ -	\$ 112,479
May-04	Trunkline/TETCO	\$ 4,409.00	\$ 5,440.00	\$ 5,760.00	\$ -	\$ 5,910.00	\$ 401,450	\$ 394,518	\$ 72,307	\$ 1,805,192	\$ 32,464	\$ 1,792,207	\$ 3,403,152	\$ 428,277	\$ 10,345,833	\$ 191,862	\$ 2,505,931
May-04	Total	\$ 4,469.00	\$ 5,922.00	\$ 5,841.00	\$ 5,479.00	\$ 5,479.00	\$ 309,910	\$ 91,200	\$ 8,083	\$ 610,780	\$ -	\$ 1,577,041	\$ 515,869	\$ 48,384	\$ 3,847,738	\$ -	\$ 1,019,963
Jun-04	PEPL	\$ 5,090.00	\$ 6,100.00	\$ 5,945.00	\$ 6,100.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,577,041	\$ 515,869	\$ 48,384	\$ 3,847,738	\$ -	\$ -
Jun-04	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jun-04	TGT	\$ -	\$ -	\$ 6,278.00	\$ -	\$ 8,111.00	\$ 15,872	\$ 3,781	\$ 295,665	\$ -	\$ -	\$ 195,512	\$ 2,200,487	\$ 21,910	\$ -	\$ -	\$ 19,551
Jun-04	Columbia Gulf	\$ 3,910.00	\$ 6,700.00	\$ -	\$ 6,700.00	\$ 6,664.00	\$ 30,610	\$ 128,870	\$ 395,650	\$ -	\$ -	\$ 195,539	\$ 870,129	\$ -	\$ 3,990,855	\$ -	\$ 775,310
Jun-04	TCO	\$ -	\$ -	\$ 6,960.00	\$ 6,960.00	\$ 8,122.00	\$ 60,310	\$ 46,270	\$ 578,760	\$ -	\$ -	\$ -	\$ 461,239	\$ -	\$ 4,028,170	\$ -	\$ 645,010
Jun-04	Trunkline	\$ 4,450.00	\$ -	\$ -	\$ -	\$ -	\$ 50,010	\$ -	\$ 514,976	\$ -	\$ -	\$ 222,545	\$ -	\$ -	\$ -	\$ -	\$ 10,010
Jun-04	Total	\$ 4,868.00	\$ 6,864.00	\$ 6,157.00	\$ 6,577.00	\$ 6,600.00	\$ 409,810	\$ 287,430	\$ 23,443	\$ 1,805,190	\$ 33,811	\$ 1,995,125	\$ 1,882,237	\$ 144,351	\$ 11,866,783	\$ 224,181	\$ 2,559,204
Jul-04	PEPL	\$ 5,201.60	\$ 5,910.00	\$ 5,910.00	\$ 5,910.00	\$ -	\$ 361,466	\$ 51,736	\$ 970,782	\$ -	\$ -	\$ 1,881,616	\$ 303,396	\$ -	\$ 3,727,937	\$ -	\$ 1,043,584
Jul-04	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-04	TGT	\$ 6,390.00	\$ 6,710.00	\$ -	\$ 6,710.00	\$ 8,453.00	\$ 19,995	\$ 164,672	\$ 595,665	\$ -	\$ -	\$ 127,688	\$ -	\$ -	\$ -	\$ -	\$ 19,995
Jul-04	Columbia Gulf	\$ 3,910.00	\$ 6,710.00	\$ -	\$ 6,710.00	\$ 8,453.00	\$ 50,003	\$ 164,672	\$ 595,665	\$ -	\$ -	\$ 195,512	\$ 1,022,613	\$ -	\$ 3,699,080	\$ -	\$ 810,140
Jul-04	TCO	\$ -	\$ -	\$ 6,420.00	\$ 6,420.00	\$ 8,122.00	\$ 50,003	\$ 66,309	\$ 578,719	\$ -	\$ -	\$ -	\$ 423,704	\$ -	\$ 3,715,004	\$ -	\$ 645,048
Jul-04	Trunkline	\$ 4,450.00	\$ -	\$ -	\$ -	\$ -	\$ 50,003	\$ -	\$ 514,976	\$ -	\$ -	\$ 222,513	\$ -	\$ -	\$ -	\$ -	\$ 30,003
Jul-04	Total	\$ 5,042.00	\$ 6,200.00	\$ 6,170.00	\$ 6,200.00	\$ 6,356.00	\$ 481,461	\$ 282,117	\$ 1,805,192	\$ 32,056	\$ 33,811	\$ 2,437,409	\$ 1,751,713	\$ -	\$ 13,142,441	\$ 200,350	\$ 2,601,026
Aug-04	PEPL	\$ 5,278.40	\$ 5,910.00	\$ 5,910.00	\$ 5,910.00	\$ -	\$ 281,450	\$ 51,736	\$ 970,782	\$ -	\$ -	\$ 1,881,616	\$ 303,396	\$ -	\$ 3,727,937	\$ -	\$ 1,043,584
Aug-04	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-04	TGT	\$ 6,450.00	\$ 6,710.00	\$ -	\$ 6,710.00	\$ 8,453.00	\$ 19,995	\$ 164,672	\$ 595,665	\$ -	\$ -	\$ 127,688	\$ -	\$ -	\$ -	\$ -	\$ 19,995
Aug-04	Columbia Gulf	\$ 3,910.00	\$ 6,710.00	\$ -	\$ 6,710.00	\$ 8,453.00	\$ 50,003	\$ 164,672	\$ 595,665	\$ -	\$ -	\$ 195,512	\$ 1,022,613	\$ -	\$ 3,699,080	\$ -	\$ 810,140
Aug-04	TCO	\$ -	\$ -	\$ 6,420.00	\$ 6,420.00	\$ 8,122.00	\$ 50,003	\$ 66,309	\$ 578,719	\$ -	\$ -	\$ -	\$ 423,704	\$ -	\$ 3,715,004	\$ -	\$ 645,048
Aug-04	Trunkline	\$ 4,450.00	\$ -	\$ -	\$ -	\$ -	\$ 50,003	\$ -	\$ 514,976	\$ -	\$ -	\$ 222,513	\$ -	\$ -	\$ -	\$ -	\$ 30,003
Aug-04	Total	\$ 5,063.00	\$ 6,100.00	\$ 5,120.00	\$ 5,901.00	\$ 6,000.00	\$ 401,481	\$ 230,981	\$ 81,699	\$ 1,805,197	\$ 31,963	\$ 2,032,257	\$ 1,411,019	\$ 417,648	\$ 10,815,175	\$ 203,778	\$ 2,553,118
Aug-04	Total	\$ 5,063.00	\$ 6,100.00	\$ 5,120.00	\$ 5,901.00	\$ 6,000.00	\$ 401,481	\$ 230,981	\$ 81,699	\$ 1,805,197	\$ 31,963	\$ 2,032,257	\$ 1,411,019	\$ 417,648	\$ 10,815,175	\$ 203,778	\$ 2,553,118

PUBLIC UTILITIES COMMISSION OF OHIO
MANAGEMENT/PERFORMANCE AUDIT OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

GAS PURCHASE PRICE AND VOLUME DETAIL (November 2002 - October 2005)

