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October 3, 2008

Public Utilities Commission of Ohio
Docketing Division
180 E. Broad Street – 13th Floor
Columbus, Ohio 43215

**Re: Vectren Energy Delivery of Ohio's Initial Comments filed in
PUCO Case No. 08-723-AU-ORD.**

To Whom It May Concern:

Enclosed for filing, in the above referenced matter, please find an attachment that was inadvertently omitted from the Initial Comments of Vectren Energy Delivery of Ohio, Inc. ("VEDO") filed on September 10, 2008. Specifically, on page 11 of VEDO's Initial Comments, there is a reference to the Indiana Universal Services Program and an attachment. The reference is to the attached Order from the Indiana Utility Regulatory Commission and Stipulation and Settlement Agreement in Cause Number 43077 *et al.*

Additionally, on page 12 of VEDO's Initial Comments there are two other references to "Exhibit MB-1" and "Roger Colton Testimony in Indiana Cause #43078." These two references were errors and should be deleted. VEDO does not have any substantive responses to Questions 4c or 4d.

We apologize for any confusion or inconvenience the inadvertent omission may have caused. If you have questions concerning the attachment please do not hesitate to contact me at 614-719-5957.

Very truly yours,


Lisa G. McAlister

LGM/rg
Enclosure

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ORIGINAL

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY, PURSUANT TO) CAUSE NO. 43077
IND. CODE § 8-1-2.5-1 ET. SEQ., FOR APPROVAL)
OF AN ALTERNATIVE REGULATORY PLAN)
THAT WOULD BECOME EFFECTIVE ON)
JANUARY 1, 2007, AND EXTEND NORTHERN)
INDIANA PUBLIC SERVICE COMPANY'S)
PREVIOUSLY APPROVED PILOT LOW INCOME)
ENERGY ASSISTANCE PROGRAM IN CAUSE)
NOS. 42722 AND 42927, WHICH IS SET TO EXPIRE)
ON DECEMBER 31, 2006.)

VERIFIED JOINT PETITION OF INDIANA GAS) CAUSE NO. 43078
COMPANY, INC., SOUTHERN INDIANA GAS AND)
ELECTRIC COMPANY AND THE BOARD OF)
DIRECTORS FOR UTILITIES OF THE) APPROVED: NOV 07 2007
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 ALTERNATIVE REGULATORY)
PLANS UNDER WHICH EACH PETITIONER)
WOULD CONTINUE THEIR RESPECTIVE)
UNIVERSAL SERVICE PROGRAM.)

BY THE COMMISSION:

Larry S. Landis, Commissioner

Aaron A. Schmoll, Administrative Law Judge

On June 27, 2006, Northern Indiana Public Service Company ("NIPSCO") filed a Verified Petition with the Indiana Utility Regulatory Commission ("Commission") requesting approval of an alternative regulatory plan ("ARP") pursuant to I.C. 8-1-2.5 (the "AUR Act") that would extend its pilot low-income energy assistance program, known as the Winter Warmth Program. The Winter Warmth Program was set to expire on December 31, 2006. NIPSCO's petition was docketed as Cause No. 43077.

Also on June 27, 2006, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North"), Southern Indiana Gas & Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South") 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"), filed

a Verified Joint Petition seeking approval of ARPs which would allow them to continue, with limited modifications and additional appropriate data collection and reporting requirements, their respective pilot low-income energy assistance programs, known as the "Universal Service Programs," which also were set to expire on December 31, 2006. Vectren North's, Vectren South's (collectively "Vectren Energy") and Citizens' petition was docketed as Cause No. 43078.

Because Cause Nos. 43077 and 43078 involved common issues of fact and law, NIPSCO, Vectren Energy and Citizens (collectively, the "Petitioners") filed a motion pursuant to 170 IAC 1-1.1-12 and 19 to consolidate those causes on July 14, 2006. The Citizens Action Coalition of Indiana, Inc. ("CAC") and the Indiana Industrial Group ("Industrial Group")¹ filed petitions to intervene in Cause Nos. 43077 and 43078 on July 20, 2006 and August 4, 2006, respectively. The Commission granted Petitioners' Joint Motion to Consolidate and the petitions to intervene filed by CAC and the Industrial Group on August 7, 2006. On August 31, 2006, the Board of Commissioners of LaPorte County, Indiana ("LaPorte County") filed a Petition to Intervene which was granted by the Commission on October 16, 2006.

Following evidentiary hearings conducted on November 17, 2006 and November 30, 2006, the Commission entered an Interim Order on December 6, 2006 ("Interim Order") approving the terms of a settlement agreement among Petitioners, the OUCC, CAC and LaPorte County under which Petitioners' respective low-income energy assistance pilot programs would be extended through May 31, 2007 (the "2006 Extension Agreement"). The Commission also approved a settlement agreement among Citizens, Vectren South, Vectren North and the Industrial Group establishing a "cap" on the contribution of Citizens' and Vectren Energy's industrial/transportation customers during the extension period.

