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JUL 15 2004

STATE OF INDIANA  
BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION  
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF INDIANA GAS )  
COMPANY, INC., SOUTHERN INDIANA GAS )  
AND ELECTRIC COMPANY AND THE BOARD )  
OF DIRECTORS FOR UTILITIES OF THE )  
DEPARTMENT OF PUBLIC UTILITIES OF THE )  
CITY OF INDIANAPOLIS, AS SUCCESSOR )  
TRUSTEE OF A PUBLIC CHARITABLE TRUST, )  
d/b/a CITIZENS GAS & COKE UTILITY, )  
PURSUANT TO IND. CODE § 8-1-2.5 et. seq. )  
FOR APPROVAL OF AN ALTERNATIVE )  
REGULATORY PLAN WHICH WOULD )  
ESTABLISH A UNIVERSAL SERVICE PROGRAM )

CAUSE NO. 42590

SUPPLEMENTAL TESTIMONY AND EXHIBITS

Of

GREGORY A. SAWYERS And  
L. DOUGLAS PETITT

On Behalf  
Of Petitioners

Citizens Gas.& Coke Utility,  
Indiana Gas Company, Inc., and  
Southern Indiana Gas & Electric Company

July 15,2004

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**Of**

GREGORY A. SAWYERS

On  
Behalf of  
Petitioners

Citizens Gas & Coke Utility,  
Indiana Gas Company, Inc., and  
Southern Indiana Gas & Electric Company

Petitioners' Exhibit GAS-S

1 **Q.** PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 **A.** My name is Gregory A. Sawyers. My business address is 2020 N. Meridian  
3 Street, Indianapolis, Indiana 46202.

4 **Q.** BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 **A.** I am employed by Citizens Gas & Coke Utility ("Citizens"). My title is Director  
6 of Customer Services.

7 **Q.** ARE YOU THE SAME GREGORY A. SAWYERS THAT PREVIOUSLY  
8 TESTIFIED IN THIS PROCEEDING?

9 **A.** Yes.

10 **Q.** WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN  
11 THIS PROCEEDING?

12 **A.** The purpose of my Supplemental Testimony is to provide support for the  
13 Stipulation and Settlement Agreement Among All Parties (the "Settlement  
14 Agreement") that was filed with the Indiana Utility Regulatory Commission  
15 (Commission") on July 15,2004 and to recommend that the Commission approve  
16 the Settlement Agreement as consistent with the public interest. A copy of the  
17 Settlement Agreement is attached hereto as Exhibit GAS-S1. My Supplemental  
18 Testimony focuses on those areas of the Settlement Agreement that differ from  
19 the prior Stipulations filed in this Cause.

20 **Q.** PLEASE DESCRIBE THE HISTORY LEADING UP TO THE  
21 EXECUTION OF THE SETTLEMENT AGREEMENT.

22 **A.** On March 4,2004, Citizens, along with Indiana Gas Company, Inc. d/b/a Vectren

1 Energy Delivery of Indiana, Inc. ("IGC") and Southern Indiana Gas & Electric  
2 Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("SIGECO")  
3 (collectively, the "Joint Petitioners"), filed a Verified Joint Petition seeking  
4 approval of an alternative regulatory plan ("ARP") for each Joint Petitioner.  
5 Under the terms of the proposed ARPs, each Joint Petitioner would implement a  
6 pilot "Universal Service Program" (the "Program").

7 Prior to filing the Verified Joint Petition, Joint Petitioners met with the  
8 Indiana Office of Utility Consumer Counselor ("OUCC") on a number of  
9 occasions to discuss how best to create and implement the proposed pilot  
10 Program. On March 5, 2004, IGC and SIGECO (collectively "Vectren") entered  
11 into a Stipulation and Settlement Agreement with the OUCC, and filed it with the  
12 Commission. Citizens also entered into a Stipulation and Settlement Agreement  
13 with the OUCC on the same day and filed it with the Commission.

14 On March 12, 2004, Citizens Action Coalition of Indiana, Inc. ("CAC")  
15 filed a Petition to Intervene and to be made a party in the proceeding, which was  
16 granted by Docket Entry dated March 18, 2004. An ad hoc group of Joint  
17 Petitioners' customers known as the Manufacturing and Health Providing  
18 Customers ("MHPC") filed a Petition to Intervene on April 5, 2004, which the  
19 Commission also granted by Docket Entry on April 7, 2004.

20 On April 30, 2004, Joint Petitioners and the OUCC entered into and filed  
21 with the Commission Amended Stipulation and Settlement Agreements (the  
22 "Amended Stipulations"). The primary difference between the original

1           Stipulations and the Amended Stipulations was that under the Amended  
2           Stipulations, customers eligible to participate in the Program would receive one of  
3           three tiered percentage reductions in their bills based on certain criteria. Under  
4           the original Stipulations, customers were to receive a flat percentage reduction.  
5           After the original Stipulations were filed, Joint Petitioners and the OUCC were  
6           advised by the Family and Social Service Administration ("FSSA"), which  
7           oversees the administration of the State's Energy Assistance Program ("EAP"),  
8           that a tiered percentage reduction in eligible low-income customers' bills would  
9           be needed to fulfill the guidelines of the federal Low-Income Heating Energy  
10          Assistance Program ("LIHEAP") Block Grant.

11                    On April 30,2004, Joint Petitioners and the OUCC filed their Direct  
12          Testimony and Exhibits in support of the Amended Stipulations. On May 28,  
13          2004, CAC filed the Direct Testimony and Exhibits of Roger D. Colton. Also on  
14          May 28,2004, MHPC filed the Direct Testimony of Nicholas Phillips, Jr.

15                    Joint Petitioners filed Rebuttal Testimony on June 7,2004. Also on June  
16          7,2004, CAC's witness Colton and MHPC's witness Phillips filed cross-  
17          answering testimony.

18                    Prior to the June 17,2004 evidentiary hearing in this Cause, the parties  
19          continued their ongoing settlement discussions. As a result of those discussions,  
20          the Parties reached a settlement of all issues in this proceeding prior to the  
21          commencement of the evidentiary hearing.

1   **Q.    WHAT IS THE PROPOSED TERM OF THE PILOT PROGRAM UNDER**  
2   **THE SETTLEMENT AGREEMENT?**

3   A.    Under the Settlement Agreement, the Program will begin on January 1,2005 and  
4   end on December 31,2006. I believe the 2-year term of the Pilot Program will  
5   give Joint Petitioners, the Commission, the OUCC and the other interested  
6   parties' useful information about the actual impact of the Program in assisting  
7   low-income customers. At the expiration of the Pilot Period, Joint Petitioners  
8   may seek to implement the same or a different universal service program by filing  
9   a new petition with the Commission.

10   **Q.    WHY WAS THE START DATE OF THE PROGRAM MOVED BACK TO**  
11   **JANUARY 1, 2005?**

12   A.    The FSSA and Community Action Agencies ("CAAs") responsible for enrolling  
13   customers in the Program expressed a concern that an earlier start date would not  
14   allow adequate time for the CAAs to enroll customers. The revised start date is  
15   an attempt to accommodate those concerns.