Month	Pipeline	Purchase Price \$/M				Purchase Volume Bt				Purchase Volume \$			
		Fixed	Monthly	Daily	Storage Refill	Biomass	Total	Fixed	Monthly	Daily	Storage Refill	Biomass	Total
Sep-04	PEPL	\$ 4,516	\$ 4,716	\$ -	\$ 4,716	\$ -	\$ 4,716	\$ 121,087	\$ 41,910	\$ -	\$ 3,008,921	\$ -	\$ 872,470
Sep-04	ANR	\$ 6,294	\$ -	\$ -	\$ -	\$ -	\$ 6,294	\$ 75,238	\$ -	\$ -	\$ -	\$ -	\$ 75,238
Sep-04	TGT	\$ 4,785	\$ 5,100	\$ -	\$ 5,100	\$ -	\$ 5,100	\$ 478,346	\$ 22,310	\$ -	\$ 3,072,815	\$ -	\$ 121,232
Sep-04	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 645,007	\$ -	\$ -	\$ -	\$ -	\$ 645,007
Sep-04	TCO	\$ 4,450	\$ 5,100	\$ -	\$ 5,100	\$ -	\$ 5,100	\$ 203,612	\$ 33,219	\$ -	\$ 3,004,791	\$ -	\$ 1,182,879
Sep-04	Trunkline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,205	\$ -	\$ -	\$ -	\$ -	\$ 46,205
Sep-04	Total	\$ 5,179	\$ 5,043	\$ -	\$ 5,043	\$ -	\$ 5,043	\$ 2,672,733	\$ 124,939	\$ -	\$ 9,111,456	\$ 140,203	\$ 2,582,895
Oct-04	PEPL	\$ 4,642	\$ 4,800	\$ 5,932	\$ 4,800	\$ -	\$ 5,932	\$ 1,120,062	\$ 1,051,272	\$ 3,072,382	\$ -	\$ -	\$ 872,470
Oct-04	ANR	\$ 6,313	\$ -	\$ -	\$ -	\$ -	\$ 6,313	\$ 73,465	\$ -	\$ -	\$ -	\$ -	\$ 73,465
Oct-04	TGT	\$ 5,170	\$ 5,700	\$ 7,464	\$ 5,700	\$ -	\$ 7,464	\$ 775,947	\$ 299,215	\$ 137,771	\$ 3,456,087	\$ -	\$ 101,791
Oct-04	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 645,007	\$ -	\$ -	\$ -	\$ -	\$ 645,007
Oct-04	TCO	\$ 4,450	\$ 5,480	\$ 7,291	\$ 5,480	\$ -	\$ 7,291	\$ 223,513	\$ 35,342	\$ 56,469	\$ -	\$ -	\$ 188,659
Oct-04	Trunkline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,389	\$ -	\$ -	\$ -	\$ -	\$ 21,389
Oct-04	Total	\$ 5,123	\$ 5,286	\$ 6,399	\$ 5,286	\$ -	\$ 6,399	\$ 2,476,336	\$ 2,105,661	\$ 543,233	\$ 9,971,228	\$ 131,602	\$ 3,080,084
Nov-04	PEPL	\$ 5,757	\$ 7,120	\$ 5,750	\$ -	\$ -	\$ 7,120	\$ 4,658,187	\$ 977,657	\$ 1,145,617	\$ -	\$ -	\$ 947,902
Nov-04	ANR	\$ 4,173	\$ 5,580	\$ 5,839	\$ -	\$ -	\$ 5,580	\$ 418,831	\$ 549,489	\$ 544,641	\$ -	\$ -	\$ 89,825
Nov-04	TGT	\$ 5,316	\$ -	\$ 5,895	\$ -	\$ -	\$ 5,316	\$ 827,490	\$ -	\$ 3,055,775	\$ -	\$ -	\$ 330,600
Nov-04	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nov-04	TCO	\$ 4,450	\$ 5,700	\$ 5,847	\$ -	\$ -	\$ 5,700	\$ 223,545	\$ 132,702	\$ 627,561	\$ -	\$ -	\$ 1,598,874
Nov-04	Trunkline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,118	\$ -	\$ -	\$ -	\$ -	\$ 203,118
Nov-04	Total	\$ 5,148	\$ 7,320	\$ 5,820	\$ -	\$ -	\$ 7,320	\$ 6,122,054	\$ 1,859,838	\$ 5,763,393	\$ -	\$ -	\$ 3,081,471
Dec-04	PEPL	\$ 6,293	\$ 6,260	\$ 6,267	\$ -	\$ -	\$ 6,260	\$ 6,498,274	\$ 758,581	\$ 353,170	\$ -	\$ -	\$ 947,902
Dec-04	ANR	\$ 4,272	\$ 7,290	\$ 6,700	\$ -	\$ -	\$ 7,290	\$ 874,532	\$ 892,789	\$ 314,619	\$ -	\$ -	\$ 80,825
Dec-04	TGT	\$ 6,219	\$ 7,100	\$ 6,700	\$ -	\$ -	\$ 7,100	\$ 1,242,455	\$ 129,226	\$ 5,614,862	\$ -	\$ -	\$ 341,620
Dec-04	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dec-04	TCO	\$ 4,450	\$ 7,700	\$ 6,872	\$ -	\$ -	\$ 7,700	\$ 222,513	\$ 649,626	\$ 3,772,787	\$ -	\$ -	\$ 1,598,874
Dec-04	Trunkline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 681,404	\$ -	\$ -	\$ -	\$ -	\$ 681,404
Dec-04	Total	\$ 5,923	\$ 7,286	\$ 6,264	\$ -	\$ -	\$ 7,286	\$ 8,817,795	\$ 2,430,221	\$ 9,960,818	\$ -	\$ -	\$ 223,807
Jan-05	PEPL	\$ 6,684	\$ 5,800	\$ 5,926	\$ -	\$ -	\$ 5,800	\$ 6,401,759	\$ 650,121	\$ 161,180	\$ -	\$ -	\$ 947,902
Jan-05	ANR	\$ 5,167	\$ 6,140	\$ 6,380	\$ -	\$ -	\$ 6,140	\$ 1,598,079	\$ 89,630	\$ 314,619	\$ -	\$ -	\$ 80,825
Jan-05	TGT	\$ 5,815	\$ 6,100	\$ 6,380	\$ -	\$ -	\$ 6,100	\$ 381,265	\$ 285,949	\$ 2,973,666	\$ -	\$ -	\$ 341,620
Jan-05	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jan-05	TCO	\$ 4,450	\$ 6,800	\$ 6,439	\$ -	\$ -	\$ 6,800	\$ 222,513	\$ 316,684	\$ 1,524,520	\$ -	\$ -	\$ 1,598,874
Jan-05	Trunkline	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,828	\$ -	\$ -	\$ -	\$ -	\$ 369,828
Jan-05	Total	\$ 5,861	\$ 6,024	\$ 6,192	\$ -	\$ -	\$ 6,024	\$ 8,801,654	\$ 1,542,611	\$ 4,609,542	\$ -	\$ -	\$ 3,081,471
Feb-05	PEPL	\$ 5,979	\$ 5,780	\$ 5,683	\$ -	\$ -	\$ 5,780	\$ 4,711,702	\$ 610,043	\$ 766,697	\$ -	\$ -	\$ 947,902
Feb-05	ANR	\$ 4,173	\$ 5,240	\$ 5,240	\$ -	\$ -	\$ 5,240	\$ 874,640	\$ 125,084	\$ 314,619	\$ -	\$ -	\$ 80,825
Feb-05	TGT	\$ 4,650	\$ 6,280	\$ 6,105	\$ -	\$ -	\$ 6,280	\$ 331,287	\$ 1,721,263	\$ 1,678,384	\$ -	\$ -	\$ 308,560
Feb-05	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Feb-05	Total	\$ 5,179	\$ 5,780	\$ 5,683	\$ -	\$ -	\$ 5,780	\$ 5,915,624	\$ 1,456,390	\$ 9,764,084	\$ -	\$ -	\$ 3,081,471

APPENDIX A
Page 83Kommunikation, Gas Supply, etc.

PUBLIC UTILITIES COMMISSION OF OHIO
MANAGEMENT/PERFORMANCE AUDIT OF
VECTREN ENERGY DELIVERY OF OHIO, INC.

