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FILED

STATE OF INDIANA
BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

JAN 06 2006

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 PILOT UNIVERSAL SERVICE)
PROGRAM)

CAUSE NO. 42590

APPROVED:

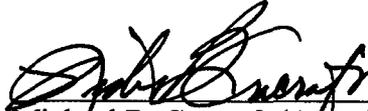
SUBMISSION OF PROPOSED ORDER

Joint Petitioners, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc., by counsel, hereby submit for the Commission's consideration and use the proposed Order attached hereto. The proposed Order has been reviewed and approved by the Indiana Office of Utility Consumer Counselor, as well as Intervenors, Citizens Action Coalition of Indiana, Inc. and the Manufacturing and Health Providing Customers.

Respectfully submitted,



Robert E. Heidorn (Atty. #14264/49)
Vice President and General Counsel
Vectren Corporation
One Vectren Square
Evansville, IN 47708



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

Attorneys for Joint Petitioner, Indiana Gas Company, Inc.
d/b/a Vectren Energy Delivery of Indiana, Inc. and
Southern Indiana Gas & Electric Company,
d/b/a Vectren Energy Delivery of Indiana, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Submission of Proposed Order" has been served by hand-delivery or United States mail, postage prepaid, this 6th day of January, 2006 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

Timothy L. Stewart
Lewis & Kappes, P.C.
1700 One American Square
Box 82053
Indianapolis, IN 46282-0003

Jerome E. Polk
Mullett, Polk & Associates LLC
309 W. Washington Street
Suite 233
Indianapolis, IN 46204



Attorney for Joint Petitioner, Vectren Energy
Delivery of Indiana, d/b/a Indiana Gas Company,
Inc. and Southern Indiana Gas & Electric Company
d/b/a Vectren Energy Delivery of Indiana, Inc.

Michael B. Cracraft
Hackman Hulett & Cracraft, LLP
One Indiana Square, Suite 2400
Indianapolis, Indiana 46204-2030
Telephone: (317) 636-5401
Facsimile: (317) 686-3288
E-Mail: mcracraft@hhclaw.com

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CAUSE NO. 42590

APPROVED:

BY THE COMMISSION:

**David W. Hadley, Commissioner
Abby R. Gray, Administrative Law Judge**

On March 4, 2004, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("IGC"), Southern Indiana Gas & Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("SIGECO") 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 ("Citizens") (collectively, the "Petitioners"), filed a Verified Joint Petition seeking approval of Alternative Regulatory Plans ("ARPs") under which each Petitioner would implement a pilot "Universal Service Program" upon Commission approval of their respective ARPs.

On March 5, 2004, IGC and SIGECO (together "Vectren") entered into a Stipulation and Settlement Agreement with the Indiana Office of Utility Consumer Counselor ("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. The Stipulations set forth the provisions of each Petitioner's proposed ARP, including the terms and conditions governing their respective Universal Service Programs.

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

Prior to the June 17, 2004 evidentiary hearing, the Parties engaged in ongoing settlement discussions. As a result of those discussions, the Parties reached a settlement in principle of all issues in this proceeding.

Pursuant to notice duly published as required by law, a public evidentiary hearing was commenced in Room TC-10 of the Indiana Government Center South on June 17, 2004 at 9:30 a.m. Petitioners, the OUCC, CAC and MHPC participated in the evidentiary hearing. Petitioners' Direct Testimony and Exhibits and Rebuttal Testimony were admitted into evidence without objection. The Direct Testimony and Exhibits of the OUCC, CAC and MHPC, also were admitted into evidence without objection, as well as Intervenors' cross-answering testimony. At the close of the public evidentiary hearing, the Commission scheduled a settlement hearing for purposes of considering a formal settlement agreement to be filed by the parties and the evidence in support of that settlement agreement.

On July 15, 2004, Petitioners, the OUCC, CAC and MHPC entered into and filed with the Commission a "Stipulation and Settlement Agreement Among All Parties" (the "Stipulation") along with the Supplemental Testimony and Exhibits of Gregory A. Sawyers and L. Douglas Petitt in support of the Stipulation.

Pursuant to notice duly published as required by law, a settlement hearing was commenced in Room TC-10 of the Indiana Government Center South on August 5, 2004 at 9:30 A.M. Petitioners, the OUCC, CAC and MHPC participated in the settlement hearing. The Stipulation was admitted into evidence as Joint Exhibit 1. Petitioners' Supplemental Testimony and Exhibits also were admitted into evidence without objection. Joint Petitioners' witnesses Gregory A. Sawyers, on behalf of Citizens, and Douglas A. Karl, on behalf of Vectren, as a panel, responded to questions from the Presiding Officers regarding the terms of the Stipulation.