16   **Q.    PLEASE DESCRIBE THE ASSISTANCE THAT CITIZENS WILL**  
17   **PROVIDE TO LOW-INCOME CUSTOMERS UNDER THE**  
18   **SETTLEMENT AGREEMENT.**

19   A.    The net bill for Citizens' low-income customers eligible to participate in the  
20   Program's first year will be either 9%, 18% or 24% lower than their residential  
21   gas service bill. The State's Benefit Matrix used in the EAP application process  
22   will determine which percentage reduction an eligible customer will receive.

1           The pre-determined tier structures were established jointly by the FSSA  
2           and Joint Petitioners using prior heating season data regarding low-income  
3           customers. Spreadsheets showing how the percentages and tier structures for  
4           Citizens were established are attached hereto as Exhibit GAS-S2.

5           Prior to the start of the second year of the Program, the FSSA and Joint  
6           Petitioners will use the Program's first year heating season data to determine if  
7           any adjustments are needed to the percentages or the tier structure.

8   **Q.    IS USE OF THE STATE'S BENEFIT MATRIX CONSISTENT WITH MR.**  
9   **COLTON'S TESTIMONY THAT DISCOUNTS SHOULD NOT BE TIED**  
10 **SOLELY TO POVERTY LEVEL?**

11 A.    Yes. Poverty level is but one of number of factors considered under the Benefit  
12 Matrix. Other factors, to name a few, include: (i) size of household; (ii) whether  
13 there are at risk persons in the home (i.e., elderly or disabled individuals and  
14 children under the age of 5); and (iii) the heating source used in the home (i.e.,  
15 gas, electric, oil, etc.).

16 **Q.    HOW WILL THE EAP GRANTS OF ELIGIBLE CUSTOMERS BE**  
17 **TREATED UNDER THE SETTLEMENT AGREEMENT?**

18 A.    CAC's witness Roger D. Colton testified that he was concerned that some  
19 customers might not receive their full LIHEAP benefit under the terms of the  
20 Program as set forth in the original and Amended Stipulations, which called for  
21 EAP grants to be accumulated in the Joint Petitioners' respective Universal  
22 Service Funds and applied to the customer discounts. Mr. Colton also indicated



1           that he was concerned that under the prior Stipulations, LIHEAP benefits received  
2           in a specified year would be used to pay energy costs in a later year. Mr. Colton  
3           pointed out that the utilities may be required by federal law to ensure that all  
4           customers receive their entire LIHEAP benefit each year.

5                     Under the Settlement Agreement, instead of FSSA directing each  
6           participating customer's EAP grant into the respective utility's "Universal Service  
7           Fund," the EAP grant would continue to be applied directly to customer bills.  
8           Citizens then would discount the bills of its participating customers by 9%, 18%  
9           or 24%.

10   **Q.   WHAT WOULD THE ULTIMATE IMPACT BE ON CUSTOMER BILLS,**  
11   **CONSIDERING BOTH THE CUSTOMER'S EAP GRANT AND THE**  
12   **DISCOUNT PROVIDED UNDER THE PROGRAM?**

13   **A.**   The EAP grant itself generally accounts for an approximately 20% decrease in the  
14   customer's annual gas bill, but fluctuates based on customer need (the bills of  
15   customers with less need based on the State's Benefit Matrix are reduced by  
16   something less than 20%, while the bills of those with a greater need are reduced  
17   by a little more than 20%). During the first year of the Program, the net bills of  
18   Citizens' participating customers on an annual basis ultimately would be  
19   approximately 27%, 40% or 50% lower than their normal residential gas service  
20   bill.

1 Q. ARE THE TOTAL BILL REDUCTIONS TO BE REALIZED BY  
2 PARTICIPATING CUSTOMERS CONSISTENT WITH MR. COLTON'S  
3 PROPOSED PERCENTAGE DISCOUNT TIERS?

4 A. Yes. In his direct testimony, Mr. Colton proposed that the net bill for Citizens'  
5 participating low-income customers be 25%, 40% or 50% lower than their normal  
6 residential gas service bill (instead of 35%, 40% and 45% as called for under  
7 Citizens' Amended Stipulation).

8 Q. DOES THE MODIFICATION TO THE PROGRAM TO ALLOW THE  
9 EAP GRANT TO CONTINUE TO BE APPLIED DIRECTLY TO  
10 CUSTOMER BILLS ALSO ALLEVIATE MR. COLTON'S CONCERN  
11 THAT LIHEAP BENEFITS RECEIVED IN THE SPECIFIED PROGRAM  
12 YEAR WOULD BE USED TO PAY ENERGY COSTS IN A LATER  
13 YEAR?

14 A. Yes, it does. LIHEAP funds would be separated from funds provided by the  
15 utilities and their customers and, thereby, ensure that customers get the full  
16 amount of their LIHEAP benefit each year.

17 Q. WILL FUNDS FOR THE WEATHERIZATION OF LOW-INCOME  
18 HOMES BE PROVIDED UNDER THE PROGRAM?

19 A. Yes. The parties believe weatherization of homes is an integral part of the  
20 success of any universal service program. Under the Settlement Agreement,  
21 Citizens will increase its annual weatherization program funding to a minimum of  
22 \$500,000 annually during the two years of the Program. These funds will be used

1 so that customers with the highest usage will be referred to a State or a Citizens-  
2 sponsored weatherization program.

3 **Q. HOW WILL CITIZENS FUND THE PROGRAM?**

4 **A.** Both weatherization funds and the difference between the amount that otherwise  
5 would be payable for residential gas heating service under Citizens' approved and  
6 authorized rates and the lower bill to be paid by eligible Program participants will  
7 be recovered first from contributions Citizens will make. Citizens will contribute  
8 \$950,000 annually from its various support programs currently in place for low-  
9 income customers (Warm Heart Warm Home Foundation ("WHWH),  
10 Weatherization Funds, GCA50 Funds). Citizens also will contribute \$912,000  
11 annually in new funds from its unregulated businesses.

12 Citizens will recover any remaining deficiency through new per unit  
13 charges to residential, commercial, and industrial customers (including low-  
14 income customers participating in the Program), which will be incorporated into  
15 Rider C (the "Customer Benefit Distribution/Universal Service Program Funding  
16 Tracker"). The charges to be added to Rider C will be imposed commensurate  
17 with Program implementation. Initially, the per dekatherm charge assessed Large  
18 Volume (Gas Rate No. D5) and Interruptible (Gas Rate No. D8) customers will be  
19 one-half cent (\$0.005). The per dekatherm charge for Citizens' remaining  
20 customers will be fully offset by the per unit credit that is equivalent to the  
21 amount of Citizens' recovery through the Customer Benefit Distribution ("CBD")  
22 of FAS106 and FAS71 costs (i.e., \$1,288,000) annually during the term of the

1 Pilot Program. Rider C will be trued up annually, but in no event will the per  
2 dekatherm charges exceed one cent (\$0.01) for Gas Rate Nos. D5 and D8.

