



# Vectren Standard Service Offer: Frequently Asked Questions

**Updated October 2008**

As customers of Vectren Energy Delivery of Ohio (VEDO) face changes to the way their natural gas will be priced, the Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, provides the following information to assist them in understanding how the new rate was determined.

**Q. I understand that an auction determined the price I will pay for natural gas rates. Why did this happen and how does it impact me?**

A. The Public Utilities Commission of Ohio (PUCO) authorized an auction among six natural gas suppliers who purchase natural gas to be delivered to VEDO customers. The results will affect only those customers who purchase their gas directly from VEDO and not those who participate in VEDO's Choice Ohio plan. The auction, held on Aug. 19, determined the monthly amount VEDO will pay to its suppliers for the delivery of natural gas. The OCC supports allowing natural gas suppliers to enter into a competitive bidding process to determine the cost of providing gas to VEDO's customers.

**Q. How did the auction work?**

A. World Energy Solutions, the auction manager retained by VEDO, conducted a descending clock auction dividing six separate portions of the natural gas supply used by energy choice-eligible VEDO customers. The contestants were permitted to submit a bid for up to one-third of the total of those portions. Beginning with a high asking price, the auctioneer lowered the amount until one of the bidders was willing to accept the price and the final bid was announced.



**Q. How is the Standard Service Offer determined?**

A. The Standard Service Offer (SSO) consists of two separate rates. The actual cost of the gas is defined as the "commodity component." This is the settlement price set each month by the New York Mercantile Exchange (NYMEX). The second element of the SSO, called the "adder," or "retail price adjustment", is the rate that VEDO pays its suppliers. This is the amount that was determined by the auction. Based on changes in the natural gas market, the SSO price changes each month; however the adder of \$2.35 for the delivery of the gas will remain the same.

**Q. Did the rate determined during the auction automatically become the adder, or was there an approval process?**

A. The PUCO approved the auction results on Aug. 20. Representatives of VEDO, the OCC and the PUCO were in attendance and concluded that the process was conducted fairly and that the results reflected a market-determined price. The rate set at the auction will go into effect on Oct 1, 2008 according to the agreement authorized by the PUCO.

**Q. Will the Standard Service Offer have to be filed at the PUCO every month like the GCR?**

A. The Gas Cost Recovery (GCR) portion of a customer's bill, which is being replaced by the SSO, changed monthly based on the changing costs of natural gas, estimates of what the gas would cost in the near future, and adjustments to revise previous gas cost estimates based upon actual results. The SSO is not regulated on a monthly basis and the auction-determined rate will remain the same until March 31, 2010.

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**Q. If I am receiving my natural gas through the SSO, am I still with Vectren?**

A. Yes. VEDO remains responsible for obtaining natural gas for its non-choice customers. You may, at any time, choose to purchase your natural gas from an independent supplier or remain with VEDO at the SSO rate. The PUCO has the ultimate authority for allowing VEDO to exit the merchant function but that is not the issue it decided in this instance. The OCC opposes a full exit by VEDO at this time.

**Q. Who can I call if I have questions about the changes?**

A. Residential consumers may call the OCC to ask questions about these rate changes. The OCC can be reached toll free at 1-877-PICKOCC (1-877-742-5622). Information also is available online at [www.pickocc.org](http://www.pickocc.org).

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC Web site at [www.pickocc.org](http://www.pickocc.org).

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**For additional information from the Office of the Ohio Consumers' Counsel:**

**Call: 1-877-PICKOCC (1-877-742-5622) toll free or (614) 466-8574**

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