In the Interim Order, the Commission found that: "the extension should allow Petitioners time to obtain the required data and metrics and present evidence to the Commission as to the ongoing value of the Programs. The extension should also allow Mr. Colton to collect further data on the Programs that will allow identification of best practices and an appropriate procedure for continuing this proceeding to consider further possible modifications and extension of the Petitioners' Programs." The Interim Order further states: "[a] new procedural schedule will be established after the winter heating season to allow the parties to evaluate and comment on the implications of Mr. Colton's analysis."

On April 18, 2007, the Presiding Officers issued a docket entry scheduling an attorneys' conference to discuss procedural matters. Attorneys for Petitioners, the OUCC, LaPorte County, CAC and the Industrial Group attended and participated in the attorneys' conference, which was convened on April 25, 2007, at 10:00 a.m. E.D.T. in

¹ The Industrial Group is an ad hoc group of industrial customers originally consisting of the following industrial customers: Alcoa, Inc., Guide Corporation and National Starch & Chemical Company. On November 16, 2006, the Industrial Group filed an amendment to Appendix A of its Petition to Intervene adding Praxair, Inc. as an industrial customer represented by the Group.

Room E306, Indiana Government Center South, 302 West Washington Street, Indianapolis, Indiana. On April 27, 2007, the Presiding Officers issued a docket entry setting forth a procedural schedule reflecting the parties' agreement during the attorneys' conference, which included two technical conferences to be held on June 14, 2007 and July 24, 2007.

Pursuant to proper notice given as provided by law, the first technical conference was convened on June 14, 2007 in the hearing room of the Commission in Room 222 of National City Center, 101 West Washington Street, Indianapolis, Indiana at 10:00 a.m. E.D.T. During the technical conference, representatives of each of the Petitioners presented an overview of the results of their respective programs during the 2006/2007 heating season, generally describing: (i) the number of customers receiving assistance; (ii) the amount of assistance provided to customers; and (iii) assistance provided to customers from sources other than their respective low-income energy assistance programs. David Carroll discussed a nation-wide study of low-income assistance programs completed by the Applied Public Policy Research Institute for Study and Evaluation ("APPRISE"). APPRISE is a nonprofit research institute dedicated to collecting and analyzing data and information to assess and improve public programs.

On July 13, 2007, Petitioners filed the "Phase II" direct testimony and exhibits of Citizens' President and Chief Executive Officer Carey B. Lykins, Citizens' Director of Customer Service Gregory A. Sawyers, Vectren Utility Holdings, Inc.'s Chairman of the Board and Chief Executive Officer Niel C. Ellerbrook, Vectren Utility Holdings, Inc.'s Director of Customer Service & Residential Commercial Sales Breck A. Sparks, NIPSCO's President Mark T. Maassel, NIPSCO's Energy Assistance and Weatherization Program Manager, Cynthia C. Jackson and Roger D. Colton a consultant with the firm Fisher Sheehan & Colton.

Pursuant to proper notice given as provided by law, a second technical conference was convened on July 24, 2007 in the hearing room of the Commission in Room 222 of National City Center, 101 West Washington Street, Indianapolis, Indiana at 10:00 a.m. E.D.T. During the second technical conference, Petitioners' witness Colton described the results of his evaluation of Petitioners' low-income assistance pilot programs as set forth in the Report attached as Petitioners' Exhibit RDC-II-2 to his testimony and titled "An Outcome Evaluation of Indiana's Low-Income Rate Affordability Programs" (the "Report").

On August 15, 2007, the OUCC pre-filed the direct testimony of James A. Polito, Ph.D. On the same day, CAC pre-filed the direct testimony of David B. Menzer and the Industrial Group pre-filed the direct testimony of Nicholas Phillips, Jr. Petitioners filed the "Phase II" rebuttal testimony of Gregory A. Sawyers, Breck A. Sparks, Michael J. Martin, Jerrold L. Ulrey and Roger D. Colton on August 22, 2007. Also on August 22, 2007, CAC pre-filed the cross-response testimony of Dave Menzer.

Pursuant to proper notice given as provided by law, an evidentiary hearing was commenced on September 6, 2007 at 9:30 a.m. E.D.T. in Room 222, National City

Center, 101 West Washington Street, Indianapolis, Indiana. Prior to the September 6, 2007 evidentiary hearing, the parties informed the Commission that they had entered into a Stipulation and Settlement Agreement providing for an extension of the Petitioners' low-income energy assistance pilot programs through May 31, 2011 (the "Settlement Agreement").