GAS PURCHASE PRICE AND VOLUME DETAIL (November 2002 - October 2005)

Month	Pipeline	Purchase Price/Dt					Purchase Volume Dt					Purchase Volume S					Total	Demand	Total
		Fixed	Monthly	Daily	Storage Refill	Biomass	Fixed	Monthly	Daily	Storage Refill	Biomass	Fixed	Monthly	Daily	Storage Refill	Biomass			
Aug-05	TGT	\$ 7,510	\$ 7,510	\$ 9,907	\$ 7,510	\$ 7,510	\$ 7,510	\$ 7,510	\$ 9,907	\$ 7,510	\$ 7,510	\$ 7,510	\$ 7,510	\$ 9,907	\$ 7,510	\$ 7,510	\$ 7,510	\$ 12,071	\$ 462,797
Aug-05	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-05	TCO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Aug-05	Trunkline	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Aug-05	Total	\$ 5,659	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 5,659	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 5,659	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 5,659	\$ 2,202,147	\$ 5,607,157
Sep-05	PEPL	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 2,202,147	\$ 5,607,157
Sep-05	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-05	TGT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-05	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-05	TCO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Sep-05	Trunkline/Parhander/TEICO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Sep-05	Trunkline/TEICO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Sep-05	Total	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 2,202,147	\$ 5,607,157
Oct-05	PEPL	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 2,202,147	\$ 5,607,157
Oct-05	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-05	TGT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-05	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oct-05	TCO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Oct-05	Trunkline/Parhander/TEICO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Oct-05	Trunkline/TEICO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Oct-05	Total	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 2,202,147	\$ 5,607,157
Nov-05	PEPL	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 2,202,147	\$ 5,607,157
Nov-05	ANR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nov-05	TGT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nov-05	Columbia Gulf	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nov-05	TCO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Nov-05	Trunkline/Parhander/TEICO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Nov-05	Trunkline/TEICO	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 7,610	\$ 8,907	\$ 7,610	\$ 7,610	\$ 4,510	\$ 1,101,076	\$ 2,804,460
Nov-05	Total	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 8,510	\$ 9,907	\$ 8,510	\$ 8,510	\$ 6,674	\$ 2,202,147	\$ 5,607,157

APPENDIX B. VEDO CURTAILMENT PLAN

VEDO CURTAILMENT PLAN
November 2005

INTRODUCTION

This plan documents procedures to be followed in connection with gas curtailments on the VEDO system.

Curtailments of gas service on the VEDO system are classified as either **Gas Supply Curtailments** or **Capacity Curtailments**.

Gas Supply Curtailments are implemented when the volume of available gas supplies and/or the maximum daily contractual entitlements are insufficient to meet the full existing or anticipated demand of the Company's customers and are initiated by Gas Control. On the VEDO system, Gas Supply Curtailments are based upon individual system demands and can be implemented independently within various operating systems (see Exhibit B) according to these procedures.

Capacity Curtailments are implemented when there is insufficient distribution system capacity to provide gas service to the Company's gas service customers and are initiated by Regional Personnel. Operational Curtailments are discussed later in this document.

An **Operational Flow Order (OFO)** is a procedure described on (sheet 51; page 1 and 2 of 6) of the VEDO tariff that is a component of step 1 in the curtailment sequence. For purposes of this plan, when reference is made to implementing a "curtailment", such reference also refers to implementing an OFO.

CURTAILMENT PROCEDURES (from VEDO Tariff Gas Service, sheet 70)

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands for Gas Service or to protect and replenish Company's gas storage reserves, which determinations shall be within Company's reasonable discretion, Company shall have the right to curtail Gas Service within any of its Operational Systems so affected in accordance with the provisions of this procedure.

A. **Definitions.** For the purpose of this Procedure, the following terms shall have the meanings defined below:

- (1) **Firm Curtailment Customer.** A Firm Curtailment Customer shall mean any Customer being served under Rate 320, 325, 330, or 345 whose Average Daily Throughput in any billing month during or subsequent to the Base Period exceeds 1,000 Ccf.
- (2) **Average Daily Throughput.** The Average Daily Throughput for any Base Period billing month shall be the Firm Curtailment Customer's metered Throughput during such month divided by the number of days in the month.
- (3) **Base Period.** The Base Period is any twelve consecutive billing months as established by Company.
- (4) **Normal Monthly Throughput.** The Normal Monthly Throughput shall be the Firm Curtailment Customer's metered Throughput during each billing month of the Base Period. These quantities may be adjusted by Company for unusual circumstances.
- (5) **Human Needs Customers.** Human Needs Customers shall include hospitals, medical centers, nursing homes, and other Customers as determined by Company, whose Curtailment could adversely affect public health or safety.
- (6) **Gas Supply Curtailment.** Curtailment resulting from insufficient quantities of Company-Supplied gas to meet the demands of Company's Sales Customers.
- (7) **Capacity Curtailment.** Curtailment resulting from insufficient system capacity to supply Gas Services to Company's Gas Service Customers.
- (8) **Plant Protection Level -** The minimum quantity of Gas Service for Firm Curtailment Customers or Alternate Fuel capability for Interruptible Sales Service Customers required by Customer to prevent endangering the health or safety of personnel, or to prevent extensive damage to Customer's facilities, equipment, or other property. This includes the protection of such material currently in

process at the time a Curtailment is called which would otherwise be destroyed, but shall not include Gas Service required to maintain plant production.

- B. **Curtailment Sequences.** Company shall have the right to curtail Gas Service to its Customers according to the following sequences. Such Curtailment shall be effective as of the date and time specified in the notice to Customer. When necessary in the sole opinion of Company, Gas Service shall be maintained to Human Needs Customers or other Customers who would otherwise be curtailed, to the extent necessary and practicable under the circumstances.

B1. Gas Supply Curtailment Sequence:

- (1) First, Rate 345 Non-Pooling Customers and Pool Operator's Pools shall be subject to the Cold Weather OFO set forth in Nomination and Balancing Provisions (Large General and Pool Operator).
- (2) Next, Rate 340 Customers' purchases of Company-Supplied Gas and Rate 341 Customers' purchases of Company-Supplied Gas for Spaceheating shall be interrupted 100%.
- (3) Next, as determined by Company, all Rates 320 and 330 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be limited to either:
 - (a) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (b) their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Rates 320 and 330 Firm Curtailment Customers' purchases of Company-Supplied gas shall be curtailed prorata, either:
 - (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Average Daily Throughput, or
 - (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, Firm Curtailment Customers shall not be curtailed to a daily quantity less than their respective Plant Protection Levels.

- (5) Next, all Rates 320 and 330 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be curtailed to a daily quantity equal to their respective Plant Protection Levels.
- (6) Next, Rate 345 Non-Pooling Customers and Pool Operators Pool Customers' transportation gas quantities on Company's system shall be limited to Customers' respective Plant Protection Levels, and the remainder of their delivered gas supply shall be diverted to use for Company supply.
- (7) Next, Rate 325 Customers' transportation gas quantities on Company's system shall be limited to Customers' respective Plant Protection Levels, and the remainder of their delivered gas supply shall be diverted to use for Company supply.
- (8) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt Gas Service to any Customer.
- (9) Compensation for the diversion of Customers' transportation gas quantities as provided for in Rule 11(B1)(6) and (7), will be in the amount of:
 - (a) **Daily Index Price:** The Daily Midpoint Price per Dekatherm as reported in Gas Daily in the table "Daily Price Survey", for delivery to the pipeline on which the diverted gas was delivered:
 - 1) Texas Gas, Zone SL; or
 - 2) ANR, La; or
 - 3) Panhandle, Tx-Okla; or
 - 4) Texas Eastern, ELA; or
 - 5) Columbia Gas, Appalachia.
 - (b) The maximum interruptible transportation rate, including all applicable surcharges, for the pipeline on which the diverted gas was delivered to; plus
 - (c) The average premium paid by the Company (stated on a per therm basis) to firm gas suppliers.

Such gas costs shall be recoverable through Company's Gas Cost Recovery filings.

B2. Capacity Curtailment Sequence:

- (1) First, Rate 345 Non-Pooling Customers and Pool Operators' Pools shall be subject to the Cold Weather OFO set forth in Nomination and Balancing Provisions (Large General and Pool Operator).

- (2) Next, Rate 340 Customers' purchases of Company-Supplied Gas and Rate 341 Customers' purchases of Company-Supplied Gas for Spaceheating shall be interrupted 100%.
- (3) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be limited to either:
 - (a) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (b) their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be curtailed prorata, either:
 - (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Daily Throughput, or
 - (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, a Firm Curtailment Customer shall not be curtailed to a daily quantity less than its Plant Protection Level.

- (5) Next, all Firm Curtailment Customers shall be curtailed to their respective Plant Protection Levels.
- (6) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt deliveries of Gas Service to any Customer.

