The Standard Choice Offer (SCO) Phase:

- Begins April 1, 2017 with an end date of March 31, 2018.

All DSS customers that are Choice eligible will become SCO customers on the SCO Initiation Date of April 1, 2017.

- SCO customers will remain on SCO.

- SCO Suppliers will be randomly assigned to all customers’ premises.
SCO Auction

- VEDO’s SCO Auction will be held **January 17, 2017**.
- Bidders must be qualified CRNG Suppliers.
- The bids during each auction will be specified as an adjustment (the “retail price adjustment”) to the NYMEX monthly settlement price and will be fixed for the entire one-year term applicable to each SCO auction.
- The retail price adjustment for auction purposes shall be stated in $ per Mcf.
- VEDO’s auctioned load (“SCO quantities”) will consist of all Standard Choice Offer customers’ annual volumes in Mcf, plus a proportionate share of VEDO’s DSS customers’ volumes.
- The quantities will be divided as equally as possible into **nine (9) customer load tranches** and will consist of residential and commercial customers’ loads.
- **A maximum of three (3) customer load tranches (33% of total SCO quantities)** will be awarded to any individual Supplier in the initial auction.
- VEDO has hired, EnerNOC, Inc., an independent auction manager, to conduct a descending clock auction.
A descending clock auction proceeds in a series of rounds:

- At the beginning of each round, the Auction Manager announces the price per Mcf, and each bidder bids the number of tranches it is willing and able to supply at that price.
  - The initial bid price will be $1.60
  - As the price declines from one round to the next (at $0.10/Mcf decrements), a bidder can bid the same number of or fewer tranches than it bid in the preceding round, but not more tranches.
  - The auction ends when the number of tranches bid equals the number of tranches being procured.
  - However, if the number of load tranches bid in the latest round is less than the number being procured, the descending clock auction reverts to the price at the previous over-supplied round, less $0.01, and begins using $0.01 decrements.
  - The auction continues with $0.01 decrement rounds until the number of tranches bid matches those offered.
If the auction reaches a point where the tranches bid once again are less than the tranches offered, final round bidders will be awarded tranches bid in the final round, and the remaining tranches will be awarded to the previous round’s remaining bidders on a percentage basis (subject to other bidder–specific constraints), at the previous round’s price.

- The winning bid price and winning bidders will be immediately filed with the PUCO for their approval.
- Bidders’ names will be held confidential for 15 days.
**SCO Auction, Cont’d.**

- **SCO Auction Contingency Plan:**
  - In the event that the initial SCO Auction is unsuccessful, a subsequent SCO Auction will be held.
  - VEDO will consult with PUCO Staff to determine what variables of the auction will change for the subsequent auction.
  - This subsequent auction will be conducted on January 24, 2017.
  - To the extent that it becomes necessary to postpone the auction on January 17, 2017, the make-up date will also be January 24, 2017.
  - Any CRNG-certified Supplier meeting creditworthiness and other applicable requirements may participate in the initial and/or the subsequent auction.

- **Utility DSS Contingency**
  - If the SCO Auction is also unsuccessful, VEDO will immediately implement a utility-provided default sales service.

- **Auction Rules are subject to change and will be distributed to potential SCO bidders prior to each annual auction.**
SCO Price

- The SCO Price each month will be the NYMEX settlement price for such month (converted to Mcf using the Standard BTU Value, as stated in the Tariff) plus the retail price adjustment determined by the SCO Auction. It will be converted to a price per Ccf for SCO Customer billing purposes.

  - The standard BTU Value is a projected BTU value based on current and future projected BTU.

  - **Standard BTU Value for the January 17, 2017 SCO Auction is 1.071**, and will be effective April 1, 2017.
    - Current standard BTU is 1.071 so no change
2017 VEDO SCO Auction Timeline – Key Dates

- December 15, 2016 – Bidders’ collateral due
- December 16, 2016 – VEDO Will notify applicants of approval status. Final Auction Packets will be distributed to approved applicants. Final auction packet will consist of:
  1. SCO Acknowledgement Form
  2. Updated estimated Tranche daily/monthly volumes
  3. Tranche demand charges
  4. Final Auction Rules (with approved starting price)
  5. List of pre-qualified SCO Auction Bidders
  6. Enernoc Bidder Contact and Fax forms
  8. Peaking Supply Costs
- January 5, 2017 – Deadline for SCO Auction bidders to have completed and returned Acknowledgement Form, and Bidder Contact Information Forms
- January 10, 2017 – Mock Auction 2:00 Eastern – bidders must participate
- January 17, 2017 – VEDO SCO Auction 10:00 Eastern
- January 18, 2017 – PUCO Decision
- January 24, 2017 – Backup auction date
**Default Sales Service (DSS)**

- Default Sales Service (DSS) will be a regulated sales service applicable to the following types of customers:
  - PIPP customers
  - Choice ineligible customers

- SCO Suppliers will serve a proportionate share of the DSS Customers’ volumes.
  - The estimated DSS volumes will be included in the customer load tranche estimates (SCO quantities) provided to the SCO bidders prior to auction.

- Each day, the DSS volumes will be forecasted and included in the SCO Suppliers’ DDQs for the day.

- DSS Customers’ billing will utilize the same SCO Price per Ccf as SCO Customers.
Default Sales Service (DSS), Cont’d.