During the September 6, 2007 evidentiary hearing, Petitioners' "Phase II" direct testimony was admitted into evidence without objection. The direct testimony of the Industrial Group also was admitted into the record without objection. Pursuant to the terms of the Settlement Agreement, the OUCC did not offer its direct testimony into evidence. The evidentiary hearing was continued until October 10, 2007 at 11:00 a.m., E.D.T., for the introduction into evidence of the Settlement Agreement, testimony in support of the Settlement Agreement and Petitioners' rebuttal testimony to the CAC's direct testimony. The Presiding Officers further directed Petitioners to respond to certain clarifying questions, which were provided in written form to all of the parties during the evidentiary hearing.

Immediately following the evidentiary hearing on September 6, 2007, Petitioners filed the Settlement Agreement they entered into earlier that day with the OUCC, LaPorte County, CAC and the Industrial Group.

On September 13, 2007, Petitioners filed the supplemental testimony of Gregory A. Sawyers, Douglas A. Karl and Cynthia C. Jackson in support of the Settlement Agreement. Petitioners simultaneously filed the amended Phase II rebuttal testimony of Gregory A. Sawyers, Breck A. Sparks and Michael J. Martin. Petitioners' amended Phase II rebuttal testimony did not include testimony specifically responsive to the OUCC's direct testimony, which was not offered into evidence. On September 14, 2007, Petitioners filed their responses to the Commission's clarifying questions. CAC filed the testimony of Dave Menzer in support of the Settlement Agreement on September 14, 2007.

The evidentiary hearing resumed on October 10, 2007 at 11:00 a.m., E.D.T., in Room 222, National City Center, 101 West Washington Street, Indianapolis, Indiana. During the October 10, 2007 evidentiary hearing, the Settlement Agreement was offered and admitted into evidence as Joint Exhibit 1. Petitioners' supplemental testimony in support of the Settlement Agreement, amended Phase II rebuttal testimony and responses to the Presiding Officers' clarifying questions were admitted into the record without objection. CAC's direct testimony and testimony in support of the Settlement Agreement also were admitted into the record without objection.

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

1. Notice and Jurisdiction.

Due, legal and timely notice of the commencement of the evidentiary hearings in this Consolidated Cause was given and published by the Commission as required by law. Legal notice of the filing for approval of the ARPs was published by the Petitioners in accordance with I.C. 8-1-2.5-2.

NIPSCO, Vectren South and Vectren North and Citizens are engaged in rendering natural gas utility service to the public within the State of Indiana and own, operate, manage and control plant and equipment used for distributing and furnishing such service. NIPSCO, Vectren North and Vectren South are public utilities as defined in I.C. § 8-1-2-1(a). Citizens operates a gas utility and is a "municipally owned utility" within the meaning of the Public Service Commission Act, as amended. Each Petitioner is an energy utility as defined in I.C. 8-1-2.5-2 and is subject to the jurisdiction of the Commission to the extent provided by Indiana law. Accordingly, the Commission has jurisdiction over the parties and the subject matter of this Cause.

2. Petitioners' Characteristics.

NIPSCO has authority to engage in and is engaged in the business of supplying electricity and natural gas to the public and owns franchises and indeterminate permits authorizing it to transact the business of supplying electricity and natural gas to the public in the area it serves in the State of Indiana. NIPSCO owns, operates, manages and controls, among other things, plant, property, equipment and facilities, which are used and useful for the production, storage, transmission, distribution and furnishing of gas service to approximately 714,000 ultimate customers in 28 counties in northern portions of Indiana.

Vectren North has charter power and authority to engage in, and is engaged in the business of rendering gas distribution service solely within the State of Indiana under indeterminate permits, franchises, and necessity certificates heretofore duly acquired. Vectren North owns, operates, manages, and controls, among other things, plant, property, equipment and facilities, which are used and useful for the production, storage, transmission, distribution and furnishing of gas service to approximately 555,000 ultimate consumers in 311 communities and adjacent rural areas in 49 counties in the north central, central, and southern portions of Indiana.

Vectren South has charter power and authority to engage in, and is engaged in the business of rendering both gas and electric public utility service in the State of Indiana. Vectren South 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 service to approximately 127,000 ultimate electric customers and 110,000 ultimate gas customers in southwestern Indiana.

Citizens is a municipally owned gas utility and has the power and authority to engage in, and is engaged in, the business of rendering gas distribution service solely within the State of Indiana under the terms of I.C. 8-1-11.1. Citizens owns, operates,

manages, and controls, among other things, plant, property, equipment and facilities, which are used and useful for the production, storage, transmission, distribution and furnishing of gas service to approximately 266,000 residential, commercial and industrial customers in and around Marion County, Indiana.

3. **Relief Requested.**

In the June 27, 2006 Petitions initiating this proceeding, Petitioners sought a seventeen-month extension of their respective low-income energy assistance pilot programs, which were set to expire on December 31, 2006. Petitioners sought this extension so that data identified by Roger Colton, an expert in low-income energy assistance programs and evaluator of Petitioners' programs, could be collected and analyzed. The Commission approved a five-month extension of Petitioners' programs (through May 31, 2007) in its December 6, 2006 Interim Order.