CURTAILMENT DECISION PROCESS (GAS SUPPLY)

The MANAGER of GAS CONTROL & OHIO CHOICE (hereafter referred to as MANAGER OF GAS CONTROL) initiates the Gas Supply Curtailment process if he determines that sufficient gas supplies or entitlements are not available to meet existing needs. He must convene a meeting of the **Curtailment Determination Committee** comprised of:

GAS CONTROL

1. MANAGER OF GAS CONTROL & OHIO CHOICE
2. SUPERVISOR OF GAS CONTROL

GAS SUPPLY

3. DIRECTOR OF GAS SUPPLY

FIELD OPERATIONS

4. DIRECTOR OF VECTREN ED EAST
5. DIRECTOR OF VECTREN ED WEST

MARKETING

6. MANAGER OF INDUSTRIAL SALES

BILLING

7. SUPERVISOR OF GAS TRANSPORTATION
8. MANAGER OF TRANSPORTATION

VICE PRESIDENTS

9. VP, MARKETING AND CUSTOMER SERVICE
10. VP, ENERGY DELIVERY
11. VP, REGULATORY

This Committee will receive support from GAS SUPPLY ANALYSTS from the Gas Supply and Gas Operations groups and the INDUSTRIAL SALES ADMINISTRATOR. Other personnel may be added to the committee by the MANAGER OF GAS CONTROL.

Based on input provided by the MANAGER OF GAS CONTROL and the DIRECTOR OF GAS SUPPLY, the Committee will determine whether a Gas Supply Curtailment is warranted, and if so, when it should begin and to what level in the sequence should be implemented.

Based on input provided by the MANAGER OF GAS CONTROL and the DIRECTOR OF GAS SUPPLY, the Committee will determine when a natural gas curtailment should conclude and customers are released from the tariff curtailment sequence in progress.

(If the **Curtailment Determination Committee** cannot be assembled in a timely manner, the MANAGER of GAS CONTROL will obtain the approval of the:

- DIRECTOR OF ENERGY DELIVERY WEST DIVISION, or the
- DIRECTOR OF ENERGY DELIVERY EAST DIVISION or the
- VICE PRESIDENT OF ENERGY DELIVERY

before implementing a gas supply curtailment.)

GAS SUPPLY CURTAILMENT- COMMUNICATION PROCESS

When the **Gas Supply Curtailment Determination Committee** decides to implement and conclude a curtailment, the following internal and external communications shall be made :

Internal Communication

The MANAGER OF GAS CONTROL will notify the following personnel (provided the person was not already part of the decision process):

- Portfolio Manager
- VP of Energy Delivery
- Director of Tech Services
- Director of Customer Service
- Director of Revenue Management
- Director of Corporate Communications
- Supervisor of Gas Transportation
- VP of Government Affairs
- VP of Marketing and Customer Service
- Supervisor of Gas Control
- Gas Supply Analyst
- Manager of Dispatching
- Director of Gas Supply
- Supervisor of Customer Billing
- Manager of Customer Accounting

The CURTAILMENT LIASON will notify the following personnel (provided the person was not already part of decision process):

- Director of Energy Delivery, West
- Director of Energy Delivery, East
- Regional Managers (4)
- Manager of Industrial Sales
- Account Managers (3)
- Manager of Measurement
- Supervisor of Measurement

Internal communications shall state the level to which the curtailment will be declared, and the time at which it will be declared. Follow up communications shall state changes to the curtailment status, including when and whether the Committee decides to lift or expand the curtailment.

Efficient communication is one of the most important elements in any curtailment. This procedure outlines the critical communication paths to be followed. It is not intended, however, to exclude personnel not specifically mentioned by title. Follow normal reporting procedures within each work location in addition to those listed here. Also, if personnel listed in this procedure are unavailable for the necessary communication, contact the appropriate peer or superior of the individual unavailable so the communication process does not stall.

GAS SUPPLY CURTAILMENT- IMPLEMENTATION

Upon obtaining the appropriate approvals, the MANAGER OF GAS CONTROL initiates a gas supply curtailment. Implementation of a curtailment shall consist of

- 1) activating the Regional Gas Supply Curtailment Plan, and
- 2) activating the Automated Customer Notification System and any direct customer notification process that may be required, depending on the level to which the curtailment is declared.
- 3) The DATABASE ADMINISTRATOR will change the daily metretek call-ins to hourly call-ins

The MANAGER of GAS CONTROL and the CURTAILMENT LIASON (or the MANAGER OF INDUSTRIAL SALES) communicate with all who will implement curtailment actions. They shall also notify affected personnel of any changes in the scope of the curtailment, and

Activating Regional Curtailment Plans (See also Exhibit "E")

These plans are activated when an affected REGIONAL MANAGER is notified by the MANAGER OF GAS CONTROL. The REGIONAL MANAGER notifies all regional personnel with curtailment responsibilities. He / she will communicate all curtailment information to the DIRECTOR OF VECTREN ENERGY DELIVERY EAST DIVISION or the DIRECTOR OF VECTREN ENERGY DELIVERY WEST DIVISION as soon as practicable.

Notifying Customers and Pool Operators of a Gas Supply Curtailment

When notifying customers of a gas supply curtailment, INDUSTRIAL ACCOUNT MANAGERS advise affected Customers when their gas service is being curtailed for either a specified or indefinite time, advising them to report back as soon as they have shut down, switched over to their alternate fuel, or limited consumption to their customer-owned daily transport deliveries.

When notifying Rate 340 AND 341 customers of a gas supply curtailment, the INDUSTRIAL ACCOUNT MANAGERS will ask each customer to report back as soon as they have shut down, switched over to their alternate fuel, or limited consumption to their customer-owned daily transport deliveries.

Curtailment Notification Records

The legal record of notification to customers who are contacted by phone or fax will be the log sheets completed by the Account Managers as they make these notifications.

Customer Usage Records

Regional consumption levels (volumes in ccf) are calculated and recorded on curtailed customer gas usage reports (Exhibit D.2), then the completed reports (one per rate schedule) faxed to the MANAGER OF INDUSTRIAL SALES daily prior to 12:00 noon.

On any day that curtailment does not commence at the beginning of a gas day, each Transport Customer, after receipt of notification of the curtailment, will be allowed to consume only 1/24 of their customer-owned daily transport deliveries, times the number of hours remaining in the gas day. If the curtailment is lifted at a time other than the beginning of a gas day, the Transporting Customer will not be restricted to 1/24 of their customer-owned daily transport deliveries per hours remaining in the gas day.

Reading Meters During a Gas Supply Curtailment (See also Exhibit "H.1")

The REGIONAL CURTAILMENT METER READING COORDINATOR(S) may use additional Regional personnel as necessary to assure that the daily meter readings are as timely as possible.

On-site meter readings are not required for curtailed customers equipped with functioning SCADA Equipment and Metretek; on-site readings are only necessary if SCADA and Metretek reads are unavailable.

The REGIONAL CURTAILMENT METER READING COORDINATOR(S) must assure that:

Initial readings of all customer meters involved in a curtailment are obtained as soon as possible after the curtailment has been initiated.

Readings are taken even for customers who have not yet curtailed their natural gas usage

After the initial reading, the meters are read each day as near as possible to the beginning of the Gas Day.

Meter readings are recorded individually on separate Curtailment Meter Reading Forms

Completed forms are faxed daily to the Regional Office

In each Region, the REGIONAL CURTAILMENT METER READING COORDINATOR or appropriate delegate as assigned in the "Regional Gas Supply Curtailment Response Plan" is responsible for meter readings during a gas supply curtailment.

Regional consumption levels (volumes in CCF) are calculated and recorded on Curtailed Customer Gas Usage Reports (See also Exhibit "D.2"), then the completed reports (one per rate schedule) faxed to the MANAGER OF INDUSTRIAL SALES daily prior to 12:00 noon.

Final meter readings are recorded once the curtailment has been lifted

The REGIONAL CURTAILMENT METER READING COORDINATOR(S) may use additional Regional personnel as necessary to assure that the daily meter readings are as timely as possible.

