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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED JOINT PETITION OF INDIANA GAS)
COMPANY, INC. AND SOUTHERN INDIANA GAS &)
ELECTRIC COMPANY PURSUANT TO IND. CODE 8-1-2.5)
ET. SEQ., FOR THE APPROVAL OF AN ALTERNATIVE)
REGULATORY PLAN PURSUANT TO WHICH INDIANA)
GAS COMPANY, INC. AND SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY WOULD CONTINUE THEIR)
RESPECTIVE CUSTOMER BILL ASSISTANCE)
PROGRAMS THROUGH SEPTEMBER 30, 2020 AND)
REVISIONS TO THE UNIVERSAL SERVICE FUND RIDER)
CAP FOR RESIDENTIAL CUSTOMERS)**

CAUSE NO. 44455

APPROVED: SEP 10 2014

ORDER OF THE COMMISSION

Presiding Officers:

Carol A. Stephan, Commission Chair

Aaron A. Schmoll, Senior Administrative Law Judge

On February 10, 2014, Indiana Gas Company, Inc. (“Vectren North”) and Southern Indiana Gas and Electric Company (“Vectren South”), both d/b/a Vectren Energy Delivery of Indiana, Inc. (together, “Vectren Energy,” “Company” or “Joint Petitioners”) filed a Verified Joint Petition requesting approval of an Alternative Regulatory Plan (“ARP”) designed to extend the Company’s Universal Service Programs (“USPs”) through September 30, 2020 and slightly increase the Universal Service Fund (“USF”) Rider cap for residential customers.

On March 4, 2014, Vectren Energy filed its Case-in-Chief. On April 4, 2014, Vectren Energy filed supplemental testimony. On April 17, 2014, the Indiana Utility Regulatory Commission (“Commission”) granted Vectren Industrial Group’s (“Industrial Group”) Petition to Intervene. On May 7, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”), Industrial Group and Vectren Energy filed a Stipulation and Settlement Agreement (the “2014 Settlement Agreement”). On May 15, 2014, the OUCC filed the verified testimony of Bradley E. Lorton and Heather R. Poole in support of the Settlement Agreement and Vectren Energy filed the verified testimony of Jeffrey W. Whiteside in support of the Settlement Agreement. On May 22, 2014, Joint Petitioners submitted a late-filed exhibit, evidencing proof of publication of notice that Vectren Energy initiated this Cause. On May 30, 2014, the Commission issued a Docket Entry, which Vectren Energy responded to on June 4, 2014.

An evidentiary hearing was conducted on June 5, 2014 at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Vectren Energy, the OUCC, and Industrial Group appeared and participated in the evidentiary hearing. No members of the general public appeared or participated at the hearing.

Based upon the applicable law and the evidence presented herein, the Commission now finds:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Vectren Energy is engaged in rendering natural gas utility service to the public within the State of Indiana and owns, operates, manages and controls plant and equipment used for distributing and furnishing such service. Vectren Energy is a public utility as defined in Ind. Code § 8-1-2-1(a) and is subject to the jurisdiction of the Commission to the extent provided by Indiana law. Accordingly, the Commission has jurisdiction over the Joint Petitioners and the subject matter of this Cause.

2. **Joint Petitioners' Characteristics.** Petitioner Vectren North is an operating public utility incorporated under the laws of the State of Indiana and has an office at One Vectren Square, Evansville, Indiana. It has charter power and authority to engage in, and is engaged in, the business of rendering natural gas distribution service solely within the state of Indiana under indeterminate permits, franchises, and necessity certificates heretofore duly acquired to approximately 565,000 ultimate consumers in the north central, central and southern portions of Indiana.

Petitioner Vectren South is an operating public utility incorporated under the laws of the State of Indiana and has an office at One Vectren Square, Evansville, Indiana. It has charter power and authority to engage in, and is engaged in, the business of rendering both natural gas and electric public utility service in the state of Indiana and owns, operates, manages and controls, among other things, plant and equipment within the state of Indiana used for the production, transmission, delivery and furnishing of such service to approximately 141,000 ultimate electric customers and 110,000 ultimate natural gas customers in southwestern Indiana.