- Customers will remain on DSS until such time as:
  - They move and are Choice eligible upon move-in
  - They are disconnected more than 10 days and are Choice eligible upon move-in
  - Enroll with a Choice Supplier
  - Drop from a Choice Supplier and are Choice eligible

- Other than the activity listed above, VEDO does not recheck Choice eligibility while the customer is on DSS.
**SCO Supplier Eligibility Requirements**

- Sign and submit Registration Form, VEDO’s SCO Supplier Pooling Agreement, Non-Disclosure Agreement, a copy of your PUCO Certification, and the Connectivity Profile Form by the specified timeline
- Acknowledge Receipt of Auction Rules and Procedures and agree to be bound by those rules and procedures
- Acknowledge Receipt of Customer Load Profile data
- Attend and Participate in Pre-Application Meeting (i.e. Supplier Training Meeting)
- Attend and Participate in Mock Auction
- Acknowledge Receipt from VEDO of the Pre-Qualification Notice (confidential to each potential SCO Supplier and the Auction Administrator) setting forth the maximum number of tranches for which the SCO Supplier is qualified to bid
- Pass initial/ongoing VEDO financial evaluation
**SCO Supplier Eligibility**

- Adhere to tariff terms and conditions of VEDO’s tariff

- Must be certified by PUCO and maintain that certification
  - Suppliers do not have to be participants in VEDO’s Choice Program in order to bid on SCO tranches

- Winning bidders at the SCO Auction must:
  - Maintain comparable firm capacity/supplies
    - Suppliers must submit capacity plans to VEDO in October of each year to demonstrate their capacity and supply plans for the upcoming seasons
  - Pass EDI testing with ESG no later than the date indicated on VEDO’s SCO Auction timeline
**SCO Eligible Customers**

- SCO Suppliers will be assigned to each and every premises. Customers at those premises will be enrolled in SCO if they meet the following SCO eligible criteria:
  - Uses $< 150,000 \text{ Ccf/year}$
  - Is not 35 days past due and owe more than $100$
  - Is not past due on a payment arrangement
  - Is not enrolled in Choice
  - Is not a PIPP customer

- Those customers that are not eligible for SCO will be assigned to the Default Sales Service Rate Schedule.
Allocation of SCO Suppliers to SCO Customers’ Premises

- Each SCO Supplier will initially be allocated actual customers’ loads on a pro-rata basis in late-February.

- There will be differences when customer loads are actually allocated and enrolled on April 1.

- The criteria variables that will be used are as follows:
  - Total Average Daily Consumption
  - Note: Non-residential customers to be allocated based on peak day and consumption factors simultaneously
  - Account Type
  - Active / Inactive PIPP Status
  - Active / Inactive Account Status
  - Choice Eligible / Ineligible
  - Choice / Non-Choice Enrolled
  - Inactive for Six Consecutive Months Indicator
  - Credit Ranking
  - Zip Code Geographic Area
Allocation of SCO Suppliers to SCO Customers’ Premises

- SCO Suppliers winning three tranches will receive three rounds in the allocation.
- An SCO Supplier will then be linked to each customers’ premises.
- New customer moving into a premise will:
  - Be assigned to the SCO Supplier assigned to that premises if Choice eligible
  - Be assigned to DSS if not Choice eligible
- Absent a selection of a specific Choice Supplier by the Customer, an SCO Supplier will be assigned loads for newly established premises in the VEDO territory on a sequential basis.
- SCO Suppliers’ loads will not be readjusted during the phase due to migration.
- Note – As of April 1, all existing SCO customers will remain on SCO. Their eligibility will not be re-evaluated at the time of conversion. DSS customers’ eligibility will be evaluated.
Transportation Capacity

- VEDO’s then existing pipeline firm transportation capacity will be temporarily released, with recall rights, to SCO and Choice Suppliers on a pro-rata basis (Capacity Release Percentage–CRP).
  - The volumes and costs associated with these firm transportation capacities will be provided to each potential bidder prior to each SCO Auction.
  - Transportation capacity released follows the Customer.
  - Capacity will be released monthly with the exception of Panhandle New Paris and TETCo Gano Road which will be released seasonally.
  - Supplier will not be permitted to change any primary points of receipt or delivery associated with assigned pipeline transportation contracts.
  - For specific parcels of capacity identified by VEDO, Supplier may not utilize any delivery point other than those primary and secondary points identified by VEDO unless the capacity is released at the pipeline’s full tariff rate or unless an alternate capacity billing arrangement is agreed to by Supplier and VEDO.
Transportation Capacity, Cont’d.

- The released capacity is subject to recall if:
  - Supplier does not perform in accordance with the applicable SCO or Choice Supplier Agreements.
  - Fails to comply with other relevant provisions set forth in VEDO’s Tariff.

- Supplier may re-release on a recallable basis any transportation capacity (excludes TCO FSS and SST capacity) assigned to it hereunder, provided that:

  1. Supplier will continue to be responsible to the pipeline for all capacity charges associated with the assigned capacity and will hold VEDO harmless in the event charges are not paid.

  2. Any re-release of such capacity remains subject to the requirements and restrictions identified in VEDO’s Tariff.
Transportation Capacity, Cont’d.

- The costs of the released transportation capacity will be paid directly to the pipelines.

- Suppliers will be notified of the released pipeline contracts, volumes and offer numbers typically by the 20th of each month.
  - Suppliers must accept capacity within 48 hours of the release.

- VEDO’s Tri-Party Capacity Agreement must be fully executed if capacity is not to be released directly to the SCO Supplier.
# Capacity Portfolio

**VEDO INTERSTATE CAPACITY PORTFOLIO APRIL 2016 - MARCH 2017**

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Svc Type</th>
<th>Contract Number</th>
<th>Receipt Description</th>
<th>Delivery Description</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>TCO</td>
<td>SST</td>
<td>99599</td>
<td>33/Stow</td>
<td>Stoi/33</td>
<td></td>
</tr>
<tr>
<td>ANR</td>
<td>ETS</td>
<td>126278</td>
<td>742252</td>
<td>REX Shelbyville</td>
<td>1400988 VEDO GRP-1 30,000 dth (year round)</td>
</tr>
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<td>ANR</td>
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<td>126279</td>
<td>742252</td>
<td>REX Shelbyville</td>
<td>1400988 VEDO GRP-1 30,000 dth (year round)</td>
</tr>
<tr>
<td>TETCO</td>
<td>LLFT</td>
<td>870172</td>
<td>74902</td>
<td>Gas City, IN (Measurement and nominations occur at Glen Karn)</td>
<td>72909 Red Lion Lebanon, Warren County, OH 31,225 Dths (12/01 - 04/30) 10,500 Dths (05/01 - 11/30)</td>
</tr>
<tr>
<td>TETCO</td>
<td>LLFT</td>
<td>870173</td>
<td>74902</td>
<td>Gas City, IN (Measurement and nominations occur at Glen Karn)</td>
<td>73269 DP&amp;L (Farmersville Derby) - Montgomery Co. OH 23,580 Dths (11/01 - 03/31)</td>
</tr>
<tr>
<td>TETCO</td>
<td>FT</td>
<td>910555</td>
<td>79951</td>
<td>TETCO - Lebanon Lateral Takeaway Point - Mainline, Warren County, OH</td>
<td>73105 DP&amp;L Clinton County, OH (Gano Rd) 4,200 Dths (year round)</td>
</tr>
<tr>
<td>PEPL</td>
<td>EFT</td>
<td>20349P</td>
<td>06204</td>
<td>PEPL CIG Exchange</td>
<td>02603 New Paris 1,000 Dths (year round)</td>
</tr>
</tbody>
</table>