Following Mr. Colton's evaluation of the Petitioners' respective programs at the conclusion of the heating season ending May 31, 2007, Petitioners proposed in their Phase II testimony that their programs be extended through May 31, 2011, with certain modifications based on the results of Mr. Colton's study. The unique characteristics of Petitioners' respective programs are specifically described in the December 6, 2006 Interim Order in this proceeding and in Petitioner's "Phase II" testimony. The limited modifications that Petitioners proposed were specifically described in their "Phase II" testimony and are further summarized below.

4. **The Parties' Phase II Evidence.**

a. **Petitioners' Phase II Evidence.**

i. **Evidence in Support of Citizens' USP.**

Citizens' President and Chief Executive Officer, Carey B. Lykins testified in support of Citizens' proposal to continue its USP through May 31, 2011. Mr. Lykins explained that Citizens "know[s] from its own experience, as well as a study conducted by the American Gas Association, that there is an increasing disconnect between the plight that lower-income households face in paying their energy bills and the assistance available to them." (Pet. Ex. CBL-II at 3.) Mr. Lykins stated that the USP "helps fill that growing gap between the need low-income customers have for assistance in paying energy bills and the assistance available from LIHEAP and other programs." (*Id.* at 4.) Mr. Lykins indicated that if the USP were to be discontinued, Citizens' participating customers would experience greater difficulties in paying their bills. (*Id.* at 6.) "As a result, low-income customer arrearages would grow and disconnections would increase." (*Id.* at 6-7.)

Citizens' Director of Customer Service, Gregory A. Sawyers described the history of Citizens' USP, noting that it originally was approved on August 18, 2004 by the Commission's Order in Cause No. 42590, along with Vectren Energy's USP. (Pet. Ex. GAS-II at 2.) The USPs were developed as a result of a collaborative effort among

Citizens, Vectren Energy and the OUCC. (*Id.* at 3.) Mr. Sawyers stated that approximately 17,300 of Citizens' residential heating customers received USP assistance during the 2006/2007 winter heating season. (*Id.* at 7.) Since its inception through June, 2006, Citizens' participating low-income customers have received monthly discounts totaling \$5,513,296. (*Id.* at 8.)

Mr. Sawyers summarized the benefits of the USP identified in Petitioners' witness Colton's Report and concluded that without the USP, participating low-income customers otherwise might be unable to pay their natural gas bills and ultimately would be disconnected. (*Id.* at 8-9.) Aside from the data described by Mr. Colton, Mr. Sawyers stated that Citizens has collected other data showing that 16% fewer participants are in arrears now than prior to the inception of the program. (*Id.* at 10.) Citizens also estimates the amount of bad debt write-offs associated with participating customers decreased by approximately \$608,000 and \$430,000, respectively, during the 2005 and 2006 calendar years, as a percent of revenue. (*Id.* at 11.) Mr. Sawyers also testified that there are savings associated with "avoided mobility" and reduced administrative costs. (*Id.* at 11-12.)

Mr. Sawyers described certain proposed changes to Citizens' USP. (*Id.* at 13.) Citizens proposed to change the discounts provided to participating customers to 10%, 18% and 25%, as opposed to 9%, 18% and 24%. (*Id.* at 14.) Citizens also proposed to reduce the period over which discounts are distributed to just the winter heating season and to implement a "Keep the Heat On" program to help USP participants maintain or reconnect service following the heating season. (*Id.* at 15.) Mr. Sawyers noted that Mr. Colton's Report recommends that Citizens modify its USP to address pre-existing arrearages and crisis needs. (*Id.* at 17.) Citizens would dedicate \$300,000 to fund the "Keep the Heat On" program. (*Id.* at 17.)

Mr. Sawyers stated that Citizens did not plan to fund weatherization through the USP. Instead, Citizens intends to use funds from the Energy Efficiency Portfolio created under the Settlement Agreement entered into in Cause No. 42767 for weatherization. (*Id.* at 17.)

Mr. Sawyers also explained Citizens' proposed methodology for funding the USP during the proposed four-year extension period. Citizens would contribute \$2,500,000 to the USP from funds provided for under Article VII of the Settlement Agreement in Cause No. 42973 over four-years. (*Id.* at 23.) The unfunded portion of the cost of the USP would continue to be recovered through a per unit charge incorporated as part of the monthly bills of Citizens' residential (including low-income customers participating in the Program), commercial, and industrial customers, known as the "USF Rider." (*Id.* at 22-23.) Mr. Sawyers noted, however, that the per unit charge assessed to Citizens' industrial customers would continue to be "capped" at \$200 per customer "account." (*Id.* at 23-24.) Mr. Sawyers also explained the manner in which Citizens proposed to "true-up" its "USF Rider" charges.

ii. Evidence in Support of Vectren Energy's USP.

