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FILED

DEC 30 2005

**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

DIRECT TESTIMONY AND EXHIBIT

Of

ROBERT C. SEARS

**On
Behalf of**

**Vectren Energy Delivery of Indiana a/k/a Indiana Gas Company, Inc. and
Southern Indiana Gas & Electric Company**

December 30, 2005

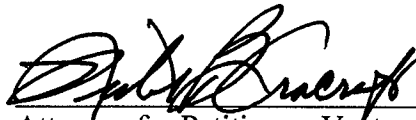
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Direct Testimony and Exhibit of Robert C. Sears" has been served by hand-delivery or United States mail, postage prepaid, this 30th day of December, 2005 on the following:

Susan Macey
Indiana Office of Utility Consumer Counselor
N501 Indiana Government Center North
100 North Senate Avenue, Room N501
Indianapolis, IN 46204

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Attorney for Petitioner, Vectren Energy Delivery
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Southern Indiana Gas & Electric Company

Robert E. Heidorn (Atty. #14264-49)
Vice President and General Counsel
Vectren Corporation
One Vectren Square
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Michael B. Cracraft (Atty. #3416-49)
Hackman Hulett & Cracraft, LLP
One Indiana Square, Suite 2400
Indianapolis, IN 46204-2030

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

2 A. My name is Robert C. Sears. My business address is One Vectren Square, 211 N.W.
3 Riverside Drive, Evansville, Indiana 47708.

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

5 A. I am employed by Vectren Corporation (Vectren). My title is Director of Revenue
6 Administration.

7 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

8 A. I received a Bachelor of Science in Electrical Engineering Technology degree from
9 the University of Southern Indiana in 1986.

10 **Q. PLEASE DESCRIBE YOUR DUTIES AND RESPONSIBILITIES ON**
11 **BEHALF OF VECTREN.**

12 A. I am responsible for managing all aspects of Vectren Energy Delivery of Indiana
13 revenue cycle operations, including meter reading, billing, remittance, credit and
14 collection and customer accounting and billing system administration. I am
15 responsible for the direction and management of revenue assurance policies and
16 procedures associated with the meter-to-cash cycle. Additionally, I assist in other
17 areas concerning the development and administration of customer payment assistance
18 programs.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

20 The purpose of my testimony is to comply with the December 21, 2005 Docket Entry
21 and provide support for the Joint Motion to Approve Amendment to Settlement
22 Agreement (the "Joint Motion") filed in this Cause by Vectren Energy Delivery of
23 Indiana, Inc. a/k/a Southern Indiana Gas and Electric Company and Indiana Gas

1 Company, Inc., the Indiana Office of Utility Consumer Counselor (“OUCC”), the
2 Manufacturing and Health Providing Customers (“MHPC”) and the Citizens Action
3 Coalition of Indiana, Inc. (“CAC”) (together, the “Settlement Parties”). Specifically,
4 my testimony supports Commission approval of the proposed amendment to the
5 Settlement Agreement previously approved in this proceeding establishing the
6 Universal Service Fund Pilot Program (the “USF Pilot Program”) to assist eligible
7 and qualifying low-income customers with their gas bills. My testimony is intended
8 to comply with the Commission’s directive to address and explain in detail the
9 proposed changes to the Settlement Agreement generally described in the Joint
10 Motion, as contemplated by the December 21, 2005 Docket Entry.

11 **Q. PLEASE DESCRIBE WHAT HAS BEEN MARKED FOR IDENTIFICATION**
12 **PURPOSES AS VECTREN EXHIBIT RS-1.**

13 A. Exhibit RS-1 is a copy of the “Joint Motion to Approve Amendment To Settlement
14 Agreement,” which was filed with the Commission on December 9, 2005.