3. **Relief Requested.** The Joint Petition seeks Commission approval of the terms of an ARP for Vectren Energy, which would allow continuation of the customer bill assistance program through September 30, 2020 and a slight increase in the residential customer rate cap from \$0.007 per therm to \$0.008 per therm. Since August 2004, Vectren Energy has had a USP in place for both Vectren North and Vectren South. The programs leverage funds from the federal Low Income Housing Energy Assistance Programs ("LIHEAP") and customers who qualify for and receive LIHEAP funds are eligible for a discount on their bill, the amount of which varies based upon a benefit points matrix which considers a number of factors. In addition, Vectren Energy has a crisis hardship fund for customers who do not qualify for LIHEAP, but whose household income is less than 200% of federal poverty guidelines. The program is set to expire on September 30, 2014. Vectren Energy requested authority to continue assisting low income customers via the bill assistance program and crisis hardship fund through September 30, 2020. Vectren Energy also requested authority to raise the residential rate cap in the USF Rider from \$0.007 per therm to \$0.008 per therm. For the sake of consistency, Vectren Energy requested an increase in the residential rate cap at both Vectren North and Vectren South; however, the increase would impact only Vectren South, since Vectren South has consistently recovered at the cap and currently has a regulatory asset on its books. Vectren North does not have the same type of regulatory asset and has not consistently recovered costs at the cap.

4. Evidence Presented.

a. Joint Petitioners' Direct Testimony. Vectren Energy submitted direct testimony from Jeffrey W. Whiteside, Vice President, Community Sustainability and President, Vectren Foundation; Shawn M. Kelly, Director, Regulatory Affairs; and Rebecca J. Brann, Manager, Low Income Programs.

Mr. Whiteside explained that on August 18, 2004, the Commission approved the USPs at Vectren Energy as a pilot program and they have existed since then. He described the changes to the programs that have occurred over time and said that on December 7, 2011, the Commission issued an Emergency Order in Cause No. 44094 ("Emergency Order") that authorized expansion of the programs and continuation of Vectren Energy's USPs through September 30, 2014. Mr. Whiteside testified that Vectren Energy's low income customers who participate in the USPs will be severely and adversely impacted if the programs are allowed to expire on September 30, 2014. He said that if the USPs expire, bill discounts and the crisis hardship funds could be discontinued and more customers could be disconnected and receive adverse action on their credit reports. Mr. Whiteside said that extension of the USPs is in the public interest, because low income customers have a high energy burden and the cost to all customers of helping to relieve that energy burden is minimal. He testified that while there has been a decline in customers' bill amounts over the last ten years, any savings has been totally offset by the decrease in real income experienced by Hoosiers in the last decade.

Mr. Kelly discussed the reasons Vectren Energy requested a slight increase, from \$0.007 to \$0.008 per therm, in the USF Rider rate cap for residential customers and the basis for the Company requesting an extension through September 30, 2020. Mr. Kelly explained that the per therm rate caps associated with each customer class have been in place for many years at Vectren Energy and have been sufficient to recover the costs of the program from all customers at Vectren North but not Vectren South. In fact, since 2008, the caps have been insufficient to recover the costs from all customer classes at Vectren South and, while the under-collection variance as of September 30, 2013 had declined to approximately \$325,000, it had been as high as approximately \$850,000 as of September 30, 2011. Mr. Kelly discussed the factors that influence the balance of the variance at Vectren South, which include, but are not limited to, weather, gas costs, and the size of the program, which varies based upon LIHEAP funding. Mr. Kelly said that increasing the cap would not impact Vectren North and would make it more likely that Vectren South would be able to pay the costs associated with the USP, or, at least, not increase the balance of the under-collection variance at Vectren South. He discussed the bill impact of an increase in the cap and said that Vectren South's residential customers' average annual bill would increase approximately \$0.67 per year. He went on to say that given Vectren North's residential customers have incurred costs upto the cap, they would likely not be impacted at all by the increase.