*Note ANR contract 126279 receipt point was changed to REX Shelbyville effective Sept. 1, 2016*
Storage Capacity

- VEDO’s Columbia Gas Transmission (“TCO”) storage and related firm transportation capacity will be released to each SCO Supplier and Choice Supplier on a pro-rata basis.
  - Suppliers that have an SCO and a Choice pool will receive capacity released jointly for the combined CRP of both pools.

- Capacity follows the customer:
  - Monthly reassignment of capacity to Suppliers based on design peak day market share.

- The TCO storage capacity (FSS & SST) released to Suppliers cannot be re-released.

- The costs of the released storage and related transportation capacity must be paid directly to the pipelines pursuant to pipeline capacity release payment procedures.

- The released capacity is subject to recall at any time if:
  - Supplier does not perform in accordance with the SCO or Choice Supplier Agreements or;
  - Fails to comply with other relevant provisions set forth in VEDO’s Tariff.
Tri–Party Capacity Release

- VEDO–held pipeline transportation and storage capacity may be released directly to an SCO Supplier’s Designee.

- The Parties must enter into VEDO’s Tri–Party Capacity Release Agreement.
System Balancing

- SCO and Choice Suppliers collectively are the balancers of VEDO’s system.

- The TCO storage holders will receive the cash-outs and premiums charged to Large Transporters/Pool Operators on a monthly basis based on their CRP’s for providing balancing services.

- The Suppliers must agree to allow their TCO storage (individually and in aggregate) to be used to balance the VEDO system.
  - VEDO does not retain a portion of TCO storage to perform the system balancing function.

- Suppliers must agree to follow VEDO-established:
  - Min/Max boundaries for daily storage injection/withdrawal
  - Minimum storage inventory balances to ensure sufficient storage inventory injection/withdrawal capability to balance the system each day
System Balancing, Cont’d.

- All SCO and Choice Suppliers will be required to enter into a TCO Agency Agreement on a monthly basis giving VEDO the rights to view all of Suppliers’ nominations and storage information on their VEDO released contracts.
  - TCO Agency Agreements will be supplied by VEDO for Suppliers to utilize during the SCO Phase. The expiration date is populated to allow access to the multiple FSS contracts during the entire phase in the event there is a prior period adjustment that would need to be updated in VEDO’s system.

- Suppliers must agree to allow VEDO to shift some TCO storage capacity among the Suppliers at the start of each month due to Customer migrations or intra-month if a large migration occurs. Capacity follows the Customer; storage inventory does not.
  - VEDO reserves the right to adjust PDA’s intra-month if large Choice migrations occur or to resolve any other imbalance issues between SCO and Choice Suppliers.
  - TCO will bill the individual Suppliers that overrun their individual storage limitations.
  - Nominated storage injections, withdrawals and off-system storage withdrawals must be nominated to VEDO.

- Minimum Storage Levels
  - Suppliers must have at least the minimum storage level designated by VEDO in their storage account at all times.
  - Volumes below the minimum storage level are subject to Storage Non-Compliance Charges.
System Balancing, Cont’d.

- Recommended Storage Inventory Levels

<table>
<thead>
<tr>
<th>Date</th>
<th>Max SCQ %</th>
<th>Min SCQ %</th>
<th>Max Dth</th>
<th>Min Dth</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 15th</td>
<td>100%</td>
<td>75%</td>
<td>7,648,483</td>
<td>5,736,362</td>
</tr>
<tr>
<td>January 15th</td>
<td>80%</td>
<td>55%</td>
<td>6,118,786</td>
<td>4,206,666</td>
</tr>
<tr>
<td>February 15th</td>
<td>55%</td>
<td>30%</td>
<td>4,206,666</td>
<td>2,294,545</td>
</tr>
<tr>
<td>March 15th</td>
<td>30%</td>
<td>10%</td>
<td>2,294,545</td>
<td>764,848</td>
</tr>
</tbody>
</table>

Suppliers will need to storage inventory transferred into their TCO storage accounts on April 1 to accommodate No-notice balancing volumes for April 1 flow.
Pipeline Delivery Point Imbalances

- Differences between the actual deliveries through the Delivery Point meters and the nominations to those meters will be managed by VEDO as shown below.

  - **Texas Gas – Lebanon Point**
    - No OBA permitted.
    - Imbalance volumes are allocated pro-rata to shippers on a daily basis.

  - **Texas Eastern – Derby, Red Lion and Gano Road Points**
    - OBA in place.
    - Imbalances are managed to minimal levels through TETCO Gas Control adjusting flow.
    - Month–end imbalance carries month to month.
    - Imbalance is not cashed out.
Pipeline Delivery Point Imbalances, Cont’d.

- ANR – Derby, Red Lion, VEDO GRP–1 140098 and Mikesell Points
  - OBA in place.
  - Imbalances are managed to minimal levels through ANR Gas Control adjusting flow.
  - Month–end imbalance carries month to month.
  - Imbalance is not cashed out.