On-site meter readings are not required for curtailed customers equipped with functioning MV90 or Metretek Equipment; on-site readings are only necessary if MV90 and Metretek reads are unavailable.

Finally, they will notify the CURTAILMENT LIAISON that the curtailment has been completed. The CURTAILMENT LIAISON then notifies the MANAGER OF GAS CONTROL & OHIO CHOICE of the curtailment status.

Informing Transportation Customers of their Daily Delivery Volumes (See Also Exhibit G.1)

To assure that Transporting Customers are informed of their daily delivery volumes, the SUPERVISOR OF GAS TRANSPORTATION provides the MANAGER OF GAS CONTROL & OHIO CHOICE and MANAGER OF INDUSTRIAL SALES information on daily transport delivery volumes. MANAGER OF INDUSTRIAL SALES informs the INDUSTRIAL ACCOUNT MANAGERS of the transport volumes.

The INDUSTRIAL ACCOUNT MANAGER(S) then inform the Transporting Customers of their current customer-owned daily transport volumes at the same time that notification of curtailment occurs, if possible. SUPERVISOR OF GAS TRANSPORTATION will notify brokers/marketers of curtailment and customer owned daily transport volumes.

Reporting Gas Supply Curtailments as Incidents

A Gas Supply Curtailment constitutes a service interruption to high profile customers, and is an event likely to receive media attention. Therefore, when implementing a gas supply curtailment, the SUPERVISOR OF GAS CONTROL must make a telephonic incident report.

In each Region, the REGIONAL CURTAILMENT METER READING COORDINATOR or appropriate delegate as assigned in the "Regional Gas Supply Curtailment Response Plan" is responsible for meter readings during a gas supply curtailment.

The REGIONAL CURTAILMENT METER READING COORDINATOR(S) must assure that:

Initial readings of all customer meters involved in a curtailment are obtained as soon as possible after the curtailment has been initiated.

Readings are taken even for customers who have not yet curtailed their natural gas usage

After the initial reading, the meters are read each day as near as possible to the beginning of the Gas Day.

Meter readings are recorded individually on separate Curtailment Meter Reading Forms (Company Form #3503; see Exhibit "D.1").

Completed forms are faxed daily to the Regional Office

Regional consumption levels (volumes in CCF) are calculated and recorded on Curtailed Customer Gas Usage Reports (Company Form #3502; see Exhibit "D.2"), then the completed reports (one per rate schedule) faxed to the MANAGER OF INDUSTRIAL SALES daily prior to 12:00 noon.

Final meter readings are recorded once the curtailment has been lifted

The REGIONAL CURTAILMENT METER READING COORDINATOR(S) may use additional Regional personnel as necessary to assure that the daily meter readings are as timely as possible.

On-site meter readings are not required for curtailed customers equipped with functioning metretek instruments; on-site readings are only necessary if metretek reads are unavailable.

Unauthorized Use of Gas During a Curtailment

Curtailed customers are required to comply with the provisions set forth in their gas service contracts and the applicable Rate Schedules and related Appendices; and any unauthorized gas usage during a curtailment period will result in an Unauthorized Gas Usage Charge of \$3.00 per therm in addition to all other charges payable under the appropriate rate schedule.

If unauthorized gas usage is discovered through daily meter readings, the MANAGER OF INDUSTRIAL SALES and the appropriate REGIONAL MANAGER determine the amount of unauthorized gas usage and record the circumstances which caused the customer to use the unauthorized gas on a Curtailed Customer Gas Usage Report (Company Form #3502, see Exhibit "D.2"). They then forward a copy to the MANAGER OF GAS CONTROL & OHIO CHOICE.

The MANAGER OF INDUSTRIAL SALES will decide whether the Unauthorized Gas Usage Charge should be waived, then conveys the decision to the VICE PRESIDENT OF MARKETING AND CUSTOMER SERVICE.

Releasing Curtailments (See also Exhibit J.1)

When releasing curtailments, the MANAGER OF GAS CONTROL & OHIO CHOICE makes notifications to the CURTAILMENT LIAISON and others according to Exhibit "J" when a curtailment is released, entirely or in part.

The CURTAILMENT LIAISON then relays the release notice to the REGIONAL MANAGERS, VICE PRESIDENT OF MARKETING AND CUSTOMER SERVICE, MANAGER OF MEASUREMENT, DIRECTORS OF ENERGY DELIVERY-EAST/WEST DIVISIONS and the INDUSTRIAL ACCOUNT MANAGER(S).

As during curtailment notifications, the curtailment liaison may utilize regional personnel (as identified in the "regional gas supply curtailment response plan") for notification assistance in lifting the curtailment. The identified Regional personnel and/or the INDUSTRIAL ACCOUNT MANAGER(S) then notify the CURTAILMENT LIAISON that all curtailments within the Region have been lifted. The CURTAILMENT LIAISON then notifies the MANAGER OF GAS CONTROL & OHIO CHOICE and the SUPERVISOR OF GAS TRANSPORTATION that curtailments have been lifted.

NOTE: Final meter reads should be made through the REGIONAL METER READING COORDINATOR (see Exhibit "D.1").

Reporting Gas Supply Curtailments as Incidents

A Gas Supply Curtailment constitutes a service interruption to high profile customers, and is an event likely to receive media attention. Therefore, when implementing a gas supply curtailment, the SUPERVISOR OF GAS CONTROL must make a telephonic incident report (see 32.01: "Emergency Reporting") to the appropriate General Office contact (see ERP 2.00: "Notification Procedures").

Each Region must have an approved "Regional Gas Supply Curtailment Response Plan" as described in Exhibit E. Depending on the scope of an Operational Curtailment, the Regional plan may need to be implemented, at least in part.

Regional Gas Supply Curtailment Response Plan

Each Region must have an approved "Regional Gas Supply Curtailment Response Plan" (see the template in Exhibit "E"). Each plan must include:

- indication of the REGIONAL MANAGER and his or her duties
- the curtailment Implementation Plan with specific information and assignments
- contact numbers (office, home, pager, fax, and mobile phones) for each person with curtailment responsibilities, including the specified CURTAILMENT METER READING COORDINATOR
- copies of the Curtailment Plan as well as Emergency Reporting, and ERP 2.00 ("Notification Procedures")
- up-to-date records and forms for customers to be affected during a gas supply curtailment, including a Major Distribution Load Systems listing complete with all known "human needs" customers (see "Definitions" elsewhere in this section)

To gain approval for the plan, each REGIONAL MANAGER must submit the plan to the appropriate DIRECTOR OF VECTREN ENERGY DELIVERY (EAST or WEST DIVISION) by October 1st each year.

After approving each Regional plan, the DIRECTOR OF VECTREN ENERGY DELIVERY EAST DIVISION and the DIRECTOR OF VECTREN ENERGY DELIVERY WEST DIVISION will forward a copy of each approved plan to:

the MANAGER OF GAS CONTROL & OHIO CHOICE

the MANAGER OF INDUSTRIAL SALES

the SUPERVISOR OF GAS TRANSPORTATION

EXHIBIT A

PERSONNEL

TITLE	CONTACT	OFFICE PHONE	PAGER	MOBILE PHONE	FAX
MANAGER OF GAS CONTROL & OHIO CHOICE	Randy Gary	812-491-4730	812-429-4710	812-568-9885	812-491-4687
INDUSTRIAL SALES ADMINISTRATOR (CURTAILMENT LIASON)	OPEN				
MANAGER OF INDUSTRIAL SALES	Tom Bailey	812-491-4584		812-305-6754	812-491-4777
PORTFOLIO MANAGER	Sequent Energy	832-397-1700			
VP OF ENERGY DELIVERY	Rick Schach	812-491-4204	812-568-5450	812-568-5450	812-491-4094
DIRECTOR OF TECHNICAL SERVICES	Jim Francis	812-491-4369	937-261-1207	812-305-2054	(812) 491-4504
DIRECTOR OF CUSTOMER SERVICE	Breck Sparks	812-491-4913	812-453-9016	812-453-9016	(812) 491-4818
DIRECTOR OF REVENUE MANAGEMENT	Robbie Sears	812-491-4430	812-305-4651	812-305-4651	(812) 491-4441
ACCOUNT MANAGER (Centerville)	Brian Volpatti	937-312-2560		937-604-2054	
MANAGER OF MEASUREMENT	Terry Camden	317-260-5476	317-302-2140	317-997-3910	317-260-5459
SUPERVISOR OF MEASUREMENT	Claude Eagler	317-260-5437	317-367-1043	317-402-0841	317-260-5459
DIRECTOR, ENERGY DELIVERY, WEST	Jon Luttrell	812-491-4800		812-305-3840	
DIRECTOR, ENERGY DELIVERY, EAST	Steve Bramlage	937-512-9505	937-313-4135	937-313-4135	937-512-9511
REGIONAL MANAGER, CENTERVILLE	Dan Berry	937-312-2556		937-313-4129	
REGIONAL MANAGER, TROY	Don Boerger	937-440-1801		937-313-4133	
REGIONAL MANAGER, FARIBORN	Chuck Kanoy	937-440-1933		937-313-5459	
DIRECTOR OF CORPORATE COMMUNICATIONS	Mike Roeder	812-491-4143	877-317-9285	812-499-7476	
MANAGER OF GOVERNMENT AFFAIRS	Laurie Thornton	317-260-5301		317-442-3900	317-260-5327
SUPERVISOR, GAS TRANSPORTATION AND BILLING	Teresa Lewis	812-491-4439		812-305-2665	812-491-4485
VP OF MARKETING AND CUSTOMER SERVICE	Doug Karl	812-491-4816	812-568-9707	812-568-9707	812-491-4684
SUPERVISOR OF GAS CONTROL	Tony Champlin	812-491-4609		812-568-9881	
DIRECTOR OF GAS SUPPLY	Perry Pergola	812-491-4670		812-449-8826	
MANAGER GAS DISPATCH	Dave Kaiser	812-491-4620		812-568-9879	
MANAGER OF CUSTOMER ACCOUNTING	Tyrone Massey	812-491-4758		812-598-6588	
SUPERVISOR OF CUSTOMER BILLING	Loretta Deal	812-491-4502		812-431-4245	
GAS SUPPLY ANALYST	Stephanie Willis	812-491-4732		812-568-9984	812-452-7105
GAS SUPPLY ANALYST	Sarah Allen	812-491-4887			
GAS SUPPLY ANALYST	Brad Spencer	812-491-4333			

TITLE	CONTACT	OFFICE PHONE	PAGER	MOBILE PHONE	FAX
GAS SUPPLY ANALYST	Ryan Scherer	812-491-5531			

EXHIBIT B**REGIONAL OPERATING SYSTEMS****OPERATING REGIONS**

VEDO system is currently one operating system

CURTAILMENT METER READING

Customer:
Address:
Metrelek:
Meter #:
Instrument #:

OSA:
Acct. #:
Transportation:
Rate:

Day	Date Time	Readings				Inst. (if avail.)		Emp. Name		Comments
		Front (corr.)	Usage (CCF)	Rear (uncorr.)	Base (if avail)	Temp.	Press.	Emp.	#	
1	/ : am : pm									
2	/ : am : pm									
3	/ : am : pm									
4	/ : am : pm									
5	/ : am : pm									

Exhibit "D.1"

CURTAILED CUSTOMER GAS USAGE REPORT

Area: _____ Date: _____ Rate: _____

Date: _____ Rate: _____Date: _____

Area:

Completed By:[illegible]

Exhibit "E"

STANDARD REGIONAL GAS SUPPLY CURTAILMENT RESPONSE PLAN

When compiling the Regional Gas Supply Curtailment Plan, include the information on this page, as well as the information required for sections 3 through 6 as indicated on the next page.

Regional Manager Gas Supply Curtailment Duties

The primary responsibility is to notify Regional personnel of a curtailment. If the REGIONAL MANAGER is unavailable, the first contact listed on the Regional Support Personnel Priority Call Listing will assume the Manager's responsibilities, which include:

- documenting all necessary curtailment information as communicated by the corporate CURTAILMENT LIAISON
- contacting all REGIONAL personnel required to support the curtailment activities
- notifying appropriate REGIONAL MANAGEMENT and supervisory personnel that a curtailment is in effect, and providing them with necessary curtailment details
- notifying the REGIONAL CURTAILMENT METER READING COORDINATOR that a curtailment has been implemented and furnishing necessary curtailment details
- maintaining contact with the corporate CURTAILMENT LIAISON, to determine curtailment duration, weather status, changing supply conditions, customer considerations, etc.

Implementation Plan

Utilize the information on Curtailments as the primary information resource when implementing a curtailment. All Regional personnel identified in the Curtailment sections must review the plan at least once each year and whenever it is revised, to remain familiar with curtailment responsibilities. Before November 30th each year, the INDUSTRIAL SALES staff will conduct a training/review session all Regional personnel involved in the

Curtailment process. Regional support personnel duties may include:

calling customers

reading meters

calculating consumption

sending and receiving faxes

accumulating and organizing data

coordinating phone calls

REMEMBER: *The primary goal for all involved personnel during the implementation and management of a curtailment is to get affected customers off gas (and back on when the curtailment is lifted) with minimal interruption and discomfort.*

Regional Support Personnel Priority Call Listing

See also Exhibit "E.1" for the format to use when compiling the listing

In this section, include current copies of pertinent Curtailment policy information as well as information on Emergency Reporting and ERP information on Notification Procedures.

Customer Lists

In this section, maintain up-to-date lists of customers subject to the Curtailment policy, the Company Tariff for Gas Service, and individual customer contracts.

Human Needs Customer Definition and Listing

In this section, provide up-to-date lists of "human needs" customers per the Curtailment policy, and the Company Tariff for Gas Service.

Human Needs Customers include hospitals, nursing homes, medical centers, and others as determined by the Company, whose curtailment would adversely affect public health, or safety.

Regional Support Personnel Priority Call Listing

Regional Curtailment
Meter Reading Coordinator _____[illegible]

Exhibit "F.1"

Contact List for Implementing a Gas Supply Curtailment

	CONTACT	OFFICE PHONE	PAGER	MOBILE PHONE	FAX
	Randy Gary	812-491-4730	812-429-4710	812-568-9885	812-491-4687
	Sequent Energy	832-397-1700			
	Rick Schach	812-491-4204	812-568-5450	812-568-5450	812-491-4094
	Jim Francis	812-491-4369	937-261-1207	812-305-2054	(812) 491-4504
	Breck Sparks	812-491-4913	812-453-9016	812-453-9016	(812) 491-4818
	Robbie Sears	812-491-4430	812-305-4651	812-305-4651	(812) 491-4441
	Brian Volpatti	937-312-2560		937-604-2054	
	Tom Bailey	812-491-4584		812-305-6754	
	Terry Camden	317-260-5476	317-302-2140	317-997-3910	317-260-5459
	Claude Eagler	317-260-5437	317-367-1043	317-402-0841	317-260-5459
	Jon Luttrell	812-491-4800		812-305-3840	812-491-4904
	Steve Bramlage	937-512-9505	937-313-4135	937-313-4135	937-512-9511
	Dan Berry (C)	937-312-2556		937-313-4129	
	Don Boerger (T)	937-440-1801		937-313-4133	
	Chuck Kanoy (F)	937-440-1933		937-313-5459	
	Mike Roeder	812-491-4143	877-317-9285	812-499-7476	
	Laurie Thornton	317-260-5301		317-442-3900	317-260-5327
	Teresa Lewis	812-491-4439	812-428-1199	812-305-2665	812-491-4687
	Doug Karl	812-491-4816	812-568-9707	812-568-9707	812-491-4684
	Tony Champlin	812-491-4609		812-568-9881	
	Perry Pergola	812-491-4670		812-449-8826	
	Dave Kaiser	812-491-4620		812-568-9879	
	Stephanie Willis	812-491-4732		812-568-9984	812-452-7105

Exhibit "G.1"