3 In the event a funding deficit exists at the end of the pilot Program,  
4 Citizens may create a regulatory asset and continue to utilize the above described  
5 funding mechanism, or for good cause shown, propose an alternate method to  
6 recover such deficit, without carrying charges. In the event surplus funding exists  
7 at the end of the pilot Program, then such surplus shall be included in Citizens'  
8 subsequent CBD or used to fund a subsequent program as authorized by the  
9 Commission.

10 **Q. DOES THE SETTLEMENT AGREEMENT SET FORTH THE**  
11 **PROCEDURES FOR "TRUING UP" THE PER DEKATHERM CHARGES**  
12 **DESCRIBED ABOVE?**

13 A. Yes. By June 30,2005, Joint Petitioners will review their respective pilot  
14 Programs to determine whether the initial charges need to be revised. Joint  
15 Petitioners will file any revisions to their respective Riders pursuant to the  
16 Commission's thirty (30) day filing procedures and serve the other parties with  
17 copies of the filing. Upon Commission approval, the revised Riders would take  
18 effect on January 1,2006.

19 **Q. DOES THE SETTLEMENT AGREEMENT INCLUDE A MECHANISM**  
20 **BY WHICH THE COMMISSION AND THE PARTIES CAN ASSESS**  
21 **WHETHER THE PROGRAM EFFECTIVELY ADDRESSES THE NEEDS**  
22 **OF LOW-INCOME CUSTOMERS?**

1 A. Yes. On or before June 30<sup>th</sup> of each year of the pilot Program, Joint Petitioners  
2 will submit reports to the Commission and provide copies to the OUCC, MHPC  
3 and CAC, showing all necessary and pertinent information from the previous  
4 heating season, which will permit the Commission and the parties to evaluate the  
5 performance and effectiveness of the Program in achieving its goals and purposes.  
6 In the Settlement Agreement, Joint Petitioners agreed to employ Mr. Colton to  
7 assist in determining the pertinent data to be collected.

8 **Q. WHAT DOES THE SETTLEMENT AGREEMENT PROVIDE WITH**  
9 **RESPECT TO ADMINISTRATIVE COSTS?**

10 A. The Joint Petitioners will absorb all costs associated with administering the Pilot  
11 Program. However, Joint Petitioners will continue to track (i.e. monitor and  
12 report) the administrative costs of the Program for review and consideration in  
13 future filings relating to the continuation of the Program after December 31, 2006.  
14 Any recovery by Joint Petitioners of administrative costs will be limited to 5% of  
15 the cost of their respective Programs. The cost of the Program is defined in the  
16 Settlement Agreement to include the cost of weatherization and discounting  
17 customer bills.

18 **Q. UNDER THE SETTLEMENT AGREEMENT, WILL JOINT**  
19 **PETITIONERS SHARE IN ANY NET SAVINGS RESULTING FROM**  
20 **REDUCED WRITE-OFFS OF BAD DEBT?**

21 A. Yes. The Settlement Agreement provides that Joint Petitioners will retain 50% of  
22 any net savings resulting from reduced write-offs of bad debt. The remaining

1 50% of such net savings will be re-deposited into their respective Universal  
2 Service Funds.

3 **Q.** DO YOU BELIEVE THE PROGRAM AS SET FORTH IN THE  
4 SETTLEMENT AGREEMENT WILL BENEFIT JOINT PETITIONERS'  
5 CUSTOMERS?

6 **A.** Yes. The parties to the Settlement Agreement expect the Program to eventually  
7 result in a significant increase in the number of weatherized homes in Indiana and  
8 reduce the number of service terminations attributable to low-income customers'  
9 inability to pay for gas service. Joint Petitioners believe the remainder of their  
10 customers will benefit from the anticipated decrease in number of defaults, and  
11 untimely payments, which otherwise ultimately would have resulted in higher  
12 costs being imposed on them.

13 **Q.** DO YOU BELIEVE THE PROGRAM IS IN THE PUBLIC INTEREST  
14 AND THAT THE SETTLEMENT AGREEMENT SETTING FORTH THE  
15 TERMS OF THE ARP SHOULD BE APPROVED BY THE  
16 COMMISSION?

17 **A.** Yes. As I have previously testified, recent increases in natural gas prices and  
18 colder than normal weather have been particularly difficult on Joint Petitioners'  
19 low-income customers. The Program will provide significant benefits to Joint  
20 Petitioners' low-income customers by reducing their costs and making winter  
21 heating bills more manageable.

- 1   **Q.   DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY IN**  
2           **THIS PROCEEDING?**  
3   **A.   Yes, at this time.**

STATE OF INDIANA  
BEFORE THE  
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VERIFIED JOINT PETITION OF INDIANA GAS )  
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PROGRAM )

**CAUSE NO. 42590**

**STIPULATION AND SETTLEMENT AGREEMENT**  
**AMONG ALL PARTIES**

Joint Petitioners, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Successor Trustee of a Public Charitable Trust, d/b/a Citizens Gas & Coke Utility ("Citizens"), Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("IGC") and Southern Indiana Gas & Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("SIGECO), the Indiana Office of Utility Consumer Counselor ("OUCC"), and Intervenors, Manufacturing and Health Providing Customers ("MHPC") and Citizens Action Coalition of Indiana, Inc. ("CAC") (collectively, the "Parties") having been duly advised by their respective staff, experts and counsel, stipulate and agree that the following terms represent an alternative regulatory plan, and a fair, reasonable and just resolution of the issues involved in this proceeding, subject to their incorporation into a non-appealable final order of the Indiana Utility Regulatory Commission (the "Commission") without modification or further condition that may be unacceptable to any Party hereto ("Final Order"). If the Commission does



not approve this Stipulation and Settlement Agreement Among All Parties (the "Agreement") in its entirety, the Agreement shall be deemed null and void and withdrawn, unless otherwise agreed to in writing by the Parties.

## I, BACKGROUND

On March 4,2004, Joint Petitioners filed their Verified Joint Petition seeking approval of an alternative regulatory plan for each Joint Petitioner, which would allow each Petitioner to implement a pilot "Universal Service Program." On March 5,2004, IGC and SIGECO (collectively "Vectren") entered into a Stipulation and Settlement Agreement with the OUCC, and filed it with the Commission. Also, on March 5,2004, Citizens entered into a Stipulation and Settlement Agreement with the OUCC and filed it with the Commission.

On March 12,2004, CAC filed a Petition to Intervene and to be made a party in the proceeding. The Commission granted CAC's Petition to Intervene by Docket Entry dated March 18,2004. MHPC filed a Petition to Intervene on April 5,2004, which the Commission granted by Docket Entry dated April 7,2004.

On April 30,2004, Joint Petitioners and the OUCC entered into and filed with the Commission their Amended Stipulation and Settlement Agreements. Also on April 30,2004, Joint Petitioners filed the Direct Testimony and Exhibits of Gregory A. Sawyers, Citizens' Director of Customer Services, and L. Douglas Petitt, Vectren's Vice President of Government Affairs, in support of the Amended Stipulations. The OUCC filed the Direct Testimony and Exhibits of Mathew G. Parsell in support of the Amended Stipulations on April 30,2004.