In explaining the basis for Vectren Energy's request for extension of the USPs through September 30, 2014, Mr. Kelly testified that since the Commission issued the Emergency Order in 2011, Vectren Energy has filed a request for approval of a gas infrastructure plan in Consolidated Cause No. 44429 pursuant to Ind. Code chs. 8-1-8.4 ("Compliance Statute") and 8-1-39 ("TDSIC Statute"). He said that while there is no rate case requirement set forth in the Compliance Statute, the TDSIC Statute requires a rate case to be filed before the expiration of

the seven (7) year plan filed under the TDSIC Statute. According to Mr. Kelly, Vectren Energy's seven (7) year plan period ends December 31, 2020 and termination of the USPs in September 2020 would closely match the rate case timing anticipated by the TDSIC Statute. He also requested authority for Vectren Energy to continue its USPs until the date of a Commission order if, on September 30, 2020, a petition for an increase in base rates is pending before the Commission.

Ms. Brann discussed administration of Vectren Energy's USPs. She described how federal LIHEAP funds are provided to the State of Indiana and administered through the Indiana Housing and Community Development Authority ("IHCD") and their relationship with the local community action agencies ("CAP Agencies") in Indiana. She explained that Vectren Energy works closely with the CAP Agencies in its service territories, as those agencies qualify customers for USP discounts. She explained that Vectren Energy administers the crisis hardship fund and that it is designed to provide assistance to customers at or below 200% of federal poverty guidelines who are faced with a life event crisis, such as a job loss or catastrophic illness, and need assistance paying their bill. She discussed the size of the program and said that monthly discounts totaling more than \$35 million dollars have been contributed to participating low-income customers for the period January 2005 through June 30, 2013 and nearly \$2.5 million dollars in crisis hardship funds were provided from 2008 through 2013. She explained that the USPs are funded by customers and the Company. Customers contribute 75% of annual program costs and the Company contributes 25% of the annual program costs. Ms. Brann testified that if the USPs are allowed to expire on September 30, 2014, low-income customers in Vectren Energy's service territory would continue to receive LIHEAP benefits and protection under Indiana's service disconnection moratorium, but they would not receive the added benefits of bill discounts and crisis hardship funding during the winter months. She also indicated that there are not enough funds available from either local trustees or other charitable sources to offset the loss of assistance low-income families receive from Vectren Energy's USPs. In addition, she said those other sources are not properly staffed to handle the volume of requests they would likely receive if the USPs expire. Ms. Brann said that customers participating in the USPs have expressed support and appreciation for the assistance provided by the USPs.

b. Stipulation and Settlement Agreement On May 7, 2014, the OUCC, Industrial Group, and Vectren Energy (collectively "Settling Parties") entered into a Stipulation and Settlement Agreement ("Settlement Agreement") which was filed with this Commission the same day. A copy of the Settlement Agreement is attached hereto as *Appendix A* and is incorporated herein by this reference. The key terms of the 2014 Settlement Agreement are:

1. Vectren Energy's USPs shall be extended through October 15, 2020 (the "Extension Period") and both Vectren North and Vectren South shall file a petition by March 1, 2020 to further extend the programs beyond October 15, 2020.
2. If Vectren North has not initiated a base rate case on or before October 15, 2017, the OUCC may petition the Commission to review Vectren North's USP.
3. If Vectren South has not initiated a base rate case on or before October 15, 2017, the OUCC may petition the Commission to review Vectren South's USP.

4. All USF Rider caps will remain in place unchanged.
5. Vectren Energy will contribute 30% of actual annual costs to support the programs. The Settling Parties may propose a different level of contribution: (1) at the time Vectren Energy files a petition to extend the USPs, or (2) at the time the OUCC files a petition to review Vectren North's and Vectren South's USP.
6. Vectren Energy shall round up (to \$0.0001 per therm) any USF Rider rate which otherwise rounds to \$0.0000 per therm.
7. Vectren Energy shall perform the reconciliation of costs and USF Rider recoveries for each class of customers, based on the allocation of costs applicable to each class, from this point going forward. Costs allocated to each rate class for the following 12 month period shall include only those over/(under) collections caused by each respective rate class.

c. Testimony in Support of the Settlement Agreement. Both the OUCC and Vectren Energy submitted testimony in support of the Settlement Agreement. The OUCC pre-filed the Settlement Testimony of OUCC Witnesses Bradley E. Lorton, a Utility Analyst in the OUCC's Natural Gas Division, and Heather R. Poole, a Senior Utility Analyst in the OUCC's Natural Gas Division. Vectren Energy pre-filed Settlement Testimony of Mr. Whiteside.