Niel C. Ellerbrook, the Chairman of the Board, and Chief Executive Officer of Vectren Utility Holdings, Inc., testified in support of the continuation of Vectren Energy's USP through May 31, 2011. Mr. Ellerbrook "closely followed the dramatic rise in natural gas prices and the resulting impacts on customers." (Pet. Ex. NCE-II at 3.) Mr. Ellerbrook believes "[t]he impact of significantly higher energy costs creates especially acute problems for low income customers." (*Id.*) Mr. Ellerbrook stated that the USP was created in 2004, in recognition of the fact that "for some customers LIHEAP and potential charitable sources alone could not bridge the growing affordability gap between the actual cost of service and the ability to pay." (*Id.* at 5.) In Mr. Ellerbrook's opinion, gas prices will continue to pose a challenge for low-income customers. (*Id.* at 6.) Mr. Ellerbrook testified that discontinuing the USP would negatively impact low-income customers. (*Id.* at 9.)

Breck A. Sparks, Director of Customer Service & Residential/Commercial Sales for Vectren Utility Holdings, Inc., described the history of Vectren Energy's USP and the manner in which assistance is provided to participating low-income customers. (Pet. Ex. BAS-II at 4.) Mr. Sparks stated that during the 2006/2007 winter heating season, a combined 23,784 customers enrolled in Vectren Energy's USP. (*Id.* at 6.)

Mr. Sparks summarized the results of Petitioners' witness Colton's evaluation of Vectren Energy's USP. Mr. Sparks stated that Mr. Colton's Report shows that the dollars generated by Vectren Energy's USP exceed the cost of the discounted rate. (*Id.* at 10.) The Colton Report also shows that the USP results in a greater number of participants paying their bills and that those who participated in the program paid more in out-of-pocket remittances than a comparable non-participant control group. (*Id.*) The Report concludes there is not an alternative collection method that is more cost-effective by which Vectren Energy could achieve the same results. (*Id.* at 10.) Mr. Sparks indicated that Vectren Energy had collected additional data, not discussed in Mr. Colton's Report, which shows that the bad debt savings attributable to Vectren Energy's USP (updated to reflect ongoing collection processes over the lifecycle of bad debt accounts) was \$203,827 in calendar year 2005 and \$398,790 in calendar year 2006. (*Id.* at 12.)

Mr. Sparks also discussed the analysis of 21 energy affordability programs and 13 energy efficiency programs conducted by APPRISE. (*Id.* at 8-9.) Mr. Sparks stated that the APPRISE study reflects that one particular program cannot be considered a "best practice," nor is it necessarily a "best practice" for there to be only one low-income energy assistance program within a state. (*Id.* at 9.)

Mr. Sparks believes the USP is vital for Vectren Energy's low-income customers. (*Id.* at 14.) Mr. Sparks stated that, if continued, Vectren Energy's USP will operate in generally the same manner as the parties agreed to and the Commission approved in its Interim Order in this proceeding. (*Id.* at 15.) Vectren Energy may change its discount tiers based on a review conducted with the Housing and Community Development Authority and also intends to reduce the period over which the discounts are distributed

to just the winter heating season. (*Id.*) Mr. Sparks stated that Vectren Energy would implement a "special needs/hardship program" to provide assistance to customers that experience a crisis or otherwise require immediate action to help them stay connected outside of the heating season. (*Id.* at 16.) Mr. Sparks indicated that Vectren Energy would apply up to \$350,000 annually to fund the new special needs/hardship component of the USP. (*Id.* at 18.)

Mr. Sparks stated that the USP would be funded in the same manner as approved in the Interim Order in this Cause, including the \$200 monthly "cap" for large volume and high usage customers. (*Id.* at 20.) Mr. Sparks noted that Vectren Energy will contribute a total of over \$1,070,000 annually to the USP via funding provided for under Article VII of the Settlement Agreement in Cause No. 42973. (*Id.* at 21.) Mr. Sparks also described the manner in which Vectren Energy proposed to "true-up" its "USF Rider" charges. (*Id.*)

iii. Evidence in Support of NIPSCO's Winter Warmth Program.

NIPSCO's President Mark T. Maassel testified in support of the continuation of NIPSCO's Winter Warmth Program. Mr. Maassel stated that the Winter Warmth Program works by making funds available to low-income and hardship customers on a one time basis to help pay off arrearages, cover deposit requirements or cover the cost of especially high bills. (Pet. Ex. MTM-II at 4.) Because the one time payments may not be the only assistance the customers need, recipients are: (i) placed in the budget billing program; (ii) provided counseling about ways to reduce gas usage; (iii) eligible to receive weatherization treatment; and (iv) possibly referred to NIPSCO's Gift of Warmth Program. (*Id.* at 4-5.)