On May 28,2004, CAC filed the Direct Testimony and Exhibits of Roger D. Colton and MHPC filed the Direct Testimony of Nicholas Phillips, Jr. Joint Petitioners filed the Rebuttal

Testimony of Gregory A. Sawyers and L. Douglas **Petitt** on June 7,2004. Also on June 7,2004, **CAC's** witness **Colton** and **MHPC's** witness Phillips filed cross-answering testimony.

Prior to the June 17,2004 evidentiary hearing, the Parties engaged in settlement discussions. As a result of those discussions, the Parties reached a settlement of all issues in this proceeding, under the terms of which they agree the Commission should enter an Order approving an alternative regulatory plan for each Joint Petitioner as outlined below.

## **II. TERMS AND CONDITIONS OF AGREEMENT**

Joint Petitioners will implement a **two-year** pilot Universal Service Program (the "Program") to begin on January 1,2005 and end on December 31,2006. Under the Program, Joint Petitioners' low-income customers eligible for the Program will pay a reduced rate for natural gas service, as set forth in paragraph A below. The weatherization costs and the amounts resulting from the bill reduction provided will be accumulated for recovery in a "Universal Service Fund" described in paragraph C below.

The Joint Petitioners may seek to implement the same or a different universal service type program ("Subsequent Program") to begin any time after the Program terminates on December 31,2006. Any Subsequent Program shall be initiated by a new petition filed with the Commission, and the petitioner shall bear the burden of proof that such Subsequent Program should be approved by the Commission.

### **A. Discounts to Eligible Customers**

#### **1. Citizens.**

The net bill for Citizens' low-income customers eligible to participate in the first year of the Program will be either **9%**,18% or 24% lower **than** the residential gas service bill. The State's Benefit Matrix, used in the Energy Assistance Program ("EAP") application process, will

determine which percentage reduction an eligible customer will receive. The pre-determined tier structure was established jointly by the Family and Social Services Administration ("FSSA") and Citizens, using prior heating season low-income data. Prior to the start of the second year of the Program, FSSA and Citizens will use the Program's first year heating season data to determine if any adjustments are needed to the percentages or the tier structure.

During the first year of the Program, the combined benefit of the discount tiers and the standard EAP benefits will represent an approximate **27%**, 40% or 50% reduction in the overall heating costs to Citizens' eligible low-income customers.

## **2. Vectren.**

The net bill for Vectren's low-income customers eligible to participate in the **first** year of the Program will be either **15%**, **26%**, or **32%** lower than the residential gas service bill. The State's EAP Benefit Matrix, used in the EAP application process, will determine which percentage reduction an eligible customer will receive. The pre-determined tier structure was established jointly by the FSSA and Vectren, using prior heating season low-income data. Prior to the start of the second year of the Program, FSSA and Vectren will use the Program's first year heating season data to determine if any adjustments are needed to the percentages or the tier structure.

During the first year of the Program, the combined benefit of the discount tiers and the standard EAP benefits will represent approximate **35%**, 50% or 60% reduction in the overall heating costs to Vectren's eligible low-income customers.

### **B. Program Eligibility Requirements and Enrollment**

1. **Eligibility.** In order for low-income customers to be eligible for assistance from the Program, the following criteria must be satisfied:

- a. The customer's gross household income must be at or below levels established for assistance from the State's EAP;
- b. The customer must enroll in and qualify for assistance from the State's EAP;
- c. The customer's account must be designated as residential gas service;
- d. The customer must reside at the service address; and
- e. There must be only one (1) account in the customer's name.

2. **Enrollment.** Eligible low-income customers will be enrolled in the Program by existing Community Action Agencies through the EAP application enrollment process.

## **C. Program Funding**

### **1. Citizens**

Both weatherization funds and the difference between the bill that otherwise would be payable by Program eligible customers for residential gas service under Citizens' approved and authorized rates after reduction for the standard EAP benefits and the net bill to be paid by Program participants will be recovered first from contributions Citizens will make from existing support programs and new contributions described in paragraph J, below. Citizens' funding of the Program will work as follows:

(a) all weatherization costs and customer bill reductions will be placed into Citizens' Universal Service Fund as a balance to be recouped;

(b) the funds from Citizens' existing support programs and new contributions will be applied against the balance; and

(c) in accordance with the Stipulation and Settlement Agreement approved in Cause No. 41605 on December 11, 2002, Citizens will pass through to its customers via the Customer Benefit Distribution ("CBD) a per unit credit that is at least equal to the amount of Citizens' recovery through the CBD of FAS106 and FAS71 costs ("Matching Funds"). The Matching Funds amount to \$1,288,000 annually during the term of the pilot Program.

(d) Citizens will expand and incorporate into Rider C (the "Customer Benefit **Distribution/Universal** Service Program Funding Tracker") per unit charges to recover any unfunded balance in the Universal Service Fund for residential, commercial, and industrial customers (including low-income customers participating in the Program). The charges to be added to Rider C will be imposed commensurate with Program implementation. Initially, the per dekatherm charge assessed Large Volume (Gas Rate No. D5) and Interruptible (Gas Rate No. D8) customers will be one-half cent (\$0.005) and the per dekatherm charge for Citizens' remaining customers will be equivalent to the per dekatherm Matching Funds described in subparagraph (c) above. Rider C will be tried up once, to be effective January 1, 2006, the start of the last year of the pilot Program, as described in paragraph D below, but in no event will the per dekatherm charges during the last year of the Program exceed one cent (\$0.01) for Gas Rate Nos. D5 and D8 and the per dekatherm Matching Funds for Citizens' remaining customers.

In the event additional funds are required, Citizens will utilize a portion of its weatherization funds to the extent permitted under paragraph F to make up the difference. In the event a funding deficit exists at the end of the pilot Program, Citizens may create a regulatory asset and continue to utilize the funding mechanism described in this paragraph C, or for good cause shown, propose an alternate method to recover such deficit, without **carrying** charges. In the event surplus funding exists at the end of the pilot Program, then such surplus shall be

included in Citizens' subsequent CBD, unless Citizens obtains Commission approval to utilize such surplus to assist in funding a Subsequent Program.