15 **Q. THE SETTLEMENT AGREEMENT WAS ATTACHED TO THE**
16 **COMMISSION ORDER IN CAUSE NO. 42590, WHICH WAS APPROVED**
17 **ON AUGUST 18, 2004. HOW DO THE SETTLEMENT PARTIES PROPOSE**
18 **TO AMEND THE SETTLEMENT AGREEMENT?**

19 A. The Settlement Parties propose deleting the following language on page 11 from
20 Section II.J.2 of the Settlement Agreement: “, plus funds collected from donors and
21 matched by IGC and SIGECO in accordance with the terms of the “Share the
22 Warmth” Program,”. As amended, the first sentence of Section II.J.2, which only
23 applies to Vectren, would read as follows: “All of IGC’s and SIGECO’s “Share the

1 Warmth” annual funding totaling \$500,000 will be contributed to Vectren’s Universal
2 Service Fund.” In addition, the Settlement Parties propose to add the following
3 sentence to the end of Section II.J.2 of the Settlement Agreement: “Vectren will use
4 funds collected from donors and matched by IGC and SIGECO in accordance with
5 the terms of the “Share the Warmth” Program to support incremental low-income
6 customer programs.”

7 **Q. WHAT IS THE PURPOSE OF THIS PROPOSED AMENDMENT TO THE**
8 **SETTLEMENT AGREEMENT?**

9 A. This proposed amendment is intended to recognize that the dollars currently
10 contributed by customers to the “Share the Warmth” Program could be better used if
11 they were to be donated to other low-income customer programs, rather than used to
12 reduce the amount of the USF Pilot Program Rider for all customers. In 2004 and
13 2005 (through December 9), Vectren collected a total of only \$5,855 and \$8,422 from
14 its customers through the “Share the Warmth” Program and matched those donations
15 dollar for dollar. In light of the hurricanes earlier this year and rising gas costs,
16 Vectren joins government and community leaders in their concern regarding the
17 ability of low-income Hoosiers to heat their homes. Vectren recognizes these leaders’
18 calls for more assistance to help offset energy cost increases. As a result, Vectren
19 intends to engage in increased efforts to promote customer donations to the “Share
20 the Warmth” Program, and will match all donations up to \$200,000. In the past,
21 Vectren has encouraged donations via messages on customers’ bills and on some bill
22 inserts. Absent increased marketing efforts, we anticipate that the donation levels
23 will remain low.

1 **Q. HOW DOES VECTREN PROPOSE USING THE DONATIONS AND THE**
2 **MATCHING FUNDS, IF THE COMMISSION APPROVES THE PROPOSED**
3 **AMENDMENT TO THE SETTLEMENT AGREEMENT?**

4 A. Vectren is proposing that it be allowed to use all future donations to the “Share the
5 Warmth” Program during the remainder of the USF Pilot Program to support
6 incremental low-income customer programs. The other Settlement Parties agree with
7 this proposal. Currently, customer donations to the “Share the Warmth” Program,
8 and Vectren’s matching contributions, are applied toward reducing the amount of the
9 USF Pilot Program Rider. The benefits of these contributions are thus spread across
10 all customers and have a minimal incremental impact on rates. Vectren believes that
11 its marketing efforts to obtain more contributions to the “Share the Warmth” Program
12 will be more successful, and customers will be more likely to give, if Vectren can
13 indicate that the money contributed will go directly to supporting those Hoosiers who
14 need the assistance the most, rather than stating that the money will be used to
15 incrementally reduce rates for all customers, regardless of income. Also, focused
16 assistance to low-income customers will help provide more timely relief to those
17 customers most in need and least able to afford the dramatic price spikes that have
18 occurred this winter.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN THIS PROCEEDING?**

20 A. Yes, at this time.

STATE OF INDIANA

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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) CAUSE NO. 42590
 TRUSTEE OF A PUBLIC CHARITABLE TRUST,))
 d/b/a CITIZENS GAS & COKE UTILITY,))
 PURSUANT TO IND. CODE § 8-1-2-2.5 et. seq.))
 FOR APPROVAL OF AN ALTERNATIVE))
 REGULATORY PLAN WHICH WOULD))
 ESTABLISH A PILOT UNIVERSAL SERVICE))
 PROGRAM))

Joint Motion to Approve Amendment To Settlement Agreement

Joint Movants Vectren Energy Delivery of Indiana, Inc., a/k/a Southern Indiana Gas & Electric Company and Indiana Gas Company, Inc. ("Vectren"), the Indiana Office of Utility Consumer Counselor ("OUCC"), the Manufacturing and Health Providing Customers ("MHPC") and the Citizens Action Coalition of Indiana, Inc. ("CAC") (together, the "Settlement Parties"), hereby jointly request that the Commission approve an amendment to the Settlement Agreement previously approved in this proceeding and in support thereof state as follows:

1. On July 15, 2004, the Settlement Parties filed a Settlement Agreement with the Commission establishing agreed upon terms for the creation of the Universal Service Program ("USP") to allow eligible low income customers of Vectren to pay a reduced rate for gas service for the period of January 1, 2005 – December 31, 2006.
2. The Commission issued an order on August 18, 2004, approving the Settlement Agreement without modification.