- Panhandle – Rural/New Paris Point
  - OBA in place.
  - Imbalance is managed to minimal levels through VEDO gas control nominating gas on or off the OBA balance.
  - Month–end imbalance carries month to month.
  - Imbalance is not cashed out.
Pipeline Delivery Point Imbalances, Cont’d.

- Rockies Express – Clear Creek
  - POA in place.
  - Imbalances are managed to minimal levels through REX Gas Control adjusting flow.
  - Imbalance < 1,000 Dths carries month to month.
  - Imbalance > 1,000 Dths is cashed out.
**Alternate Peaking Supply**

- VEDO provides capacity to meet approximately 75% of its Peak Day Demand.

- VEDO will also obtain 8,000 Dths of replacement capacity/delivered supply to meet Peak Day Demand which is allocated to SCO/Choice Suppliers.

- SCO and Choice Suppliers are required to deliver the additional peak day volumes needed.

- Costs associated with the purchase of Alternate Peaking Supply by VEDO which is allocated to SCO and Choice Suppliers for the period of December 1 through February 28 annually are not typically known until a few months prior to the winter season.
**Comparable Firm Capacity**

- Each SCO Supplier agrees to retain sufficient firm interstate pipeline transportation and storage capacity with primary delivery points to the VEDO city-gates and/or city-gate firm gas supply arrangements to meet 100% of the monthly design peak day demands for its tranches.
  - VEDO provide approximately 75% of the capacity peak day needs.

- VEDO may verify the Suppliers’ compliance with this requirement at any time.

- VEDO will allow a physical call for 10 peaking days at the VEDO city-gate to cover an SCO and/or Choice Supplier’s firm capacity obligation.

- Choice and SCO Suppliers must provide capacity supply plans in October to demonstrate their supply plans for the upcoming season.

- Actual proof of capacity may be submitted at that time or on a monthly basis. If submitted on a monthly basis, the proof must be submitted by the 25th of the preceding winter month for the months of December, January and February.

- Plans and proof of comparable firm capacity should be submitted directly to Teresa Lewis at tlewis@vectren.com.
VEDO Design Peak Day Forecast

- VEDO’s Design Peak Day Forecast uses a linear regression based model. The forecast will be updated annually and will form the basis for any Capacity Contract changes the Company may make.
**Daily Directed Quantities (DDQ’s)**

- By 8:00 a.m. Central Clock Time (CCT) each day (including Saturdays, Sundays, and Holidays), VEDO will post on its Marketer Extranet, SCO Suppliers’ Directed Delivery Quantity (DDQ) for the gas day beginning 9:00 a.m. CCT the following day.

- Such SCO DDQ shall be the sum of:
  - the Expected Demand of the Supplier’s tranches for that gas day, plus
  - tranche UAFG quantities based on VEDO’s UAFG Percentage, plus
  - any necessary adjustments for interstate pipeline and/or VEDO operating constraints or for other agreed to reasons.

- April 1, 2017 DDQ’s will be posted on March 30th and updated March 31st if deemed necessary.

- The DDQ will be posted on a daily basis for the next day’s flow with the following exceptions:
  - **Static DDQ’s**
    - During the months of June through November or as weather permits, VEDO will post DDQ’s on Friday for Saturday, Sunday and Monday.
      - Subject to change
      - May post for longer/shorter period should VEDO deem the need
Daily Directed Quantities, Cont’d. (DDQ’s)

Holiday DDQ Posting Schedule (TCO non-critical days)

Thanksgiving Holiday –
Wednesday – Post Thursday’s and Friday’s DDQ’s
Friday – Post Saturday’s, Sunday’s, and Monday’s DDQ’s

Christmas Holiday –
Christmas Eve – Post DDQ’s for Christmas Day and Dec. 26th

New Year’s Day –
New Year’s Eve – Post DDQ’s for New Year’s Day (Jan. 1st) and January 2nd

Easter –
Saturday before Easter – Post DDQ’s for Sunday and Monday

Memorial Day –
Sunday before Memorial Day – Post DDQ’s for Monday and Tuesday

Labor Day –
Sunday before Labor Day – Post DDQ’s for Monday and Tuesday

If TCO has called a critical day, DDQ’s potentially will be posted daily.
**Forecasting Equations**

- The sum of the Choice and SCO pool forecasts are scaled to the non-Transportation demand from VEDO’s Design Peak Day Forecast to determine the pools’ allocation of Peak Day Demand and accompanying Capacity.

- For forecasts on days that are projected to be 66 heating degree days or colder, VEDO will use regression based forecasting methodology for all daily requirements forecasts.

- VEDO will forecast Daily Transportation Deliveries when nominations are not available and use actual nominations from pool operators when available.

- If needed, VEDO may adjust its forecast methodology to respond to operational requirements in order to address excessive daily and monthly system imbalances.
Daily Nominations

- At the time of posting the DDQ, VEDO shall indicate the minimum and maximum or exact MMBtu quantity that shall be delivered by Supplier on each interstate pipeline or to each VEDO city-gate to achieve the DDQ.

- Suppliers will be required to nominate scheduled storage injections and withdrawals to the pipelines and to VEDO, including TCO storage withdrawals to non-VEDO delivery points.
  - The volumetric difference between what is nominated to VEDO and what is nominated to the pipelines is subject to a Nomination Error Charge.

- All off-system storage withdrawals must be nominated to VEDO via the Marketer Extranet. TCO off-system storage withdrawals are not eligible for TCO No-Notice nomination changes.

- Shipper must deliver primary (receipt and delivery).

- VEDO will post daily minimum and maximum TCO storage injection and withdrawal limits and minimum TCO storage inventory levels.

- Scheduled injection nominations during winter months and scheduled withdrawal nominations during summer months are subject to approval in advance by VEDO.
Daily Nominations, Cont’d.

- By 1:00 p.m. CCT each day the Supplier shall nominate to VEDO via VEDO’s Marketer Extranet the quantity of gas scheduled for delivery at Company's city-gates to meet its DDQ for the following gas day.