## **2. Vectren**

The difference between the bill that otherwise would be payable by Program eligible customers for residential gas service under Vectren's approved and authorized rates after reduction for the standard EAP benefits and the net bill to be paid by Program participants will be recovered first from contributions Vectren will make from existing support programs described in paragraph J, below. Vectren's funding of the Program will work as follows:

(a) all customer bill reductions will be placed into IGC and SIGECO's respective Universal Service Funds as a balance to be recouped;

(b) the funds from Vectren's existing support programs will be applied against the balance; and

(c) any unfunded balance in the "Universal Service Fund" will be recovered from per unit charges ("the USF Rider"), incorporated as part of residential, commercial, and industrial distribution charges (including low-income customers participating in the Program). The Rider will be implemented commensurate with Program implementation based on estimates of eligible customer needs. Initially, the per dekatherm charge assessed will be five cents (\$0.05) for residential customers (Rate 10: Indiana Gas; Rate 110: SIGECO), three cents (\$0.03) for commercial customers (Rates 20 and 40: Indiana Gas; Rate 120 Sales: SIGECO) and one-half cent (\$0.005) for transportation customers (Rates 45, 60 and 70: Indiana Gas; Rates 120, transportation, 160 and 170: SIGECO). The USF Rider will be trued up once, to be effective January 1, 2006, the start of the last year of the pilot Program, as described in paragraph D below, but in no event will the per dekatherm charges during the last year of the Program exceed

seven cents (\$0.07) for residential customers, five cents (\$0.05) for commercial customers and one cent (\$0.01) for industrial customers. Any increase or decrease to the USF Rider will be applied proportionately across customer classes. In the event that there is any remaining deficiency at the end of the Program term, IGC and SIGECO may create a regulatory asset and recover (without carrying charges) such deficiency from their respective customers in the form of per dekatherm charges that do not exceed the foregoing maximum limits. In the event surplus funding exists at the end of the pilot Program, then such surplus shall be returned to customers, unless IGC and SIGECO obtain Commission approval to utilize such surplus to assist in funding a Subsequent Program.

**D. Annual True-Up**

On June 30, 2005, Joint Petitioners will review the pilot Program to determine whether the initial charges set forth in subparagraphs C.1.d and C.2.c. above need to be revised. Joint Petitioners shall file any revisions to their respective Riders pursuant to the Commission's thirty (30) day filing procedures. Joint Petitioners shall serve the other Parties with copies of any filing for a revision to their respective Riders. Upon Commission approval under the 30-day filing process, or otherwise, the revised Riders would take effect on January 1, 2006.

**E. Notice**

Each Joint Petitioner will provide notice describing the benefits and purposes of the Program and the respective funding mechanisms twice each year, which notice will be included in residential, commercial and industrial customers' bills. The notice will reflect that the Program is a result of an agreement, which has been approved by the Commission as a pilot Program.

**F. Weatherization of Low Income Homes**

**1. Citizens**

Citizens will increase its annual weatherization program funding to a minimum of \$500,000 annually during the two years of the Program. These funds will be used so that customers enrolled in the Program with the highest annual usage can be referred to the State weatherization program, or Citizens' weatherization program. These funds will be reflected in the "Universal Service Fund" and dealt with for recovery in the same manner described in paragraph C.1.

**2. Vectren**

IGC will designate \$200,000 annually for use in weatherization projects. These funds will be used so that customers enrolled in the Program with the highest annual usage can be referred to the State weatherization program, or one of IGC's weatherization programs. These funds will be reflected in the "Universal Service Fund" and dealt with for recovery in the same manner described in paragraph C.2.

SIGECO has a pending "DSM proposal, which is not included in this part of the pilot Program; thus SIGECO will not provide incremental weatherization.

**G. Service Terminations**

Joint Petitioners will continue to protect all eligible Program customers from service termination from December 1 through March 15, as provided in Ind. Code § 8-1-2-121.

**H. Pilot Program: Number of Participants**

Under the pilot Program, Joint Petitioners are projecting a combined annual enrollment of 21,000 low-income customers for IGC and SIGECO and 16,000 for Citizens. These estimates are based on prior enrollment in the State's EAP program. The only limit placed



on enrollment in the Program is the requirement that an eligible customer must enroll in and receive funding **from** the State's EAP program. Once funding for the State's program is exhausted or the end of the EAP enrollment period is reached (i.e., May 31<sup>st</sup>), enrollment in the Program will end.

**I. Reporting Requirements**

On or before June 30<sup>th</sup> of each year of the pilot Program, Joint Petitioners will submit reports to the Commission and provide copies to the OUCC, **MHPC** and CAC, showing all necessary and pertinent information **from** the previous heating season, which will permit the Commission and the Parties to evaluate the performance and effectiveness of the Program in achieving its goals and purposes. All parties may participate in determining what data should be collected during the Program and Joint Petitioners will engage Roger D. **Colton** to assist in that process. The combined maximum amount to be paid by Joint Petitioners to Mr. **Colton** shall be \$10,000, which amount shall not be included as an administrative expense under paragraph K.

**J. Contributions by Joint Petitioners to Support the Program**

Joint Petitioners will contribute to the Program to offset a portion of their respective Universal Service Fund balance as follows:

**1. Citizens**

Citizens will contribute to its Universal Service Fund \$950,000 per year from its various support programs currently in place for low-income customers (**Warm Heart Warm Home Foundation** ("WHWH), Weatherization Funds, GCA 50 Funds) and \$912,000 in new unregulated funds.

**2. Vectren**

All of IGC's and SIGECO's "Share the Warmth" annual funding totaling \$500,000,

plus funds collected **from** donors and matched by IGC and SIGECO in accordance with the terms of the "Share the Warmth" Program, will be contributed annually to **Vectren's** Universal Service Fund. In addition, Vectren will contribute to the Universal Service Fund \$25,000 annually from its "below-the-line" income.

**K. Administrative Costs**

Joint Petitioners will absorb all costs associated with administering the pilot Program. However, Joint Petitioners will continue to track (i.e., monitor and report) the administrative costs of the pilot Program for review and consideration in **future** filings relating to any Subsequent Program. Any recovery by Joint Petitioners of administrative costs will be limited to 5% of the cost of their respective Programs. The cost of the Program is defined as weatherization costs and customer bill reductions. Any administrative costs recovered shall not include any amounts previously recovered under the procedures set forth below.

Joint Petitioners will retain 50% of any net savings resulting from reduced write-offs of bad debt. The remaining 50% of such net savings will be re-deposited into the respective Joint Petitioners' Universal Service Funds.

For the purposes of estimating the Program write-off savings, Joint Petitioners will report, as their benchmarks for the most recent fiscal year, EAP customer write-offs and write-offs as a percent of total revenue. At the end of each subsequent fiscal year, each of the Joint Petitioners will provide its EAP customer write-offs and total revenue data. This will enable an estimate of write-off savings attributable to the Program by multiplying the benchmark write-off percent by the current year's total revenues and comparing the product to the actual write-offs experienced. Other reasonable evidence and estimates also may be considered. The Parties will work together to reach agreement on the EAP write-off savings attributable to the Program. In

the event an agreement can not be reached, the Parties would take the issue to the Commission for resolution.

The estimated write-off savings, if any, will be adjusted by the amount of associated Program administrative costs. Program administrative costs will be subject to audit and may include costs associated with necessary system changes; increased customer inquiry volumes; training costs for both Joint Petitioners' and Community Action Agencies' support **staff**; and communication and education expenses to support the changes to the State's EAP Program. In addition, Program administrative costs will include an amortization of the **start** up costs associated with the Program, including legal fees and consulting fees. These administrative costs will be amortized over the life of the Program and are also subject to audit. The EAP write-off savings net of the Program administrative costs will be multiplied by 50% to determine the amount to be re-deposited to the Joint Petitioners' Universal Service Funds.