Mr. Lorton described the history of the USPs at Vectren North and Vectren South. According to Mr. Lorton, the OUCC believes the programs are in the public interest and has consistently supported extension of the ARPs that authorize them. He testified, that in earlier extensions, the OUCC proposed modifications and adjustments to the program and sought improvements in the sharing of costs and benefits between the utilities, the participating recipients and non-participating customers. Mr. Lorton said that the OUCC supports extension of Vectren Energy's USPs through October 15, 2020, as agreed to in the Settlement Agreement. According to Mr. Lorton, the USPs provide critical assistance to low income customers, allowing them to continue receiving natural gas service while contributing to the costs of the utility's distribution system. Mr. Lorton said that the OUCC supports the increase in shareholder funding from 25% to 30% of the USPs' costs and said that increasing the minimum utility contribution is an important step in continuing the incremental process started in Cause No. 43669.

Ms. Poole described the filings made by Vectren Energy to reconcile the USF Rider. She described each of the three main components of the filing, which include reconciliation, projection, and derivation. Ms. Poole discussed some concerns the OUCC had with the allocation factors and customer over/(under) collections, but recommended approval because those concerns were addressed in the Settlement Agreement. Ms. Poole testified that the OUCC supports rounding up any allocation factor (to \$0.0001/therm) for any USF rate which otherwise rounds to zero (\$0.0000/therm) and that she agrees the \$200 monthly cap should remain in place for industrial customers. She explained that allocations of prior year over/(under) collections in the following year should reflect the over/(under) collections caused by each specific rate class.

Mr. Whiteside testified that the Settlement Agreement is in the public interest, represents a fair and reasonable resolution of the issues between the settling parties and allows Vectren Energy to continue providing these much needed programs to its low income customers through October 15, 2020. According to Mr. Whiteside, Vectren Energy's low income customers who participate in the USP would be severely and adversely impacted if the programs were allowed to expire on September 30, 2014. Bill discounts and crisis/hardship funds would be discontinued and more customers would be in threat of disconnection. He testified that if the Commission approves the Settlement Agreement, then Vectren Energy and all of its customers can continue to assist low income customers in meeting their home energy needs.

5. Discussion and Commission Findings. Joint Petitioners have offered bill discounts and other forms of assistance to low income customers in their service territory since the pilot programs were approved in 2004. Joint Petitioners requested an extension of their USPs through September 30, 2020, as the programs are set to expire on September 30, 2014, and an increase in the USF Rider rate cap for residential customers. Subsequent to the filing of the Joint Petition, Vectren Energy has entered into a Settlement Agreement with the OUCC and Industrial Group and now request approval of that Settlement Agreement.

In evaluating the Settlement Agreement, the Commission begins with the general statement that settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum v. Ind. Gas Corp.*, 735 N.E.2d 790, 803 (Ind. 2009). When the Commission approves a settlement, the settlement “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind.Ct.App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406.

The Commission is not required to accept a settlement simply because the parties have agreed to it, and agreements filed by some or all of the parties must still be supported by probative evidence. *Id.* The Commission may also consider a settlement that is not supported by all of the parties. We have noted in evaluating non-unanimous settlements that:

In agency proceedings settlements are frequently suggested by some, but not necessarily all of the parties; if on examination they are found equitable by the regulatory agency, then the terms of the settlement form the substance of an order binding all the parties, even though not all are in accord as to the result.

Northern Indiana Public Serv. Co., Cause No. 41746, p. 24 (IURC 9/23/2002) citing *Pennsylvania Gas & Water Co. v. Federal Power Comm'n*, 463 F.2d 1242, 1246 (D.C. Cir. 1972). In all cases involving a settlement, the Commission decision, ruling, or order—including approval of a settlement—must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Serv. Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the agreement is reasonable, just, and serves the public

interest.