On August 18, 2004, the Commission issued an Order approving the terms and conditions of the July 15, 2004 Stipulation, which was attached to the Order. The Commission's Order also directed Vectren and Citizens to file tariff sheets with the Commission's Gas/Water/Sewer Division, consistent with the Stipulation.

On December 9, 2005, IGC, SIGECO, OUCC, CAC, and MHPC (the Joint Movants") filed with the Commission a "Joint Motion to Approve Amendment To Settlement Agreement" (the "Joint Motion"), which requested certain relief as to the manner in which Vectren's contributions to the "Share the Warmth" Program were to be handled for the remainder of the term of the Vectren pilot "Universal Service Program." The Joint Motion indicated that the proposed amendment to the Stipulation applied only to Vectren's funding of its Universal Service Program and had no impact on the operation or funding of the Universal Service Program for Citizens.

By Docket Entry filed December 21, 2005, the Presiding Officers scheduled an evidentiary hearing for January 4, 2006 at 10:30 a.m. in Room E306 of Indiana Government Center South. The Docket Entry also directed the Joint Movants to file testimony supporting the relief requested in their Joint Motion with the Commission by Noon, January 3, 2006. The Commission specifically directed Joint Movants to address and explain in detail the proposed

changes to the Stipulation. On December 30, 2005, Vectren filed the prepared Direct Testimony (Ex. RS) and Exhibit (Ex. RS-1) of Robert C. Sears in compliance with the Docket Entry.

Pursuant to notice duly published as required by law, a settlement hearing was commenced in Room E306 of the Indiana Government South on January 4, 2006 at 10:30 a.m. Vectren, the OUCC and CAC appeared by counsel and participated in the hearing. Vectren's Exhibits RS and RS-1 were admitted into evidence without objection.

Based on the applicable law and evidence of record, the Commission now finds:

1. **Commission Jurisdiction and Notice.** Proper legal notice of the hearing in this Cause was given as required by law. IGC and SIGECO are "public utilities" (IC 8-1-2-1(a)) and "gas utilities" (IC 8-1-2-87(a)(4)) subject to the Commission's jurisdiction. IGC and SIGECO also are "energy utilities" under the terms of IC. 8-1-2.5-2. The Commission approved the Stipulation by Order dated August 18, 2004. The Joint Movants were parties to the Stipulation and participated in all prior proceedings in this Cause. The Joint Movants now seek Commission approval to amend the Stipulation previously approved by Order of the Commission. The Commission has jurisdiction over the parties and the subject matter of this proceeding.

2. **Proposed Amendment to Stipulation**

a. **Universal Service Program Funding With Respect to Vectren.** Under the terms of the August 18, 2004 Order which approved the Stipulation, Vectren funds its pilot Universal Service Program in the following manner. First, all customer bill reductions are placed into IGC and SIGECO's respective "Universal Service Funds," as a balance to be recouped through the USF Rider. Vectren then applies against this balance 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 Vectren "Share the Warmth" Program. Vectren also contributes \$25,000 annually from its "below-the-line" income to the "Universal Service Fund."

Any unfunded balance in the Vectren "Universal Service Fund" is recovered from per unit charges through the USF Rider, which has been incorporated as part of Vectren's residential, commercial, and industrial distribution charges (including low-income customers participating in the Universal Service Program).

b. **Evidence Related to the Proposed Amendment to the Stipulation.** Robert C. Sears, the Director of Revenue Administration for Vectren Corporation, testified he was responsible for managing all aspects of Vectren's revenue cycle operations, including meter reading, billing remittance, credit and collection and customer accounting and billing system administration. He further indicated he was responsible for the direction and management of Vectren's revenue assurance policies and procedures associated with the meter-to-cash cycle and assisted in other areas concerning the development and administration of customer payment assistance programs for Vectren.

Mr. Sears provided evidence in support of the Commission's approval of the proposed amendment to the Stipulation. Mr. Sears indicated the proposed amendment to the Stipulation was intended to recognize that dollars currently contributed by customers to the Vectren "Share the Warmth" Program could be better used if they were donated to other low-income customer programs, rather than being used to reduce the amount of the USF Rider for all customers. In 2004 and through December 9, 2005, Mr. Sears testified Vectren collected a total of only \$5,855 and \$8,422 respectively from its customers through contributions to the "Share the Warmth" Program and matched those donations dollar for dollar.