If, at the conclusion of the Program, a share of the net savings remains due to customers, Joint Petitioners agree that such savings shall be provided to customers through the GCA or other appropriate means for transportation customers.

**L. Effect on Future Rate Cases**

In the event that during the term of the pilot Program any of the Joint Petitioners has pending before the Commission a base rate case, such case shall not override the terms of this Agreement. In any such base rate case, the respective Joint Petitioner's test year and pro forma expenses for the twelve months following the end of the test year shall neither include administrative costs related to the Program, nor any reduction to bad debt expense resulting from the Program. Rather, the administrative cost of the Program, and its likely favorable reduction of

bad debt expense, will be considered through the net savings calculation provided for in paragraph K above.

**M. Presentation of this Agreement to the Commission**

The Parties shall support this Agreement before the Commission and request that the Commission accept and approve this Agreement without any changes or **conditions(s)** unacceptable to any party. The Parties agree that this Agreement shall be submitted to the Commission for approval on the condition that if the Commission fails to approve this Agreement in its entirety without any changes or **condition(s)** unacceptable to any of the Parties, this Agreement and the supporting evidence shall be withdrawn, and the Commission shall conduct a second prehearing conference, set another procedural schedule and continue with the litigation of this Cause at the point where it was suspended or dismiss the proceeding, at the option of the Parties.

**N. Public Announcements and Marketing Materials**

The OUCC will have an opportunity to review and concur with Joint Petitioners' public announcements and marketing materials. Following Commission approval of the Program, Joint Petitioners will include information about **the Program** on their **websites** and include a brief description of the OUCC, its role, contact information as well as provide a link to the OUCC's own web page. All marketing materials used by Joint Petitioners regarding the Program should provide brief information about the OUCC, its role, as well as the relevant contact information.

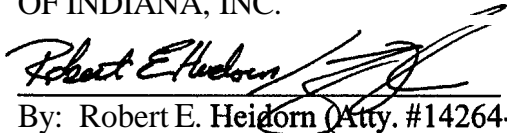
**O. Effect and Use of Agreement**

1. There are no other agreements in existence between the Parties relating to the matters covered by this Agreement which in any way affect this Agreement.

2. This Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction on these particular issues. This Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceeding.
3. The undersigned have represented and agreed that they are fully authorized to execute this Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.
4. In the event that the Commission enters a Final Order changing or **modifying** the terms of this Agreement, the Parties shall indicate on the record within twenty (20) days after entry of the Order whether such changes or modifications are acceptable.
5. The provisions of this Agreement shall be enforceable by any Party, in any tribunal of competent jurisdiction, including but not limited to the Commission.
6. The communications and discussions during the negotiations and conferences attended by the Parties, their attorneys, and their consultants have been conducted on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Agreement also are or relate to offers of settlement and are therefore privileged.
7. The Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Agreement in its entirety without changes or **condition(s)** unacceptable to any Party (or related orders to the extent such orders are specifically implementing the provisions of this Agreement) and shall support this Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

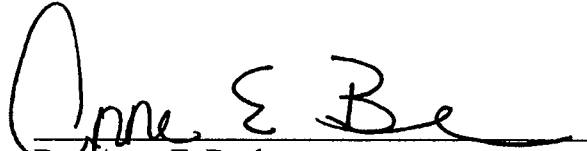
Accepted and Agreed on this 15<sup>th</sup> day of July, 2004.

INDIANA GAS COMPANY, INC., and  
SOUTHERN INDIANA GAS &  
ELECTRIC COMPANY, INC., d/b/a  
VECTREN ENERGY DELIVERY  
OF INDIANA, INC.



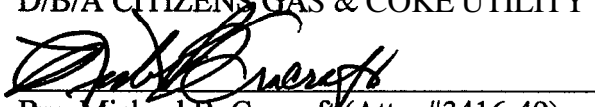
By: Robert E. Heidorn (Atty. #14264-49)  
Vice President and General Counsel  
Vectren Corporation  
20 N. Fourth St., P.O. Box 209  
Evansville, IN 47702-0209

INDIANA OFFICE OF UTILITY  
CONSUMER COUNSELOR



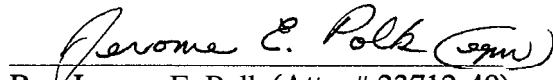
By: Anne E. Becker  
Randall C. Helmen  
Indiana Office of Utility Consumer Counselor  
Indiana Government Center North  
100 N. Senate Avenue, Room N501  
Indianapolis, Indiana 46204-2208

THE BOARD OF DIRECTORS FOR  
UTILITIES OF THE DEPARTMENT OF  
PUBLIC UTILITIES OF THE CITY OF  
INDIANAPOLIS, AS SUCCESSOR TRUSTEE  
OF A PUBLIC CHARITABLE TRUST  
D/B/A CITIZENS GAS & COKE UTILITY



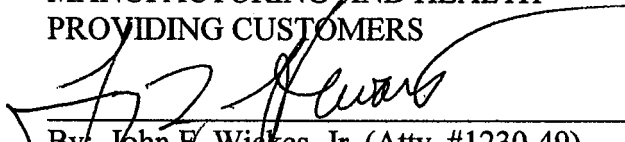
By: Michael B. Cracraft (Atty. #3416-49)  
Steven W. Krohne (Atty. #20969-49)  
Hackman Hulett & Cracraft, LLP  
One Indiana Square, Suite 2400  
Indianapolis, IN 46204-2030

CITIZENS ACTION COALITION  
OF INDIANA, INC.



By: Jerome E. Polk (Atty. # 23712-49)  
Michael A. Mullett (Atty. #10124-03)  
Mullett, Polk & Associates, LLC  
309 W. Washington Street, Ste. 233  
Indianapolis, IN 46204

MANUFACTURING AND HEALTH  
PROVIDING CUSTOMERS



By: John F. Wickes, Jr. (Atty. #1230-49)  
Timothy L. Stewart (Atty. #2189-49)  
Lewis & Kappes, P.C.  
1700 One American Square  
Box 82053  
Indianapolis, IN 46282-0003

**Template for USP Tier Calculations**

**Average Residential Gas Bill** \$937.50

**Original Tier Concept Percentage**  
(including EAP funds)

Tier #1	27%
Tier #2	40%
Tier #3	50%

**Average EAP Benefit and households per Tier**

	Benefit	Households
Tier #1	171	3,682
Tier #2	210	9,555
Tier #3	245	2,765

**Calculation of Benefits**

	Original USP Tiers	Less: EAP Benefit %	Adjusted USP %	Average USP Benefit	Average Total Benefit
Tier #1	27%	18%	9%	\$84.38	\$255.38
Tier #2	40%	22%	18%	\$168.75	\$378.75
Tier #3	50%	26%	24%	\$225.00	\$470.00