Contact List for Notifying Customers of a Gas Supply Curtailment

	CONTACT	OFFICE PHONE	PAGER	MOBILE PHONE	FAX
	Brian Volpatti	937-312-2560		937-604-2054	
	Tom Bailey	812-491-4584		812-305-6754	
	Jon Luttrell	812-491-4800		812-305-3840	812-491-4904
	Steve Bramlage	937-512-9505	937-313-4135	937-313-4135	937-512-9511
	Randy Gary	812-491-4730	812-429-4710	812-568-9885	812-491-4687
	Teresa Lewis	812-491-4439	812-428-1199	812-305-2665	812-491-4687

Exhibit "H.1"

Contact List for Reading Meters During a Gas Supply Curtailment

	CONTACT	OFFICE PHONE	PAGER	MOBILE PHONE	FAX
	Per Regional Gas Supply Curtailment Response Plan" assignments				
	Per "Regional Gas Supply Curtailment Response Plan" assignments				
	Tom Bailey	812-491-4584		812-305-6754	812-491-4777

EXHIBIT "J.1"

Contact List for Releasing Curtailments

	CONTACT	OFFICE PHONE	PAGER	MOBILE PHONE	FAX
	Randy Gary	812-491-4730	812-429-4710	812-568-9885	812-491-4687
	Tom Bailey	812-491-4584		812-305-6754	812-491-4777
	Dan Berry (C)	937-312-2556		937-313-4129	
	Don Boerger (T)	937-440-1801		937-313-4133	
	Chuck Kanoy (F)	937-440-1933		937-313-5459	
	Brian Volpatti	937-312-2560		937-604-2054	
	Teresa Lewis	812-491-4439	812-428-1199	812-305-2665	812-491-4687
	Terry Camden	317-260-5476	317-302-2140	317-997-3910	317-260-5459
	Claude Eagler	317-260-5437	317-367-1043	317-402-0841	317-260-5459
	Jon Luttrell	812-491-4800		812-305-3840	812-491-4904
	Steve Bramlage	937-512-9505	937-313-4135	937-313-4135	937-512-9511

CAPACITY CURTAILMENT SEQUENCE PROCEDURES

This section describes the process of curtailing gas service to the Company's customers when operating conditions warrant.

General Guidelines

REGIONAL MANAGERS, who have the responsibility to maintain an adequate and continuous gas service to residential, commercial, and human needs customers, also have the authority to initiate a Capacity Curtailment. Capacity Curtailments are implemented when there is insufficient distribution system capacity to provide gas service to the Company's gas service customers. A Capacity Curtailment must be reported as soon as practicable to the appropriate DIRECTOR OF VECTREN ENERGY DELIVERY (EAST & WEST DIVISION), MANAGER OF GAS CONTROL & OHIO CHOICE, SUPERVISOR OF GAS TRANSPORTATION, and the DIRECTOR OF INDUSTRIAL SALES & ECONOMIC DEVELOPMENT by the initiating REGIONAL MANAGER.

Capacity Curtailments differ from Gas Supply Curtailments in that REGIONAL MANAGERS, or their delegates, must recognize and react to situations which may not be immediately apparent to Gas Control personnel nor the persons responsible for implementing and processing a Gas Supply Curtailment. If the situation allows for input into the decision-making process, the REGIONAL MANAGER will involve Gas Control personnel so existing contractual obligations can be honored and system operational knowledge/support can be established.

However, if the REGIONAL MANAGER determines that the situation does not afford the time for consulting with Gas Control personnel, the REGIONAL MANAGER must take the action necessary to maintain gas service to Human Needs and Residential customers whenever possible. After the situation is stabilized, the REGIONAL MANAGER must contact appropriate Gas Control personnel.

Communicating During an Capacity Curtailment

As discussed in the Gas Supply Curtailment section, efficient communication is one of the most important elements in any curtailment. This procedure, and the section on "Gas Supply Curtailments," outlines the critical communication paths to be followed. They are not meant, however, to exclude personnel not specifically mentioned by title. Normal reporting procedures within each work location must be followed in addition to those listed. Also, if personnel are unavailable for the necessary communication, contact the appropriate peer or superior of the unavailable individual so the communication process does not stall.

Regional Curtailment Response Plan

Each Region must have an approved "Regional Gas Supply Curtailment Response Plan" as described in Exhibit "E". Depending on the scope of a Capacity Curtailment, the Regional plan may need to be implemented, fully or in part.

Implementing an Capacity Curtailment

The REGIONAL MANAGER must report an Capacity Curtailment as soon as practicable to the appropriate DIRECTOR OF VECTREN ENERGY DELIVERY (EAST & WEST DIVISION), MANAGER OF GAS CONTROL & OHIO CHOICE, MANAGER OF INDUSTRIAL SALES and the SUPERVISOR OF GAS TRANSPORTATION.

Depending on the scope of the Capacity Curtailment, it may also be necessary to contact the DIRECTOR OF CORPORATE COMMUNICATIONS, particularly if media attention may result from the curtailment.

Reading Meters During an Extended Capacity Curtailment

During periods in which a Capacity Curtailment lasts more than 24 hours, meters for curtailed customers may have to be read. In each Area, THE REGIONAL CURTAILMENT METER READING COORDINATOR (as assigned in the "Regional Gas Supply Curtailment Response Plan") is responsible for meter readings during a curtailment.

Reporting Capacity Curtailments as Incidents

A Capacity Curtailment constitutes a service interruption to high profile customers, and is an event likely to receive media attention. Therefore, when implementing a Capacity curtailment, the REGIONAL MANAGER must make a telephonic incident report.

Capacity Curtailment Sequence.

- (1) First, Rate 345 Non-Pooling Customers and Pool Operators' Pools shall be subject to the Cold Weather OFO set forth in Nomination and Balancing Provisions (Large General and Pool Operator).
- (2) Next, Rate 340 Customers' purchases of Company-Supplied Gas and Rate 341 Customers' purchases of Company-Supplied Gas for Space heating shall be interrupted 100%.
- (3) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be limited to either:
 - (c) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (d) Their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be curtailed prorata, either:
 - (a) On a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Daily Throughput, or
 - (b) On a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, a Firm Curtailment Customer shall not be curtailed to a daily quantity less than its Plant Protection Level.

- (5) Next, all Firm Curtailment Customers shall be curtailed to their respective Plant Protection Levels.
- (6) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt deliveries of Gas Service to any Customer.

Curtailment Notification.

- (1) Company shall give notification of Curtailment in the most effective manner possible and as much in advance as reasonably possible with regard to the existing circumstances and the number of Customers to be notified.
- (2) If reasonably possible, Firm Curtailment Customers shall be given seven days advance notice of any Curtailment.
- (3) In the event of Curtailment of Firm Curtailment Customers, Company shall provide notice to each Firm Curtailment Customer of its Normal Monthly Throughput and Average Daily Throughput.

Lifting of Curtailment. Any Curtailment shall be lifted in reverse order of the Curtailment Sequence.

Unauthorized Gas Usage.

- (1) **Assessment of Unauthorized Gas Usage Charge.** When a Curtailment is in effect pursuant to the provisions of paragraph B of this Rule, gas usage by Customer or Pool Operator's Pool in excess of the quantity permitted for such Customer or Pool shall constitute Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Sheet 30.

During the Curtailment period, Customer or Pool Operator's Pool shall have no entitlement to Unauthorized Gas Usage. In the event Customer or Pool Operator's Pool continues Unauthorized Gas Usage, Company may, in its sole discretion, discontinue Gas Service to Customer or Pool Operator's Pool. The assessment of the Unauthorized Gas Usage Charge and the exercise of the right to

discontinue Gas Service by Company shall be in addition to any other rights Company may have with respect to Customer's or Pool Operator's Pool's Unauthorized Gas Usage.

**APPENDIX C. VEDO CURTAILMENT
PROCEDURES**

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

11. CURTAILMENT PROCEDURES

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands for Gas Service or to protect and replenish Company's gas storage reserves, which determinations shall be within Company's reasonable discretion, Company shall have the right to curtail Gas Service within any of its Operational Systems so affected in accordance with the provisions of this procedure.