Indiana's three largest local natural gas distribution companies have offered low income customer bill assistance programs for many years. At this time, Vectren Energy's programs are the only ones facing expiration. We recognize the assistance these programs provide to low income residents in Indiana and acknowledge the assistance would end for Vectren Energy's low income customers if the USPs in Vectren Energy's service territory are allowed to expire on September 30, 2014. When the Commission issued its Order in Cause No. 43669, we required that the utilities in that Cause would need to file a base rate case by October 2012 to continue the low income bill assistance programs. The other two utilities to that Cause have filed a base rate case and their programs have been extended.

In Cause No. 44094, Vectren Energy requested that the Commission extend their USPs outside of a base rate case. Vectren Energy indicated that filing a rate case requires significant time and expense for all stakeholders and that in difficult economic times, it makes sense to delay rate increases when possible. As a result, the Commission found that it was not in the public interest at the time to require Vectren Energy to initiate a base rate case solely for the purpose of extending the USPs and extended the programs through September 30, 2014.

The Commission continues to believe that evaluation of USP extensions is most appropriate within the context of a base rate case, but recognizes that it is not in the public interest to require Vectren Energy to file a rate case solely to extend the USPs at this time. While Vectren Energy originally requested an extension through September 30, 2020, the Settlement Agreement provided that the USPs should be extended through October 15, 2020, and that Vectren Energy must file a petition by March 1, 2020 to extend the USPs.¹ In their proposed order, the Settling Parties agreed that the USPs should be extended through September 30, 2020 notwithstanding the October 15, 2020 deadline in the Settlement Agreement. In order to ensure that the Joint Petitioners' USPs extend beyond September 30, 2020, Vectren North and Vectren South must file a base rate case petition on or before September 30, 2020, in which case the USPs shall continue until the Commission issues a final order in the respective rate cases

The Settlement Agreement also provides for an increase in the Company's contribution from 25% to 30% of the actual annual cost of the program. We have previously found that it is appropriate for the utility to help fund such beneficial programs and that administrative costs should not be included as part of the utility's contribution. The Settlement Agreement reflects an agreement on an increased amount and we find that this is in the public interest.

Based on the evidence presented in this Cause, the Commission finds that the Settlement Agreement represents a comprehensive resolution of the issues presented in this matter, is in the public interest, is just and reasonable, and should be approved in its entirety. The terms of this Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our findings in *Richmond*

¹ In its June 4, 2014 Responses to the Commission's May 30, 2014 Docket Entry, Vectren Energy indicated that rate cases would need to be filed prior to the December 30, 2020 end date of its 7-Year Plans proposed in Cause No. 44429.

Power & Light, Cause No. 40434, 1997 Ind. PUC LEXIS 459 (IURC Mar. 19, 1997).

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement between the OUCC, Industrial Group and Vectren Energy, a copy of which is attached hereto, shall be and hereby is approved as set forth herein.

2. Vectren Energy's USPs shall be approved through September 30, 2020.

3. If Vectren North and Vectren South file a base rate case on or before September 30, 2020, the USPs shall continue throughout the pendency of the cases, until a final order is issued. If neither Vectren North nor Vectren South files a base rate case on or before September 30, 2020, the programs shall terminate on September 30, 2020 and shall not be considered under the Alternative Utility Regulation Act.

4. Vectren Energy shall fund at least 30% of the program costs as indicated above and any administrative costs shall not be counted towards that amount.

5. Vectren Energy shall file hereinafter under this Cause their respective updated USP Rider rates no less than three business days prior to the beginning of the USP program year. The USP program year shall be October 1 through September 30. Each USP Rider filing shall contain the following information on a program year basis: ratepayer contributions received; utility contributions made; prior year carryover (if any); bad debt recovery through base rates; bad debt recovery through GCA; net bad debt write off during the program year period; and such other data as may be useful in demonstrating the efficacy of the USP programs.

6. The Order shall be effective on and after the date of its approval.

STEPHAN, MAYS-MEDLEY, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:

APPROVED: SEP 10 2014

I hereby certify that the above is a true and correct copy of the Order as approved.