**Total Discount Program Costs**

Tier #1	9%	\$310,687
Tier #2	18%	\$1,612,406
Tier #3	24%	<u>\$622,125</u>
		<u><u>\$2,545,218</u></u>

**CAGI Matrix Data (CGCU)**

Matrix Points	Total CAGI Customers by Matrix Point	Weighted Customers by Matrix Point	Matrix Dollar Value	Total Dollars Distributed by Matrix Points	Total Customers Per Tier	Total Dollars Per Tier	Average Dollars Per Tier
1	0	0	\$15	\$0			
2	0	0	\$30	\$0			
3	0	0	\$45	\$0			
4	0	0	\$60	\$0			
5	0	0	\$75	\$0			
6	4	5	\$90	\$450			
7	2	2	\$105	\$210			
8	2	2	\$120	\$240			
9	39	45	\$135	\$6,075			
10	342	396	\$150	\$59,400			
11	1,098	1,272	\$165	\$209,880			
12	1,692	1,960	\$180	\$352,800	3,682	\$629,055	\$171
13	2,553	2,957	\$195	\$576,615			
14	3,150	3,648	\$210	\$766,080			
15	2,547	2,950	\$225	\$663,750	9,555	\$2,006,445	\$210
16	1,629	1,887	\$240	\$452,880			
17	732	848	\$255	\$216,240			
18	26	30	\$270	\$8,100			
19	0	0	\$285	\$0			
20	0	0	\$300	\$0	2,765	\$677,220	\$245
	<b>13,816</b>	<b>16,002</b>		<b>\$3,312,720</b>	<b>16,002</b>	<b>\$3,312,720</b>	



## Template for Low Income Program Calculations

Please input the following information:

**(enter all numbers as positive numbers)**

Annual Typical Residential Customer Bill	\$930
Program Discount %	17.00%
Est. # of Res. Customers on the Low Income program	16,000
Est. # of Total Customers	<b>266,000</b>
Typical Res Customer annual usage	1,032
LIHEAP funds per customer	\$0
Weatherization Funding	\$600,000
Contributions (as shown below)	\$3,130,000

- \$1,068,000 Surcharge of the FAS match
- \$912,000 Community Investment Increase for **USP/Weatherization** (Formerly CBD Increase)
- \$250,000 WHWM
- \$150,000 Weatherization
- \$550,000 Portion of GCA 50 Funds
- \$200,000 Estimated sharing of Low-income write-off savings

Template For Customer Bill
----------------------------

	Debit	Credit
Annual Typical Customer Bill before discount	\$930.00	
Program Discount %	17.00%	\$158.10
Average LIHEAP Benefit		<b>\$210.00</b>
Annual Customer Responsibility (Bill)		<b>\$561.90</b>

Universal Service Fund
------------------------

	Debit	Credit
Program Discount	\$2,529,600	
LIHEAP funds		\$0
Weatherization funding	\$600,000	
Utility Contributions		\$3,130,000
Fund Balance		( <b>\$400</b> )

STATE OF INDIANA  
BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF INDIANA GAS )  
COMPANY, INC., SOUTHERN INDIANA GAS )  
AND ELECTRIC COMPANY AND THE BOARD )  
OF DIRECTORS FOR UTILITIES OF THE )  
DEPARTMENT OF PUBLIC UTILITIES OF THE )  
CITY OF INDIANAPOLIS, AS SUCCESSOR )  
TRUSTEE OF A PUBLIC CHARITABLE TRUST, )  
d/b/a CITIZENS GAS & COKE UTILITY, )  
PURSUANT TO IND. CODE § 8-1-2.5 et. seq. )  
FOR APPROVAL OF AN ALTERNATIVE )  
REGULATORY PLAN WHICH WOULD )  
ESTABLISH A UNIVERSAL SERVICE PROGRAM )

CAUSE NO. 42590

SUPPLEMENTAL TESTIMONY AND EXHIBIT

**Of**

L. DOUGLAS PETITT

On

Behalf of  
Petitioners

Citizens Gas & Coke Utility,  
Indiana Gas Company, Inc., and  
Southern Indiana Gas & Electric Company

Petitioners' Exhibit LDP-S

1   **Q.**   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2   **A.**   My name is L. Douglas Petitt. My business address is 20 N.W. Fourth Street,  
3        Evansville, Indiana 47702.

4   **Q.**   ARE YOU THE SAME L. DOUGLAS PETITT THAT PREVIOUSLY  
5        TESTIFIED IN THIS PROCEEDING?

6   **A.**   Yes.

7   **Q.**   WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN  
8        THIS PROCEEDING?

9   **A.**   The purpose of my Supplemental Testimony is to provide support for the  
10       Stipulation and Settlement Agreement Among All Parties (the "Settlement  
11       Agreement") that was filed with the Indiana Utility Regulatory Commission  
12       (Commission") on July 15, 2004 and to recommend that the Commission approve  
13       the Settlement Agreement as consistent with the public interest. My  
14       Supplemental Testimony focuses on those areas of the Settlement Agreement  
15       relating to Vectren that differ from the prior Stipulations filed in this Cause.

16   **Q.**   PLEASE DESCRIBE THE ASSISTANCE THAT VECTREN WILL  
17        PROVIDE TO LOW-INCOME CUSTOMERS UNDER THE  
18        SETTLEMENT AGREEMENT?

19   **A.**   The net bill for Vectren's low-income customers eligible to participate in the  
20       Program will be either 15%, 26%, or 32% lower than their residential gas service  
21       bill. The State's Benefit Matrix used in the EAP application process will  
22       determine which percentage reduction an eligible customer will receive.

1           Spreadsheets showing how the percentages and tier structures for Vectren were  
2           established are attached hereto as Exhibits LDP-S1.

3   **Q.**    WHAT WILL THE ULTIMATE IMPACT BE ON CUSTOMER BILLS,  
4           CONSIDERING BOTH THE CUSTOMER'S EAP GRANT AND THE  
5           DISCOUNT PROVIDED UNDER THE PROGRAM?

6   **A.**    The EAP grant itself generally accounts for an approximately 20% decrease in the  
7           customer's annual gas bill, but fluctuates based on customer need (the bills of  
8           customers with less need based on the State's Benefit Matrix are reduced by  
9           something less than 20%, while the bills of those with a greater need are reduced  
10          by a little more than 20%). The net bills of SIGECO and IGC's participating  
11          customers when combined with LIHEAP funds ultimately would be  
12          approximately 35%, 50% or 60% lower than their normal residential gas service  
13          bill on an annual basis.

14   **Q.**    ARE THE TOTAL BILL REDUCTIONS TO BE REALIZED BY  
15          PARTICIPATING CUSTOMERS CONSISTENT WITH MR. COLTON'S  
16          PROPOSED PERCENTAGE DISCOUNT TIERS?

17   **A.**    Yes. In his direct testimony, Mr. Colton proposed that the net bill for SIGECO  
18          and IGC's participating low-income customers be 35%, 50% or 60% lower than  
19          their normal residential gas service bill (instead of 45%, 50% and 55% as called  
20          for under the Vectren Amended Stipulation).