Mr. Maassel stated that both anecdotal and statistical evidence establish the effectiveness of NIPSCO's program. (*Id.* at 7.) Mr. Maassel noted that since the Winter Warmth Program has been in place, news stories about the hardship faced by eligible customers are less frequent. (*Id.*) NIPSCO also hears from the agencies it partners with and community activists, with whom it maintains open communication, that fewer customers are facing dire circumstances because of home heating concerns. (*Id.* at 7-8.) Mr. Maassel cited the findings of the evaluation performed by Petitioners' witness Colton as "statistical evidence" of the effectiveness of the program. (*Id.* at 8-9.) Mr. Maassel stated that if the program is not extended, "it is reasonable to expect a return to all of the issues we saw in 2004 -- customers at risk of being without gas and a public outcry against that risk." (*Id.* at 9.)

Mr. Maassel said there are two reasons NIPSCO contributes to the Winter Warmth Program. (*Id.* at 11.) First, NIPSCO believes in the importance of helping low-income and hardship customers keep the heat on in their homes. (*Id.*) Second, there is a good business reason for NIPSCO to foster the Winter Warmth Program -- reduction of bad debt expense. (*Id.*)

Mr. Maassel further stated that NIPSCO has considered a USP similar to that offered by Citizens and Vectren Energy. (*Id.* at 12.) However, Mr. Maassel explained that up to 30% of the population in larger metro areas within NIPSCO's service territory could potentially qualify for such a program. (*Id.*) Therefore, if NIPSCO were to offer a program similar to the USP, the discounts available to customers would have to be reduced so significantly that the effectiveness of the program would likely be adversely impacted. (*Id.*)

NIPSCO's Energy Assistance and Weatherization Program Manager, Cynthia C. Jackson, agreed with Mr. Maassel that the Winter Warmth Program should be extended for four heating seasons. (Pet. Ex. CCJ-II at 3.) Ms. Jackson explained the administration of the program and the manner in which the customers enroll. (*Id.* at 4.) Ms. Jackson noted that all administrative costs of the Winter Warmth Program exceeding \$100,000 are paid by NIPSCO. (*Id.* at 5.) The Winter Warmth Program has provided assistance to 35,216 customers – of which 28,907 qualified for LIHEAP and 6,309 encountered temporary hardship as determined by the community action agencies that serve as the intake points. (*Id.* at 4-5.)

Ms. Jackson stated that, in her opinion, the Winter Warmth Program has been successful. (*Id.* at 6.) Ms. Jackson said there is a need in the communities NIPSCO serves, which is addressed by the Winter Warmth Program. (*Id.*) Ms. Jackson also described the changes NIPSCO has made to the Winter Warmth Program since its inception in 2004 in order to make it more efficient. (*Id.* at 7.) Ms. Jackson stated that NIPSCO was proposing additional changes to its program based on Mr. Colton's evaluation. (*Id.* at 8.) For instance, NIPSCO intends to identify its low-income customers who had the highest gas consumption during the 2006/2007 heating season and prioritize these customers for weatherization assistance. (*Id.* at 9.) NIPSCO also will develop an outreach campaign relating to the Earned Income Tax credit available to low-income customers to facilitate bill payment. (*Id.*)

In Ms. Jackson's opinion, extending the Winter Warmth Program for the next four heating seasons will increase efficiency and decrease costs. (*Id.* at 10.) Ms. Jackson noted that NIPSCO did not propose to change the Winter Warmth charges in its tariff. (*Id.* at 9.) NIPSCO will contribute an additional amount above customer collections equal to 15% (of which the first \$500,000 is available for NIPSCO's Gift of Warmth Program) of the amount collected from customers – instead of 13.33% as contributed during the prior year. (*Id.* at 11.)

iv. Mr. Colton's Testimony and Study.

Roger D. Colton, a principal in the firm of Fisher Sheehan & Colton, Public Finance and General Economics, discussed the results of his evaluation of Petitioners' programs and his Study. At the outset, Mr. Colton testified that he "found that the three utility programs operated in Indiana fundamentally work." (Pet. Ex. RDC-II at 4.)

Prior to conducting the evaluation, Mr. Colton met with representatives of each utility and determined their respective objectives for their programs, which include to: (i) generate positive financial benefits to all ratepayers; (ii) improve the ability of the companies to interrupt the arrears to disconnect cycle; (iii) improve the ability of low-income customers to sustain bill payments through the winter months; (iv) improve the targeting of collection efforts to "can-pay-but-won't" customers; (v) improve low-income customers' ability to sustain their annual bill payments; (vi) minimize the impact of income on all aspects of bill payment; (vii) improve the ability of low-income customers to rehabilitate their bill payment practices when/if they fall into arrears; (viii) maximize the integration of company-provided and publicly-provided bill payment assistance; and (ix) improve the capacity of existing bill payment processes to be effective with all customers at all income levels. (*Id.* at 6.)