Brenda A. Howe
Secretary to the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF INDIANA)
GAS COMPANY, INC. AND SOUTHERN)
INDIANA GAS AND ELECTRIC COMPANY)
PURSUANT TO IND. CODE 8-1-2.5 et. seq.,)
FOR THE APPROVAL OF AN ALTERNATIVE)
REGULATORY PLAN PURSUANT TO)
WHICH INDIANA GAS COMPANY, INC. AND) CAUSE NO. 44455
SOUTHERN INDIANA GAS AND ELECTRIC)
COMPANY WOULD CONTINUE THEIR)
RESPECTIVE CUSTOMER BILL)
ASSISTANCE PROGRAMS THROUGH)
SEPTEMBER 30, 2020 AND REVISIONS TO)
THE UNIVERSAL SERVICE FUND RIDER)
CAP FOR RESIDENTIAL CUSTOMERS)

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Settlement Agreement”) is made and entered into this 7th day of May 2014, by and between Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren North”), Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South” and collectively “Vectren Energy”), Indiana Office of Utility Consumer Counselor (“OUCC”), and the Vectren Industrial Group (“Industrial Group”), as further defined in Appendix A attached hereto and incorporated herein by this reference. The OUCC, Industrial Group and Vectren Energy collectively may be referred to hereinafter as the “Settling Parties.”

WHEREAS, Vectren Energy currently has Universal Service Programs (“USPs”) in place, both of which are set to expire on September 30, 2014; and

WHEREAS, on February 10, 2014, Vectren Energy filed a Petition with the Indiana Utility Regulatory Commission (“Commission”) establishing the above referenced proceeding and requesting authority to extend its USPs through September 30, 2020 and increase the residential customer rate cap applicable to the Universal Service Fund (“USF”) Riders from \$0.007 per therm to \$0.008 per therm; and

WHEREAS, the Settling Parties have met, discussed extension of the USPs currently in place at Vectren Energy and agreed upon terms pursuant to which Vectren Energy's USPs will be extended.

NOW THEREFORE, the Settling parties, having been duly advised by their respective staff experts and counsel, agree that the following terms and conditions represent a fair, just and reasonable resolution of the matters raised in this Cause, subject to their incorporation by the Commission into a final, non-appealable order ("Final Order") without modification or further condition that may be unacceptable to the Settling Parties:

1. The USPs currently in place at Vectren North and Vectren South shall be extended through October 15, 2020 ("the Extension Period") and both Vectren North and Vectren South shall file a petition by March 1, 2020 to further extend the programs beyond October 15, 2020.

2. If Vectren North has not initiated a base rate case on or before October 15, 2017, the OUCC may petition the Commission to review Vectren North's USP.

3. If Vectren South has not initiated a base rate case on or before October 15, 2017, the OUCC may petition the Commission to review Vectren South's USP.

4. During the Extension Period, the existing USF Rider caps applicable to Vectren North and Vectren South residential customers will continue to be \$0.007 per therm for both Vectren North and Vectren South.

5. Consistent with the sharing between customers and Vectren Energy of the costs of the USP, Vectren Energy will contribute funds to support the USP equal to 30% of the actual annual cost. The Settling Parties may propose a different level of contribution: (1) at the time Vectren Energy files a petition to extend the USPs, whether the extension is made as part of a base rate case or a separate petition, or (2) at the time the OUCC files a petition to review Vectren North's and Vectren South's USP.

6. Vectren Energy shall round up (to \$0.0001 per therm) any USF Rider rate which otherwise rounds to \$0.0000 per therm.

7. Vectren Energy shall perform the reconciliation of costs and USF Rider recoveries for each class of customers, based on the allocation of costs applicable to each class, from this point going forward. Costs allocated to each rate class for the following 12 month period shall include only those over/(under) collections caused by each respective rate class.

8. The Settling Parties agree to file with the Commission this Settlement Agreement and testimony supporting the Settlement Agreement. The Settling Parties shall not object to the admission of this evidence. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, such that, if the Commission fails to approve this Settlement Agreement in its entirety, or approves it with any changes or conditions unacceptable to any of the Settling Parties, the Settlement Agreement and supporting evidence shall be withdrawn.