21   **Q.**    WILL FUNDS FOR THE WEATHERIZATION OF LOW-INCOME  
22          HOMES BE PROVIDED UNDER THE PROGRAM?

1    A.    Yes. IGC will designate a minimum of \$200,000 annually for use in  
2           weatherization projects. Given SIGECO's pending DSM proposal in Cause No.  
3           42418, SIGECO will not provide incremental weatherization through the  
4           Program.

5    **Q.    HOW WILL VECTREN FUND THE PROGRAM?**

6    A.    The difference between the bill that otherwise would be payable by Program  
7           eligible customers for residential gas service under Vectren's approved and  
8           authorized rates and the net bill to be paid by Program participants will be  
9           recovered first from contributions Vectren will make from existing support  
10          programs. Vectren will contribute \$500,000 annually from its "Share the  
11          Warmth" program. Vectren also will contribute \$25,000 annually in new funds  
12          from its "below-the-line" revenues. The remaining balance will be recovered via  
13          a charge to all customers. This per unit charge ("the USF Rider"), incorporated as  
14          part of IGC's and SIGECO's residential, commercial, and industrial distribution  
15          charges (including low-income customers participating in the Program) will be  
16          implemented commensurate with Program implementation, based on estimates of  
17          low-income customer needs.

18                 Initially, the per dekatherm charge assessed will be five cents (\$0.05) for  
19                 residential customers, three cents (\$0.03) for commercial customers and one-half  
20                 cent (\$0.005) for industrial customers. The USF Rider will be trued up annually,  
21                 but in no event will the per dekatherm charges exceed seven cents (\$0.07) for  
22                 residential customers, five cents (\$0.05) for commercial customers and one cent

1 (\$0.01) for industrial customers. Any increase or decrease to the USF Rider will  
2 be applied proportionately across customer classes.

3 In the event there is any remaining deficiency, IGC and SIGECO may  
4 create a regulatory asset and recover such deficiency **from** customers in the form  
5 of per dekatherm charges that do not exceed the foregoing minimum and  
6 maximum limits. In the event surplus funding exists at the end of the pilot  
7 Program, then such surplus shall be returned to customers or used to fund a  
8 subsequent program, as authorized by the Commission.

9 **Q. DO YOU BELIEVE THE PROGRAM IS IN THE PUBLIC INTEREST**  
10 **AND THAT THE SETTLEMENT AGREEMENT SETTING FORTH THE**  
11 **TERMS OF THE ARP SHOULD BE APPROVED BY THE**  
12 **COMMISSION?**

13 A. Yes. I believe the proposed alternative regulatory plan is in the public interest in  
14 that it will provide significant benefits to the Joint Petitioners' low-income gas  
15 customers by reducing their total gas bills and making winter heating bills more  
16 manageable. The Program also is expected to benefit the remainder of Joint  
17 Petitioners' customers by decreasing the number of defaults and untimely  
18 payments which ultimately result in higher uncollectible costs being imposed on  
19 the remainder of Joint Petitioners' customers.

20 The Program also will result in rates and charges applicable to Joint  
21 Petitioners' low-income customers, which will promote efficiency. Because  
22 participating customers will continue to be responsible for the payment of a

1           manageable portion of their gas bills, customers will have an incentive to monitor  
2           and reduce usage, if possible, and to better manage their monthly gas bills.

3   **Q.    DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY IN**  
4   **THIS PROCEEDING?**

5   **A.    Yes, at this time.**

**Template for USF Tier Calculations**

**Average Vectren Residential Gas Bill**                      \$                      876

**Original Tier Concept Percentage**  
(including EAP funds)

Tier #1	35%	(1-12 points)
Tier #2	50%	(13-15 points)
Tier #3	60%	(16-20 points)

**Average EAP Benefit and households per Tier**

	Benefit	Households		
Tier #1	\$ 171	5,080	\$	868,741
Tier #2	\$ 209	13,741	\$	2,871,815
Tier #3	\$ 246	3,034	\$	746,341
			\$	<u>4,486,896</u>

**Calculation of Benefits**

	Original USF Tiers	Less: EAP Benefit %	Adjusted USF %	Average USF Benefit	Average Total Benefit
Tier #1	35%	20%	15%	\$ 131	\$ 302
Tier #2	50%	24%	26%	\$ 228	\$ 437
Tier #3	60%	28%	32%	\$ 280	\$ 526

**Total Discount Program Costs**

Tier #1	15%	\$ 667,559
Tier #2	26%	\$ 3,129,591
Tier #3	32%	\$ 850,464
		<u>\$ 4,647,614</u>



**Vectren Matrix Data**

Matrix Points	Total Vectren Customers by Matrix Point	Weighted Customers by Matrix Point	Matrix Dollar Value	Total Dollars Distributed by Matrix Points	Total Customers Per Tier	Total Dollars Per Tier	Average Dollars Per Tier
1	0	0	\$ 15	\$ -			
2	0	0	\$ 30	\$ -			
3	0	0	\$ 45	\$ -			
4	0	0	\$ 60	\$ -			
5	0	0	\$ 75	\$ -			
6	0	0	\$ 90	\$ -			
7	0	0	\$ 105	\$ -			
8	0	0	\$ 120	\$ -			
9	173	174	\$ 135	\$ 23,533			
10	464	468	\$ 150	\$ 70,129			
11	1,643	1,655	\$ 165	\$ 273,157			
12	2,762	2,783	\$ 180	\$ 500,942	5,080	\$ 867,761	\$ 171
13	4,766	4,802	\$ 195	\$ 936,440			
14	5,315	5,355	\$ 210	\$ 1,124,641			
15	3,556	3,583	\$ 225	\$ 806,187	13,741	\$ 2,867,267	\$ 209
16	1,910	1,925	\$ 240	\$ 461,887			
17	932	939	\$ 255	\$ 239,468			
18	169	170	\$ 270	\$ 45,977			
19	0	0	\$ 285	\$ -			
20	0	0	\$ 300	\$ -	3,034	\$ 747,332	\$ 246
	<b>21,690</b>	<b>21,855</b>		<b>\$ 4,482,361</b>	<b>21,855</b>	<b>\$ 4,482,361</b>	

**CERTIFICATE OF SERVICE**

I hereby certify that on this 15<sup>th</sup> day of July, 2004 a copy of the foregoing "Supplemental Testimony and Exhibits of Gregory A. Sawyers and L. Douglas Petitt" has been served by U. S.

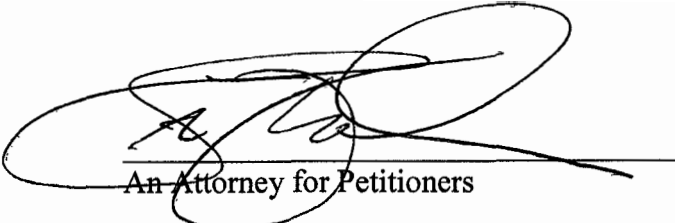
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