- No-Notice nominations may be made to Supplier’s scheduled storage withdrawal nominations by VEDO via TCO’s EBB per the timeline indicated in TCO’s tariff for the prior day’s flow if such SCO/Choice Supplier has not delivered adequate supplies to meet its DDQ or has not met its TCO minimum city-gate allocation delivery volume.

- SCO and Choice Suppliers may be charged by TCO for any overrun or other penalties associated with exceeding their individual storage contract rights. VEDO will not be held responsible for any such penalties.

- In the event that VEDO, as meter operator, incurs penalties assessed by TCO for a violation, the penalties will be assessed to each Supplier that contributed to the penalty proportional to their contribution to the violation.

- Intraday nominations must be approved by VEDO prior to scheduling, and should be avoided unless they are being schedule to rectify a pipeline cut.
City–Gate Delivery Requirements

- The percentages are recalculated and communicated to Suppliers periodically.
  - Typically on a seasonal basis

- Delivery requirements are subject to change due to pipeline work by VEDO or an interstate pipeline. Advance notice will be provided as soon as possible.

- A City–Gate Allocation Non–Compliance Charge will be assessed on the quantity difference if the SCO Supplier’s confirmed daily pipeline nomination is less than the minimum or greater than the maximum city–gate allocation requirements.
**Operation Flow Order’s (OFO’s)**

- Company may issue an Operational Flow Order (OFO), in its reasonable discretion, as specified in this section upon determination that an action is required in order to:

  1. alleviate or prevent conditions which threaten the integrity or reliability of Company’s Operational System
  2. to maintain the Operational System in balance
  3. to maintain adequate storage inventory balances
  4. to assure deliveries of gas supplies by Choice Suppliers, SCO Suppliers, and Pool Operators to serve their respective Customers’ loads
  5. adhere to the various interstate pipeline companies’ balancing requirements, as stated in their FERC approved gas tariffs
  6. direct SCO Suppliers, Choice Suppliers, Pool Operators and Transportation Customers to different city-gates or to institute different city-gate delivery allocations due to system maintenance or system constraints, or
  7. any other condition warranting a change to delivery requirements.

- Company will post the OFO notice via their EBB.
OFO’s Continued

- An OFO may be issued on a non-discriminatory basis to SCO Suppliers, Choice Suppliers, Pool Operators, and Transportation Customers delivering gas to Company's city-gates, on a system-wide basis, program basis, or individual basis, when necessary in Company's sole judgment.

- An OFO may be issued on a non-discriminatory basis to all Suppliers delivering gas to VEDO’s city-gates, all Suppliers within individual Programs, or an individual non-complying Supplier, when necessary in Company’s sole judgment.

- Violations of OFO requirements will be subject to a $35.00/Dth charge for any volumes over or under the specified restriction (See Supplier Charges).

- Company will make every effort to give 24 hours notice of OFO’s. If the risk of a potential future critical issue is identified, VEDO will attempt to post an OFO Alert notice to their EBB.

- VEDO will typically issue a Cold OFO in the following situations:
  - Columbia Pipeline Group issues a Transport Critical Day or OFO, and the TCO Storage inventory levels are above 30%.
  - Columbia Pipeline Group issues a Storage Critical Day or OFO regardless of the collective storage inventory level.

- VEDO will typically issue a Warm OFO if TCO issues a Storage Critical Day limiting injections.
**POLR Responsibilities**

- VEDO is the coordinator of Provider of Last Resort (POLR) services for the VEDO system.
- Defaulting Suppliers will be required to reimburse VEDO and other Suppliers for any incremental POLR costs incurred. Any incremental costs not recovered from defaulting Suppliers will be included in the Exit Transition Cost Rider.
- The following approach to POLR will be used for any Supplier default during an SCO Phase:
  - VEDO will identify the need for POLR supply and notify the non-defaulting SCO and Choice Suppliers when such need arises.
  - VEDO will take the following short-term action with regard to obtaining POLR supply:
    - SCO/Choice Suppliers collectively will provide supply to meet POLR needs, using their individual VEDO-released TCO storage inventories. The withdrawn storage inventory will be subsequently replaced with the replacement cost assessed to the defaulting Supplier.
    - An Operational Flow Order will be issued to Large Transporters/Pool Operators.
**POLR Responsibilities, Cont’d.**

- Next, as soon as possible, all transportation and storage capacity released to the defaulting Supplier will be recalled by VEDO who will use it to meet some portion of the immediate needs of the defaulting Supplier’s customers.

- VEDO will nominate from the defaulting Supplier’s TCO storage account as needed to meet the defaulting Supplier’s customer loads.

- VEDO will fill any remaining shortfall through acquiring additional temporary capacity and supply or city-gate deliveries if needed to protect system integrity.

- VEDO will coordinate the provision of POLR service for the remainder of the billing month in which the default occurs, and the subsequent month, or until an alternate solution is effectuated.

- In the event of Supplier removal, VEDO will take the following action with regard to an alternate solution:
  - If a Choice Supplier defaults, per the Choice Tariff, VEDO will offer non-defaulting Choice Suppliers the option of assuming the customers of the defaulting Supplier. If there are no takers, the customers will revert to SCO Service and shall be apportioned to SCO Suppliers as described below.
POLR Responsibilities, Cont’d.

- If an SCO Supplier defaults or non-defaulting Choice Suppliers do not assume the customers of a removed Choice Supplier:
  - The remaining SCO Suppliers’ loads will be increased to cover the defaulted load proportionate to the number of tranches awarded in the SCO auction.
  - SCO Suppliers will be paid for the new load at the same SCO Price per MMBtu as established in the most recent auction for their own supply tranches.
  - Incremental load allocated to an SCO Supplier will be limited to 50% of the load awarded to that SCO Supplier at the most recent SCO auction.
  - For the portion of load quantity remaining after each SCO Supplier has been allocated incremental load per the 50% limit described above, that load will be assigned to current or new SCO Suppliers based on an accelerated auction process.

- If there are only three winning bidders in the SCO auction and one Supplier defaults during the term, the two remaining SCO Suppliers will both receive a 50% portion of the defaulting Supplier’s load, transport capacity and storage capacity assigned to them.