In order to assess whether Petitioners' respective programs met the desired objectives, Mr. Colton reviewed certain aggregated data, as well as customer-specific data for groups of 500 customers. (*Id.* at 6.) Mr. Colton ultimately decided that the "best" source of data for purposes of his evaluation was the "micro-data" for individual customers. (*Id.*) The micro-data allowed Mr. Colton to track individual accounts to determine whether their situation was getting better, worse, or staying the same. (*Id.* at 9.) Mr. Colton noted that he would have preferred to evaluate the performance of the programs over a more extended period of time. (*Id.*) Nonetheless, Mr. Colton stated that "[g]iven the consistency between the three NIPSCO evaluations, and between the results of the [Citizens]/Vectren [Energy] evaluation and the NIPSCO outcomes, I am confident that this evaluation has accurately portrayed the nature and outcomes of the three programs." (*Id.* at 10.)

Mr. Colton found that each of the three Indiana utility low-income programs operated in a "revenue neutral" fashion. (*Id.* at 11.) In other words, each company ended up collecting more revenue with their programs than they would have collected in the absence of their respective programs. (*Id.* at 12.) Mr. Colton stated that the Citizens and Vectren Energy USPs also reduced the incidence and level of arrears experienced by program participants. (*Id.* at 13.) In addition, Mr. Colton found the NIPSCO Winter Warmth Program has a particularly beneficial impact on helping high arrears low-income customers gain control over their accounts and to reduce their arrears in order to avoid the disconnection of service. (*Id.* at 14.) According to Mr. Colton, one of the primary impacts of the programs is the leveraging of additional customer payments that would not have occurred in the absence of the programs. (*Id.* at 22.)

Mr. Colton further found that the USPs helped program participants avoid incurring arrears during the winter months and in fact resulted in participants making more complete payments than non-participants. (*Id.* at 15 and 19.) NIPSCO's Winter Warmth Program also helped program participants resolve their winter arrears in a manner that outperformed low-income customers not participating in the program. (*Id.* at 15-16.) Mr. Colton also found each of Petitioners' programs allows the respective utilities to decrease collections activity directed toward low-income customers so as to allow collection efforts to be directed toward customers that have a greater ability to pay.

(*Id.* at 16.) Petitioners' programs also improved payment patterns throughout the year. (*Id.* at 18.)

Mr. Colton recommended that Petitioners make certain minimal improvements to their respective programs, but noted that he was not recommending a "wholesale redesign" of any program. (*Id.* at 25.) The enhancements included: (i) devoting additional efforts toward improving low-income participation in budget billing; (ii) Citizens and Vectren Energy implementing a component of the USPs to address pre-existing arrears, as well as, address temporary financial crises; (iii) drawing upon each utility's respective experience to improve energy efficiency efforts; (iv) implementing additional customer referral and outreach programs; and (v) establishing outbound calling programs for participants with small arrears.²

b. CAC's Evidence.

CAC's Utility Campaign Organizer, Dave Menzer, testified that in his opinion, Petitioners' programs "are not perfect, but they do provide a necessary benefit." (CAC Ex. DM-II at 2.) Mr. Menzer stated that "keeping ratepayers who have had problems with their bills connected and current on their payments promotes stability for the program participants and reduces the overhead, collections, and bad debt write-offs that utilities would face and try to pass on to [their] other ratepayers." (*Id.*) Mr. Menzer also described the "increasing energy affordability gap" experienced by low-income families. (*Id.* at 3.) Mr. Menzer stated that "energy and healthcare costs continue to increase while real wages fall for most of the population. . . . Those with the lowest incomes, and the greatest needs, have lost ground while home heating prices remain high." (*Id.*)

According to Mr. Menzer, CAC believes the legislature has provided policy guidance with respect to universal service through the Alternative Utility Regulation ("AUR") Act. (*Id.* at 4.) In Mr. Menzer's opinion, "[o]ne of the main policy goals served by the [AUR Act] and permitting the Commission to exercise its expertise to flexibly regulate energy utilities is to ensure the continued availability of safe, adequate, efficient, and economical energy service." (*Id.* at 5.) Mr. Menzer stated that a policy, which promotes universal service, is a necessary part of ensuring safe, adequate, efficient, and economical energy services. (*Id.*)

Mr. Menzer stated that the CAC believed Petitioners' programs to be deficient because they do not provide assistance to customers that do not receive LIHEAP assistance. (*Id.* at 8.) Mr. Menzer also stated that the CAC considers Petitioners' proposal to remove weatherization from the programs to be "counterproductive." (*Id.*) Mr. Menzer recommended that Petitioners' programs be extended for two years. (*Id.* at 10.) However, Mr. Menzer recommended that the programs be expanded to include customers eligible for, but not enrolled in LIHEAP. (*Id.*) Mr. Menzer also recommended that the Petitioners be required to increase their funding of the programs and that low-income weatherization not be transitioned away from the programs.

² Each of Petitioners' witnesses specifically described how they would implement Mr. Colton's recommended enhancements.

c. The Industrial Group's Evidence.

