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STATE OF INDIANA

JUN 07 2004

INDIANA UTILITY REGULATORY COMMISSION

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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 ) 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 ) )

**SUBMISSION OF THE MANUFACTURING AND HEALTH  
 PROVIDING CUSTOMERS' CROSS-ANSWERING TESTIMONY**

The Manufacturing and Health Providing Customers, by counsel, pursuant to the Prehearing Conference Order in this Cause, hereby respectfully submits its cross-answering testimony of Nicholas Phillips, Jr.

Respectfully submitted,

LEWIS & KAPPES, P.C.

By: 

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing document have been served upon the following individuals by first class, United States mail, postage prepaid, and by email delivery this 7<sup>th</sup> day of June, 2004:

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By: 

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**CROSS-ANSWERING TESTIMONY OF NICHOLAS PHILLIPS, JR.**

1 Q WHAT IS YOUR NAME?

2 A Nicholas Phillips, Jr.

3 Q ARE YOU THE SAME NICHOLAS PHILLIPS, JR. WHO SUBMITTED  
4 TESTIMONY PREVIOUSLY IN THIS PROCEEDING?

5 A Yes, I am.

6 Q WHAT IS THE PURPOSE OF THIS TESTIMONY?

7 A I am responding to the Direct Testimony of Roger D. Colton, a witness testifying  
8 in this Cause on behalf of Citizens Action Coalition of Indiana.

9 Q AT PAGE 14, LINE 10-11, MR. COLTON ADMITS THAT THE "RATE  
10 AFFORDABILITY" PROGRAM PROPOSED BY PETITIONERS IS A  
11 SOCIAL WELFARE PROGRAM. DO YOU AGREE WITH MR.  
12 COLTON ON THAT POINT?

13 A Yes I do.

1 **Q IS THERE ANYTHING WRONG WITH DISCOUNTING UTILITY BILLS**  
2 **FOR TARGETED PERSONS IN AN EFFORT TO ADDRESS CERTAIN**  
3 **SOCIAL PROBLEMS?**

4 A Yes. The program advanced by Mr. Colton results in the utility charging,  
5 demanding, collecting and receiving from certain individuals (LIHEAP  
6 recipients) less compensation for gas service rendered than it charges, demands,  
7 collects and receives from other persons (non-LIHEAP recipients) receiving a like  
8 and contemporaneous service. Mr. Colton fails to explain how the discount  
9 service rendered by the gas utilities under the program to targeted persons is  
10 different from the service rendered any other residential customer. That failure to  
11 explain is understandable -- the service to be rendered by Petitioners under this  
12 program to the target group -- LIHEAP recipients -- is clearly like the service  
13 rendered contemporaneously to non-targeted customers.

14 **Q WHAT ARE YOUR CONCLUSIONS THEN ABOUT THE PROGRAM**  
15 **SUPPORTED BY MR. COLTON, THROUGHOUT HIS TESTIMONY?**

16 A Mr. Colton supports a program (Petitioners' program with few changes) that  
17 proposes a discount rate targeted toward certain residential customers. That  
18 discount rate -- raising the rate for all customers -- is not just and reasonable. Not  
19 only does it target some customers for discount rates, to the detriment of others,  
20 but the cost to ratepayers for the proposal also exceeds significantly the program's  
21 benefits with respect to the rendering of gas service.

22 **Q TURNING AGAIN TO PAGE 14 OF MR. COLTON'S PREFILED**  
23 **TESTIMONY, AT LINES 16-18, MR. COLTON ALLEGES THAT**

1           **IMPLEMENTATION OF PETITIONER'S PROPOSED PROGRAM WILL**  
2           **RESULT IN PETITIONER'S EXPERIENCING "A DECREASED COST**  
3           **OF SERVICE THAT WILL BE PASSED ON TO ALL RATEPAYERS".**  
4           **WHAT IS YOUR RESPONSE TO MR. COLTON'S ALLEGATION?**

5    A    Mr. Colton's assertions are conjecture. He fails to offer any proof whatsoever  
6           that any of the three gas utilities involved in this proceeding will have a  
7           "decreased cost of service that will be passed on to ratepayers". There are no  
8           worksheets, no analysis, no review of these three gas utilities individually, or as a  
9           whole. There is no showing that non-LIPEAP recipient ratepayers will even  
10          break even, let alone see a decreased cost of service. Clearly ratepayers will  
11          suffer a rate increase; Mr. Colton did not even attempt to quantify alleged  
12          decreases to any of the various rate classes for any of the three utilities. There is  
13          no quantification offered by Mr. Colton that demonstrates that transporters will  
14          benefit from any alleged decrease in the cost of service. There is proof positive,  
15          however, that transporter rates -- as well as the rates for all non-LIHEAP  
16          recipients -- will increase.

17    Q    **PLEASE COMMENT ON MR. COLTON'S ASSERTION THAT "THESE**  
18           **EXPENSE REDUCTIONS HELP POSTPONE FUTURE BASE RATES**  
19           **CASES", AT PAGE 14, LINES 20-24.**

20    A    Again, Mr. Colton offers conjecture -- no quantification; simply theories. Vectren  
21          is currently prosecuting two rate cases. The cost of service study for Vectren  
22          North reflects that transporters are paying too much already. Mr. Colton fails to  
23          quantify with respect to any of the three utilities any direct reduction of expenses,

1 let alone any specific information that can support his theory on postponement of  
2 base rate cases.

3 **Q AT PAGE 15, MR. COLTON REFERS TO “PUBLIC GOODS”. WHAT IS**  
4 **YOUR RESPONSE TO MR. COLTON’S THEORY WITH RESPECT TO**  
5 **“PUBLIC GOODS” AS SET FORTH BEGINNING ON PAGE 15?**

6 A I have been involved in the rate setting process in Indiana for more than 20 years.  
7 I am unaware of any such theory with respect to establishing rates and charges in  
8 any gas case in Indiana. Mr. Colton fails to identify a single Commission order in  
9 support of his theory. Further, Mr. Colton has failed to identify a single expense  
10 in any of the three utilities’ cost of service that is supported solely, or even  
11 partially, by a “public goods” theory. He cites three “examples”, but there are no  
12 gas hydrants in the three gas service territories, there are no gas lamps for which a  
13 cost is not assigned for appropriate collection by the cost causer; and there are no  
14 gas powered subways.

15 **Q DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A Yes.