- A pro-rata portion of the defaulting Supplier’s transport capacity and storage capacity will also be allocated to remaining SCO Suppliers.
Operational Reporting provided by VEDO

- **Weekly Reporting**
  - **Forecasting Backcast Comparison**
    - Available by request, this report is provided to the Supplier’s Forecaster.
    - Reflects forecasted demand compared to the demand that would have been forecasted with actual weather and percentage of forecast miss.

- **Monthly Reporting**
  - **Traditional Large GT Imbalance Report**
    - Posted around the 25th of the month after flow.
    - Reflects deliveries, usage and imbalances, both daily and monthly.
  
  - **Monthly 2-Way Match**
    - Posted around the 25th of the month after flow.
    - Compares confirmed deliveries, including OBA and No-Notice volumes, against pipeline measurement and VEDO SCADA measurement for the month.

- **Resync Report** – Posted to Suppliers’ VEDO hosted ftp site on the first work day of the month.
**SCO Supplier Billing**

- **Supplier Charges**
  - Rendered each month by the 25th day of the month, for the prior month’s activity.
  - VEDO will pay the SCO Suppliers:
    - The total SCO dollars billed to their SCO customers for each revenue month
    - A portion of the Default Sales Service customers’ billings based on awarded tranches
  - Payment to Supplier from VEDO typically is made within three days of issuance of the monthly invoice statement via wire.
  - Payment from Supplier to VEDO is due within five days of receipt of the electronic monthly invoice statement.
SCO Supplier Billing, Cont’d.

- Supplier Monthly Charges can include the following:
  - **Financial Evaluation Charge** – A $50.00 charge per financial evaluation.
  - **Nomination Error Charge** – A charge of $0.50 per Dth based upon the quantity difference between the Supplier’s daily pipeline nomination and the pipeline daily confirmed volume delivered to VEDO, for each day of difference.
  - **DDQ Non–Compliance Charge** – A charge of $15.00 per Dth for the daily difference between the tranche’s DDQ and the aggregate deliveries, which includes scheduled storage injections or withdrawals.
  - **City–Gate Allocation Non–Compliance Charge** – A charge of $5.00 per Dth for any daily city–gate scheduled nomination less than the minimum or greater than the maximum city–gate allocation requirement.
  - **OFO Non–Compliance Charge** – A charge of $35.00 per Dth for any volumes over or under the specified restriction.
**SCO Supplier Billing, Cont’d.**

- **Storage Non-Compliance Charge –**
  - A charge of $15.00 per Dth charge for the first two occurrences during the term of the contract.
  - A charge $35.00 per Dth charge for the third and subsequent occurrences during the term of the contract.
  - Supplier is considered in default upon the fifth occurrence.
  - Charges apply to any volumes greater than the VEDO-established maximums or less than the VEDO-established minimums for the daily injection and/or withdrawal requirements or monthly inventory requirements.
  - Charges will apply daily for any volumes outside the monthly inventory requirements for that month.
  - In the event that TCO allows daily over-injection or over-withdrawal rights, Company shall not impose the Storage Non-Compliance Charge on any volumes injected or withdrawn less than the minimum or greater than the maximum daily injection and withdrawal limits set by Company. However, over-injection and over-withdrawal rights do not preclude the TCO Storage Holders from maintaining their daily storage inventory levels within the limitations set by the Company.
SCO Supplier Billing, Cont’d.

- **Related Charges** – Supplier shall reimburse VEDO for all charges VEDO incurs in connection with interstate pipeline transportation of Supplier-Delivered Gas including any gas costs, penalty charges, or cash-outs.

- **System Balancing Charge** – The gas costs and monthly Imbalance cash-outs payable by/to the Transporters will be allocated among the Suppliers based on their portion of TCO storage (monthly CRP).

- **Annual Reconciliation Amount** – Charge/payment as determined by the Annual Volume Reconciliation (See Annual Reconciliation). The price utilized for cash-outs will be the IFERC Gas Market Report First-of-the-month price for Columbia Gas Transmission Corp, Appalachia plus taxes and applicable variable costs including fuel retention and pipeline variable charges for the months during the SCO Period.

- **Alternate Peaking Supplies Charge** – The cost of alternate supplies provided by Company for Suppliers.

- **POLR Charge** – Any charges associated with providing provider of last resort services due to the default of Supplier.

- **Delivery Point Cashout Amounts** – Charges/payments associated with Pipeline Delivery Point cash-outs, OBA/POA settlements, or other related costs, allocated pro-rata to Suppliers.

- **Pipeline Invoice Charges** – Charges or credits associated with the difference between interstate pipeline charges and the actual credits received on capacity released to Choice Supplier via mandatory capacity release.
**SCO Supplier Billing, Cont’d.**

- **Receivables**
  - VEDO will purchase 100% of the of SCO and Choice Supplier receivables without discount so long as VEDO has continuing authority pursuant to Commission Entry to seek recovery for unpaid customer receivables.
    - In the event such continuing authority is terminated pursuant to Commission Entry, VEDO reserves the right to impose a discount on SCO Supplier receivables in an amount that reflects collection experience for the twelve (12) months immediately preceding cessation of authority to recover.

- Customer Billed Supply Charges and Customer Billed Supply Tax Charges (i.e. Receivables) are credited to the Supplier’s bill monthly.
  - The dollars reflect the dollars billed to customers the previous revenue month.
  - VEDO bills on a 21 cycle basis. Receivables for April will be paid in May.
**SCO Supplier Billing, Cont’d.**

- **Bill Detail Report**
  - The bill detail report will be sent via e-mail and reflects the charges billed to their customers for the preceding revenue month (i.e. breakdown of receivables by customer).
    - **Suppliers will need Excel 2007 in order to receive this file.** The file will consist of the following information:
      - Customer’s account number
      - Rate (Supplier’s rate code)
      - Charge
      - Tax Rate
      - County Code
      - Tax Charge
      - Ccf Amount
  - Please note that the usage associated to the receivables is based on a revenue month, and the usage used in the monthly reconciliation of deliveries is calendarized usage.
Post Phase Receivables – Prior Period Adjustments

- Prior period adjustments are adjustments to customers' charges for prior periods.
- VEDO will attribute any post-phase prior period adjustments to suppliers active during an auction phase for a period of one month post-phase.
  - Any adjustments made after that one month post-phase period will go to the ETC Rider.
  - Should large adjustments be made, VEDO may adjust the final Supplier bills to the Suppliers active during the month(s) the adjustment was attributable up to the time period the ETC audit is completed and is approved.