In light of rising gas costs, Vectren has joined government and community leaders in their concern regarding the ability of low-income Hoosiers to heat their homes. As a result, Vectren indicated it intended to engage in increased efforts to promote customer donations to the "Share the Warmth" Program and would match all donations up to \$200,000.

Vectren proposed that it be allowed to use all future donations to the "Share the Warmth" Program, subject to Commission approval of the proposed amendment to the Stipulation, during the remainder of the term of the pilot Universal Service Program to support incremental low-income customer programs, instead of applying the contributions to the "Share the Warmth" Program, as currently provided in the Stipulation approved by the Commission on August 18, 2004. Under the Stipulation, customer donations to the "Share the Warmth" Program, and Vectren's matching contribution, are applied toward reducing the amount of the USF Rider. According to Mr. Sears, the benefits of these contributions are thus spread across all customers and have a minimal incremental impact on rates, given the current high cost of gas. Mr. Sears testified Vectren believes its marketing efforts to obtain more contributions to the "Share the Warmth" Program will be more successful and customers will be more likely to give to the "Share the Warmth" Program, if Vectren can indicate to donors that the money they contribute will go directly to supporting those Hoosiers who need the assistance the most. Mr. Sears further indicated that focused assistance to low-income customers will help provide more timely relief to those customers most in need and least able to afford the dramatic price spikes that have occurred this winter.

The Joint Movants proposed to amend the Stipulation by deleting the following language on page 11 from Section II.J.2: ", plus funds collected from donors and matched by IGC and SIGECO in accordance with the terms of the "Share the Warmth" Program,". As amended, the first sentence of Section II.J.2, which only applies to Vectren, would read as follows: "All of IGC's and SIGECO's "Share the Warmth" annual funding totaling \$500,000 will be contributed to Vectren's Universal Service Fund." In addition, the Joint Movants proposed to add the following sentence to the end of Section II.J.2 of the Stipulation: "Vectren will use funds collected from donors and matched by IGC and SIGECO in accordance with the terms of the "Share the Warmth" Program to support incremental low-income customer programs."

3. **Discussion and Findings.** The pilot Universal Service Program detailed in the Stipulation, and in the subsequent Commission Order approving the Stipulation, was the result of extensive negotiations among the parties. After a number of months of actual experience operating under the terms of the Stipulation, the Joint Movants agreed that certain changes were necessary to the Stipulation, as it relates to the use of Vectren's customer contributions to the "Share the Warmth" Program, in order to more efficiently direct funds contributed to the Vectren "Share the Warmth" Program to the ultimate benefit of low-income customers. The amendment to the Stipulation proposed by the Joint Movants has no impact on the terms of the Citizens' pilot Universal Service Program, and it is not affected by the relief requested in the Joint Motion.

The Commission has consistently observed that: "Indiana law strongly favors settlement as a means of resolving contested proceedings." Re Indianapolis Power & Light Co., (IURC 8/24/95), Cause No. 39936, p. 7 (citations omitted). The policy is consistent with expressions to the same effect by the Supreme Court of Indiana. See, e.g., Mendenhall v. Skinner & Broadbent Co., 728 N.E.2d 140, 145 (Ind. 2000) ("The policy of the law generally is to discourage litigation and encourage negotiation and settlement of disputes.")

The Commission finds that the evidence Vectren submitted in support of the proposed amendment to the Stipulation constitutes substantial, probative evidence sufficient to support approval of the proposed amendment to the Stipulation. We find that approval of the proposed amendment to the Stipulation is in the public interest, is reasonable and in conformance with all statutory requirements.

4. **Conclusion.** We find, based upon the applicable law and evidence presented, that the proposed amendment to the Stipulation is reasonable, in the public interest and should be approved. With regard to future citation of the Stipulation, as amended, and this Order, we find approval herein should be construed in a manner consistent with our findings in In Re Richmond Power & Light, Cause No. 40434 (IURC 03/19/97).

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

1. The proposed amendment to the Stipulation set forth in Petitioners' Exhibit RS is hereby approved in all respects.

2. This Order shall become effective on and after the date of its approval.

HARDY, HADLEY, LANDIS, SERVER AND ZIEGNER CONCUR:

APPROVED:

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

Nancy E. Manley
Secretary to the Commission