3. In the Settlement Agreement, Vectren agreed to use contributions from its existing low income customer support programs to reduce the amount of the Universal Service Fund Rider ("Rider") charged to all gas customers to fund the USP. As stated on page 5 of the Commission's Order, this existing support funding consisted in part of Vectren's "Share the Warmth" program. Therefore, Vectren agreed to apply the annual \$500,000 of corporate Share the Warmth contributions to reduce the USP balance to be recovered via the Rider, as well as "funds collected from donors and matched by IGC and SIGECO in accordance with the terms of the "Share the Warmth" Program." (Commission Order, p. 5)

4. In 2004 and 2005(to date) Vectren (IGC and SIGECO) collected \$5,855 and \$8,422 from its customers and has matched these donations dollar for dollar. Vectren has historically encouraged donations via messages on customer bills and on some bill inserts. Absent increased marketing efforts, it is anticipated that the magnitude of donations would remain low.

5. In the aftermath of the Gulf hurricanes that have driven gas prices to all time highs, both government and community leaders in the State of Indiana have voiced concern regarding the ability of low income residents to heat their homes, and more assistance is being sought to help offset energy cost increases.

6. Vectren intends to engage in increased efforts to promote donations and will match those donations up to \$200,000. Rather than having these donations and the matching funds used to slightly reduce the Rider paid by all customers, Vectren has proposed that this year donations made to Share the Warmth and the associated matching funds be used to support incremental low income customer programs. The Settlement Parties agree with this proposal. The \$500,000 of corporate donations to Share the Warmth will continue to be used to reduce the Rider.

7. Because the Commission's Order approved the Settlement Parties' original agreement regarding the use of donations and matching dollars to

reduce the Rider, the Settlement Parties seek Commission approval of this slight modification of the Settlement Agreement.

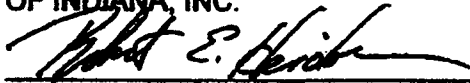
8. Given the unanimous agreement of the Settlement Parties, the Parties suggest that a Docket Entry approving their Joint Motion may be all that is required and is certainly in the public interest given current price conditions and the burden facing those customers least able to afford the dramatic price spike that has occurred this winter.

9. This Joint Motion only applies to Vectren's Share the Warmth donations and has no impact on Citizens Gas and Coke Utility's Universal Service Program.

WHEREFORE, the Settlement Parties respectfully request the Commission grant this Motion.

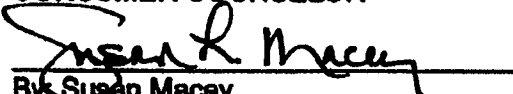
Respectfully submitted,

VECTREN ENERGY DELIVERY
OF INDIANA, INC.




By: Robert E. Heidorn (Atty. #14264-49)
Vice President and General Counsel
Vectren Corporation
One Vectren Square
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INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR



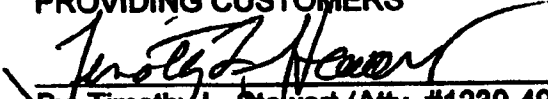
By: Susan Macey
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CITIZENS ACTION COALITION OF
INDIANA, INC.



By Jerome A. Polk (Atty. #23712-49)
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**MANUFACTURING AND HEALTH
PROVIDING CUSTOMERS**



By Timothy L. Stewart (Atty. #1230-49)
Lewis & Kappes, P.C.
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Indianapolis, IN 46282-0003

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Joint Motion to Approve Amendment to Settlement Agreement was served on the following party to this proceeding by depositing a copy thereof in the United States mail, first class postage prepaid, addressed to:

Michael B. Cracraft
Hackman Hulett & Cracraft, LLP
One Indiana Square, Suite 2400
Indianapolis, Indiana 46204

this 9th day of December, 2005.


Daniel W. McGill