Please note that Vectren cannot keep the EDI transactions for these post-phase adjustments from transmitting to Suppliers.

Suppliers will need to ignore these transactions as these dollars will not be reflected in the receivables.
Annual Reconciliation

- SCO and Choice Suppliers’ deliveries will be reconciled to their supply requirements on an annual basis.

- On a monthly basis Company will compare each Supplier’s Deliveries to the Supplier’s Pool and Allocated Requirements to determine the Supplier’s Monthly Reconciliation Volumes.

  - The **Supplier’s Deliveries** will be the sum of the Supplier’s confirmed deliveries to the city-gate, its no-notice storage activity, and its allocated share of alternate peaking supplies.
  
  - The **Supplier’s Pool Requirements** will be determined by adjusting the Supplier’s Pool’s actual billed usage for annual Standard BTU Value and the UAFG % identified in VEDO’s Tariff.
  
  - The **Supplier’s Allocated Requirements** will include the Supplier’s portion of Large Transporter Imbalance volumes (sum of their deliveries minus VEDO tariff unaccounted for gas percentage minus usage converted to Dth using VEDO’s monthly average BTU), VEDO Line Pack changes, and VEDO Operational Balancing Agreement (OBA) volume changes.

- The reconciliation cash-out price for each month will be the IFERC Gas Market Report First-of-the-month price for Columbia Gas Transmission Corp, Appalachia plus applicable variable costs including fuel retention and pipeline variable charges.
The sum of the monthly reconciliation cashout amounts, plus any applicable taxes, will be the annual cashout credit or charge.

Such reconciliations will be performed the second month following the end of the last month of flow in order to have sufficient time to obtain all billed usage for the applicable period and prior usage adjustments.

SCO Suppliers can expect to receive their annual reconciliation statement by the end of May each year.

Annual Volume Reconciliation statements remain subject to revision based on any corrections to underlying data and any issues identified in the annual ETC Audits.
Reconciliation Calculation Example

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Confirmed Deliveries</td>
</tr>
<tr>
<td>2</td>
<td>Allocated Peaking Supply</td>
</tr>
<tr>
<td>3</td>
<td>Auto Balancing Activity</td>
</tr>
<tr>
<td>4</td>
<td>Total Supplied (lines 1+2+3)</td>
</tr>
<tr>
<td>5</td>
<td>Pool Usage (MCF)</td>
</tr>
<tr>
<td>6</td>
<td>Standard BTU</td>
</tr>
<tr>
<td>7</td>
<td>Pool Usage (Dth) (lines 5*6)</td>
</tr>
<tr>
<td>8</td>
<td><strong>Pool Requirements (line 7/-UAFG%)</strong></td>
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<tr>
<td></td>
<td>Allocated LGT Imbalance (Deliveries minus shrink minus usage)</td>
</tr>
<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Allocated Pipeline OBA Change</td>
</tr>
<tr>
<td>11</td>
<td>Allocated Line Pack Change</td>
</tr>
<tr>
<td>12</td>
<td><strong>Total Requirements (lines 8-9-10-11)</strong></td>
</tr>
<tr>
<td>13</td>
<td>Reconciliation Volumes (line 4-12)</td>
</tr>
<tr>
<td></td>
<td>Reconciliation Price (first of the month Columbia Appalachia plus TCO fuel</td>
</tr>
<tr>
<td></td>
<td>and Commodity)</td>
</tr>
<tr>
<td>14</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td><em><em>Reconciliation Amount (lines 13</em>-14)</em>*</td>
</tr>
</tbody>
</table>
Customer Enrollment

- SCO Customer Initial Enrollment Files
  - Each SCO Supplier will receive one initial file indicating the Choice eligible premises assigned to them in the following format:
    - File name will be the supplier code plus the date plus “SCO_Assignments.txt”
    - For example: XYZ_20090819_SCO_Assignments.txt
    - Tab-delimited flat-file format
    - The last 4 digits of an SCO Supplier’s DUNS # will be 0001.
    - VEDO will send files as of the date indicated on the SCO Auction timeline.
    - SCO Suppliers will mail their Standard Welcome Letters as of the date indicated on the SCO Auction timeline.
The initial customer file will include the following data elements listed to the right.

Please **Note:**

- Parsed customer name (Last, First, Middle) will be in the initial and actual enrollment files.
- Previously Tax Exempt indicator – indicates if the customer was tax exempt with their last SCO Supplier. **SCO Suppliers are strongly encouraged to contact the customer to obtain their tax exemption certificates.**
  - **SCO customers will not retain their tax exemption status when they change SCO Suppliers.**
  - **SCO customers remaining with the same SCO Supplier across phases will retain their tax exempt status.**

The file will only contain those customers expected to be active with the SCO Supplier on April 1.
Customer Enrollment, Cont’d.

- EDI Drop transactions will not be sent to SCO Suppliers from the previous phase.

- A Customer’s premise may or may not remain with the same SCO Supplier from one phase to the next.

- VEDO will run the allocation process in mid to late-February for purposes of sending SCO Bill Inserts to SCO eligible customers identifying the supplier assigned to their premises.
  - VEDO will mail the Bill Inserts over a three week period.

- SCO Suppliers are required to send the standard Welcome Letter.
  - The Supplier Standard Welcome letter informs customers to notify their supplier if they are Sales Tax Exempt.
  - If the SCO Supplier retains a customer from the previous phase, they do not need to send the customer a Welcome Letter.
  - SCO Suppliers are also required to send a standardized Welcome Letter to all SCO Customers newly enrolled with them.
Customer Enrollment, Cont’d.