9. If the Commission does not approve this Settlement Agreement in its entirety or imposes conditions different from the terms of the Settlement Agreement, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

10. The Settling Parties agree that time is of the essence in this proceeding and will request prompt Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement. This Settlement Agreement is not severable and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any of the Settling Parties.

11. The Settling Parties agree to waive cross-examination of each other's witnesses in this proceeding.

12. The Settling Parties will work together to finalize and file with the Commission testimony in support of the Settlement Agreement, as well as an agreed upon proposed order. The Settling Parties will support the Settlement Agreement and proposed order in this proceeding and will request that the Commission issue an order accepting and approving this Settlement Agreement in accordance with its terms as soon as possible.

13. The Settling Parties will support, or not oppose, on reconsideration, rehearing or appeal a Commission Order accepting and approving this Settlement Agreement in accordance with its terms.

14. It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of the Settlement Agreement nor any of its provisions shall constitute an admission by any of the Settling Parties in this or any other litigation or proceeding except as necessary to implement or enforce this Settlement Agreement. It is also understood

that each and every term of the Settlement Agreement is in consideration and support of each and every other term.

15. Neither the making of the Settlement Agreement (nor the execution of any of the other documents or pleadings required to effectuate the provisions of the Settlement Agreement), nor the provisions thereof, nor the entry by the Commission of a Final Order approving the Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

16. The Settlement 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 Settling Parties may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.

17. The evidence in support of the Settlement Agreement constitutes substantial evidence sufficient to support it and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Settlement Agreement, as filed.

18. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning the Settlement Agreement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any of the Settling Parties, and are not to be used in any manner in connection with any other proceeding or otherwise.

19. The undersigned Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients, and their successor and assigns, who will be bound thereby.

20. The provisions of the Settlement Agreement shall be enforceable by any of the Settling Parties before the Commission and thereafter in any state court of competent jurisdiction as necessary.

21. The Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED AND AGREED this 7th day of May
2014.

INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR



Randall C. Helmen

VECTREN INDUSTRIAL GROUP

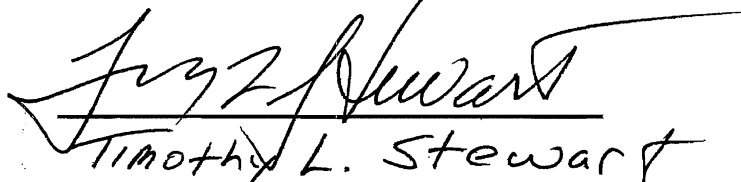
SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY D/B/A
VECTREN ENERGY DELIVERY OF
INDIANA, INC.

INDIANA GAS COMPANY, INC. D/B/A
VECTREN ENERGY DELIVERY OF
INDIANA, INC.

ACCEPTED AND AGREED this 7th day of May
2014.

INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR

VECTREN INDUSTRIAL GROUP


Timothy L. Stewart

SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY D/B/A
VECTREN ENERGY DELIVERY OF
INDIANA, INC.

INDIANA GAS COMPANY, INC. D/B/A
VECTREN ENERGY DELIVERY OF
INDIANA, INC.

ACCEPTED AND AGREED this 7th day of May
2014.

INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR

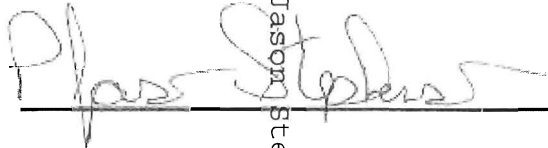
VECTREN INDUSTRIAL GROUP

SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY D/B/A
VECTREN ENERGY DELIVERY OF
INDIANA, INC.



INDIANA GAS COMPANY, INC. D/B/A
VECTREN ENERGY DELIVERY OF
INDIANA, INC.

P. Jason Stephenson



Jason Stephenson

APPENDIX "A"

SAINT-GOBAIN CONTAINERS, INC.

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TATE & LYLE INGREDIENTS AMERICAS, INC.

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