A. **Definitions.** For the purpose of this Procedure, the following terms shall have the meanings defined below:

- (1) **Firm Curtailment Customer.** A Firm Curtailment Customer shall mean any Customer being served under Rate 320, 325, 330, or 345 whose Average Daily Throughput in any billing month during or subsequent to the Base Period exceeds 1,000 Ccf.
- (2) **Average Daily Throughput.** The Average Daily Throughput for any Base Period billing month shall be the Firm Curtailment Customer's metered Throughput during such month divided by the number of days in the month.
- (3) **Base Period.** The Base Period is any twelve consecutive billing months as established by Company.
- (4) **Normal Monthly Throughput.** The Normal Monthly Throughput shall be the Firm Curtailment Customer's metered Throughput during each billing month of the Base Period. These quantities may be adjusted by Company for unusual circumstances.
- (5) **Human Needs Customers.** Human Needs Customers shall include hospitals, medical centers, nursing homes, and other Customers as determined by Company, whose Curtailment could adversely affect public health or safety.
- (6) **Gas Supply Curtailment.** Curtailment resulting from insufficient quantities of Company-Supplied gas to meet the demands of Company's Sales Customers.
- (7) **Capacity Curtailment.** Curtailment resulting from insufficient system capacity to supply Gas Services to Company's Gas Service Customers.
- (8) **Plant Protection Level -** The minimum quantity of Gas Service for Firm Curtailment Customers or Alternate Fuel capability for Interruptible Sales Service Customers required by Customer to prevent endangering the health or safety of personnel; or to prevent extensive damage to Customer's facilities, equipment, or other property. This includes the protection of such material currently in process at the time a Curtailment is called which would otherwise be destroyed, but shall not include Gas Service required to maintain plant production.

Filed pursuant to the Finding and Order dated April 13, 2005 in Case No. 04-571-GA-AIR of The Public Utilities Commission of Ohio.

Issued April 13, 2005

Issued by Jerrold L. Ulrey, Vice-President

Effective April 13, 2005

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

11. CURTAILMENT PROCEDURES (Continued)

B. **Curtailment Sequences.** Company shall have the right to curtail Gas Service to its Customers according to the following sequences. Such Curtailment shall be effective as of the date and time specified in the notice to Customer. When necessary in the sole opinion of Company, Gas Service shall be maintained to Human Needs Customers or other Customers who would otherwise be curtailed, to the extent necessary and practicable under the circumstances.

B1. Gas Supply Curtailment Sequence.

- (1) First, Rate 345 Non-Pooling Customers and Pool Operator's Pools shall be subject to the Cold Weather OFO set forth in Nomination and Balancing Provisions (Large General and Pool Operator).
- (2) Next, Rate 340 Customers' purchases of Company-Supplied Gas and Rate 341 Customers' purchases of Company-Supplied Gas for Spaceheating shall be interrupted 100%.
- (3) Next, as determined by Company, all Rates 320 and 330 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be limited to either:
 - (a) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (b) their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Rates 320 and 330 Firm Curtailment Customers' purchases of Company-Supplied gas shall be curtailed prorata, either:
 - (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Average Daily Throughput, or
 - (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, Firm Curtailment Customers shall not be curtailed to a daily quantity less than their respective Plant Protection Levels.

- (5) Next, all Rates 320 and 330 Firm Curtailment Customers' purchases of Company-Supplied Gas shall be curtailed to a daily quantity equal to their respective Plant Protection Levels.
- (6) Next, Rate 345 Non-Pooling Customers and Pool Operators Pool Customers' transportation gas quantities on Company's system shall be limited to Customers' respective Plant Protection Levels, and the remainder of their delivered gas supply shall be diverted to use for Company supply.
- (7) Next, Rate 325 Customers' transportation gas quantities on Company's system shall be limited to Customers' respective Plant Protection Levels, and the remainder of their delivered gas supply shall be diverted to use for Company supply.
- (8) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt Gas Service to any Customer.
- (9) Compensation for the diversion of Customers' transportation gas quantities as provided for in Rule 11(B1)(6) and (7), will be in the amount of:
 - (a) **Daily Index Price:** The Daily Midpoint Price per Dekatherm as reported in Gas Daily in the table "Daily Price Survey", for delivery to the pipeline on which the diverted gas was delivered:
 - 1) Texas Gas, Zone SL; or

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GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

11. **CURTAILMENT PROCEDURES (Continued)**

- 2) ANR, La; or
- 3) Panhandle, Tx-Okla; or
- 4) Texas Eastern, ELA; or
- 5) Columbia Gas, Appalachia.

- (b) The maximum interruptible transportation rate, including all applicable surcharges, for the pipeline on which the diverted gas was delivered to; plus
- (c) The average premium paid by the Company (stated on a per therm basis) to firm gas suppliers.

Such gas costs shall be recoverable through Company's Gas Cost Recovery filings.

B2. Capacity Curtailment Sequence.

- (1) First, Rate 345 Non-Pooling Customers and Pool Operators' Pools shall be subject to the Cold Weather OFO set forth in Nomination and Balancing Provisions (Large General and Pool Operator).
- (2) Next, Rate 340 Customers' purchases of Company-Supplied Gas and Rate 341 Customers' purchases of Company-Supplied Gas for Spaceheating shall be interrupted 100%.
- (3) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be limited to either:
 - (a) their respective Average Daily Throughput each day over any portion of the billing month, or
 - (b) their respective Normal Monthly Throughput.
- (4) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-Supplied Gas, as applicable, shall be curtailed prorata, either:
 - (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Daily Throughput, or
 - (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, a Firm Curtailment Customer shall not be curtailed to a daily quantity less than its Plant Protection Level.

- (5) Next, all Firm Curtailment Customers shall be curtailed to their respective Plant Protection Levels.
- (6) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt deliveries of Gas Service to any Customer.

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Effective April 13, 2005

GENERAL TERMS AND CONDITIONS **APPLICABLE TO GAS SERVICE**

11. CURTAILMENT PROCEDURES (Continued)

C. Curtailment Notification.

- (1) Company shall give notification of Curtailment in the most effective manner possible and as much in advance as reasonably possible with regard to the existing circumstances and the number of Customers to be notified.
- (2) If reasonably possible, Firm Curtailment Customers shall be given seven days advance notice of any Curtailment.
- (3) In the event of Curtailment of Firm Curtailment Customers, Company shall provide notice to each Firm Curtailment Customer of its Normal Monthly Throughput and Average Daily Throughput.

D. Lifting of Curtailment. Any Curtailment shall be lifted in reverse order of the Curtailment Sequence.

E. Unauthorized Gas Usage.

- (1) Assessment of Unauthorized Gas Usage Charge. When a Curtailment is in effect pursuant to the provisions of paragraph B of this Procedure, gas usage by Customer or Pool Operator's Pool in excess of the quantity permitted for such Customer or Pool shall constitute Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Sheet No. 30.

During the Curtailment Period, Customer or Pool Operator's Pool shall have no entitlement to Unauthorized Gas Usage. In the event Customer or Pool Operator's Pool continues Unauthorized Gas Usage, Company may, in its sole discretion, discontinue Gas Service to Customer or Pool Operator's Pool Customers. The assessment of the Unauthorized Gas Usage Charge and the exercise of the right to discontinue Gas Service by Company shall be in addition to any other rights Company may have with respect to Customer's or Pool Operator's Pool's Unauthorized Gas Usage.

GENERAL TERMS AND CONDITIONS
APPLICABLE TO GAS SERVICE

12. AMENDMENTS

A. General Terms and Conditions May Be Amended

The Company reserves the right, with the approval of the Commission, to modify, alter or amend these General Terms and Conditions, or to promulgate such other and further General Terms and Conditions as experience and conditions may suggest, or as it deems necessary in the conduct of its business.

B. Limitation of Liability

Approval of the above tariff language by the Commission does not constitute a determination by the Commission that the limitation of liability imposed by the Company should be upheld in a court of law. Approval by the Commission merely recognizes that since it is a court's responsibility to adjudicate negligence and consequent damage claims, it is also the court's responsibility to determine the validity of the exculpatory clause.

Filed pursuant to the Finding and Order dated April 13, 2005 in Case No. 04-571-GA-AJR of The Public Utilities Commission of Ohio.

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