

VECTREN ENERGY DELIVERY OF OHIO, INC.

OHIO GAS ASSOCIATION NATURAL GAS MARKET CONDITIONS CONFERENCE

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Objectives of VEDO's Choice Program

- **Promote and continually improve on a competitive gas market in VEDO's service area**
- **Ensure acceptable supply service solutions for all VEDO customers through all phases of VEDO's exit from the merchant function**
- **Minimize incremental costs to customers that could arise from exiting the merchant function**
- **Maintain the reliability of VEDO's system through system balancing and Provider of Last Resort (POLR) provisions**

Specifics of VEDO's Choice Program

- **Detailed Supplier certification process**
- **Mandatory capacity release of all VEDO interstate pipeline transportation and storage capacity – “Capacity follows the Customer”**
- **VEDO provides daily delivery quantities to all suppliers based on the specific customers within the suppliers pool**
- **Suppliers jointly perform all the daily system balancing on a pro-rata basis using the Columbia Gas Transmission no-notice storage**
- **VEDO is still responsible for the POLR provisions including capacity recall and the acquisition of supply in the event of a supplier default**

Phase 1 SSO Service

- **The Standard Sales Offer (SSO) service was the commencement of the merchant exit transition for VEDO**
- **The SSO Phase was for the period October 1, 2008 through March 31, 2010**
- **The SSO auction was held on August 19, 2008. VEDO had a total of 6 tranches available for bid. A total of 4 suppliers were awarded tranches that provided SSO service for the 18 month period with a Retail Price Adjustment of \$2.35 per Mcf**

Phase 1.5 SCO Service

- **The Standard Choice Offer (SSO) service was the next phase of the merchant exit transition for VEDO**
- **VEDO has been in the SCO Phase since April 1, 2010**
- **The first SCO auction was held on January 12, 2010. VEDO had a total of 6 tranches available for bid. A total of 4 suppliers were awarded tranches that provided SCO service for the 12 month period beginning April 1, 2010 with a Retail Price Adjustment of \$1.55 per Mcf**
- **The second SCO auction was held on January 18, 2011. VEDO had a total of 6 tranches available for bid. A total of 3 suppliers were awarded tranches that provided SCO service for the 12 month period beginning April 1, 2011 with a Retail Price Adjustment of \$1.35 per Mcf**

Choice Customer Enrollment Progression

Year	Enrolled	Eligible Not Enrolled	Eligible	% Enrolled
Dec-04	73,406	175,746	249,152	29.46%
Dec-05	69,809	183,719	253,528	27.54%
Dec-06	71,706	174,301	246,007	29.15%
Dec-07	76,572	145,233	221,805	34.52%
Dec-08	81,538	212,582	294,120	27.72%
Dec-09	116,748	176,506	293,254	39.81%
Dec-10	107,626	186,573	294,199	36.58%
Jul-11	125,169	160,829	285,998	43.77%

Impact of Choice on the VEDO Market

The standard pricing services (both SSO and SCO Phases) have had the following impacts:

- 1) potential customer savings versus GCR pricing**
- 2) provided customers with a clear market signal, allowing easier comparisons to Choice suppliers' competing offers**
- 3) the level playing field attracted Choice suppliers which hopefully has led to more competitive offers for customers to elect**