- The customer list will be sent to an FTP site provided by VEDO.
- On April 1, VEDO will enroll customers’ premises with the assigned SCO Supplier.
- Suppliers will receive a new file on the same FTP site on April 1 with the actual enrollments.
- Suppliers will need to default the April 1 start date and the year when importing into their respective systems.
  - There will be differences in the April 1 actual enrollments vs. the mid-February initial enrollments due to:
    - Customers enrolling in Choice
    - Customers moving between premises
    - Customers enrolling in PIPP
    - Customers being disconnected
    - New customer being connected
Customer Enrollment, Cont’d.

- The initial Choice eligibility check performed in mid-February will not be rerun in April.

- VEDO will send the historical usage EDI transaction file to the SCO Suppliers for the customers enrolled as of April 1.

- SCO Suppliers will receive a monthly report showing their active SCO customers that have opted not to have their information included on the VEDO issued Choice eligible list.

- Resync reports will be provided monthly to SCO and Choice Suppliers which lists all active and pending customers.
- The April 1st SCO enrollment file format

- Please note:
  - Expected Start Date – customer is expected to start with the SCO Supplier on this date. The majority of the dates will reflect April 1.
  - If the customer was retained from prior phase(s), the expected start date will reflect their original start date with that SCO Supplier.
    - Example: Customer enrolled with SCO Supplier April 1, 201X (from a prior SCO Phase)
    - Customer was assigned to the same SCO Supplier for year two and three
    - Customer’s expected start date would be 0401201X
    - Supplier can use this information to determine which SCO customers they will be retaining, and which ones they need to drop.
  - Will also reflect customers with pending Choice drops as of April 1, and the expected start date (i.e. next read date +1) with the SCO Supplier.

Field Name

<table>
<thead>
<tr>
<th>Field Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Code</td>
</tr>
<tr>
<td>Residential / Non-Residential Indicator</td>
</tr>
<tr>
<td>Read Cycle</td>
</tr>
<tr>
<td>Customer Number</td>
</tr>
<tr>
<td>Customer Name</td>
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<td>Billing Other Address Information</td>
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</tr>
<tr>
<td>Customer First Name</td>
</tr>
<tr>
<td>Customer Middle Name</td>
</tr>
<tr>
<td>Previously Tax Exempt (Y/N)</td>
</tr>
<tr>
<td>Expected Start Date</td>
</tr>
<tr>
<td>Expected End Date</td>
</tr>
</tbody>
</table>
Customer Enrollment, Cont’d

- Expected End Date – the customer is expected to end their enrollment with the SCO Supplier on this date. The majority of the dates will reflect March 31 of the following year.

- If the customer has a pending Choice enrollment, this field will reflect the date they are expected to drop from the SCO Supplier. Keep in mind that the customer may rescind the enrollment and the SCO enrollment will remain intact.

- A reinstatement transaction will not be generated. Suppliers are advised to cross reference enrollments with their monthly “resync file” to verify the customer was actually enrolled with them.
**Migration To/From Choice**

- Choice customers who drop or are dropped by their Choice Supplier without specifying an alternative Choice Supplier and are Choice eligible will migrate to SCO Service.
  - If the SCO Supplier assigned to the dropping Choice customer’s premises is the same as the Choice Supplier they are dropping from, an alternative SCO Supplier will be assigned to that customer on a sequential basis.
  - If the customer is Choice ineligible, they will drop to DSS.
- The capacity follows the customer.
- SCO Customers may migrate to Choice Suppliers at any time if they are eligible.
- **SCO Suppliers’ tranches will not be equalized throughout the phase due to migration.**
Customer Drops

- If the customer is disconnected, the customer will be dropped from SCO when the physical disconnection of gas takes place. The Supplier will receive an EDI Drop transaction.

- Customers cannot elect to drop from SCO to DSS.

- SCO Suppliers will **not** receive drop transactions for their current SCO customers at the end of this phase.
Disconnect/Reconnect – Same Premise

- **Reconnected within 10 days – SCO and Choice**
  - If customer reconnects within 10 days:
    - Will reconnect with the same Supplier they were with upon disconnection be it SCO or Choice.
    - A Reinstatement transaction will be created with the reactivation date and sent to the Supplier.

- **Reconnected greater than 10 calendar days – SCO and Choice**
  - If the customer does not reconnect the service within 10 calendar days:
    - The eligibility check will be performed upon reconnection.
    - If eligible, the customer will be enrolled with the SCO Provider for their premises. If not eligible, they will default to DSS Service.
Billing of Taxes

- County Taxes on SCO Supplier supply charges:
  - VEDO will provide the County Tax Code in the EDI Enrollment Response to the SCO Supplier.
    - SCO Supplier will provide customer’s tax exemption percentage to VEDO via EDI Change Detail Transaction.
  - Change Detail Transactions can only be sent after the Supplier has received an Enrollment Response from VEDO.
    - VEDO cannot receive Change Detail Transactions prior to April 1 for any new SCO Customers not yet enrolled.
  - SCO Suppliers will be responsible for remitting sales tax to the relevant state and county authorities. (Taxes charged to customers are contained in the EDI Invoice files, and on the Bill Detail Report)
**Tax Exemptions**

- SCO Suppliers are strongly encouraged to contact the customer to obtain their tax exemption certificates.

- A tax exempt indicator and exemption percentage must be sent to VEDO from each Supplier for newly enrolled customers with that Supplier. **Customer’s tax exemption is not transferrable between Suppliers or Programs be it Choice or SCO.**
  - If an SCO customer is being served by an SCO Supplier and is tax exempt and enrolls with the same Supplier as a Choice customer, the Supplier will need to send in a new tax exemption EDI transaction for the customer’s Choice account to VEDO.

- VEDO will not reimburse customers for any Sales Tax charged if a tax exempt change indicating the appropriate exemption status and percentage has not been received by VEDO from their Supplier.
Questions?