Nicholas Philips, Jr., a consultant and principal with the firm of Brubaker & Associates, Inc., testified on behalf of the Industrial Group. Mr. Philips stated that the Industrial Group had concerns about the imposition of the costs of Petitioners' programs on large volume and transportation customers. (Industrial Group Ex. NP at 4.) However, Mr. Philips explained that the Industrial Group has "reached agreement with Citizens Gas, Indiana Gas and SIGECO." (*Id.*) The Industrial Group also has not opposed NIPSCO's program "because it also contains limits on the amount large consumers must contribute." (*Id.*) Mr. Philips stated "[w]e understand that NIPSCO intends to maintain those limits in its proposed extension, and that Citizens Gas, Indiana Gas and SIGECO intend to stand by their agreement and maintain the limits to which they have agreed through the end of their proposed extensions. Given these limits, [the Industrial Group does] not oppose the continuation of the programs as requested by the Petitioners." (*Id.*)

d. Petitioner's Phase II Rebuttal Evidence.

Petitioners' witnesses Sawyers and Sparks testified that Citizens and Vectren Energy could not feasibly implement CAC witness Menzer's proposal that the USP include customers that are not eligible for LIHEAP assistance. (Pet. Ex. GAS-II-R at 2; BAS-II-R at 2.) Mr. Sawyers stated that requiring the utilities to accept, evaluate, and qualify customers that have not enrolled in LIHEAP would impose a significant amount of administrative burden on the utilities. (Pet. Ex. GAS-II-R at 2.) In addition, expanding the USPs to include all LIHEAP eligible customers would increase the cost of the programs, or alternatively require the discounts provided to participating customers to be reduced. (*Id.*)

Mr. Sawyers also testified that Citizens' attempts to reduce the cost of the USP for other ratepayers. (*Id.* at 3.) Mr. Sawyers noted that over the proposed four-year extension period, Citizens will contribute \$2,500,000 to the cost of the USP. (*Id.*) Based on the significant amount of funding Citizens is contributing to the USP, Mr. Sawyers stated that the charge assessed to customers will be lower than it has been over the past three years. (*Id.*)

Mr. Sawyers also questioned the CAC's proposal that the programs be extended for just two years. (*Id.*) In Mr. Sawyers' opinion, a two-year extension would unnecessarily increase costs and burdens for all parties. (*Id.*) Mr. Sawyers noted that Petitioners intend to continue to employ Mr. Colton to evaluate the programs and could arrange annual technical conferences to discuss Mr. Colton's evaluations. (*Id.* at 5.)

Petitioners' witness Sparks disagreed with Mr. Menzer's assertion that Vectren should pay a greater portion of the cost of the USP. (Pet. Ex. BAS-II-R at 2.) Mr. Sparks stated that Vectren Energy already has agreed to contribute a total of over \$1,070,000

annually to the USP via funding provided for under Article VII of the Settlement Agreement in Cause No. 42973. (*Id.*) Including what Vectren Energy already has contributed, it will have contributed nearly \$10,000,000 to the USP by the end of the proposed four-year extension period. (*Id.*)

Mr. Sparks also testified that Vectren Energy's contribution to low-income weatherization is not decreasing. (*Id.* at 3.) Under the terms of the Settlement Agreement approved by the Commission in Cause No. 42943, Vectren Energy has agreed to commit more than \$4.3 million annually to fund conservation initiatives, which include a weatherization program aimed at low-income customers. (*Id.* at 4.) In Mr. Sparks' opinion, the USPs are vital for the Petitioners' low-income customers and are in the public interest. (*Id.*) Mr. Sparks stated that the USPs address a known problem and allow customers to retain gas utility service. (*Id.*)

Petitioners' witness Martin disagreed with Mr. Menzer's claim that NIPSCO's Winter Warmth Program leaves customers unserved. (Pet. Ex. MJM-II-R at 3.) Mr. Martin stated that NIPSCO's Winter Warmth Program benefits payment-troubled customers who receive LIHEAP benefits, as well as customers who do not receive LIHEAP benefits but have financial hardships that qualify them for the program. (*Id.*) Mr. Martin also stated that Mr. Menzer was incorrect in saying that weatherization benefits are no longer a part of NIPSCO's Winter Warmth Program. (*Id.* at 4.) In fact, Mr. Martin stated that the Winter Warmth Program will continue to make up to \$750,000/year in weatherization benefits available through the Indiana Community Action Agency. (*Id.*) Mr. Martin further noted that NIPSCO has increased its contribution to the Winter Warmth Program from 13.33% of the total amount collected from customers to 15% of that total. Mr. Martin concluded that NIPSCO already has implemented all of Mr. Menzer's recommendations. (*Id.* at 4-5.)

5. The Settlement Agreement and Resulting ARPs.

The Settlement Agreement, a copy of which is attached hereto and incorporated herein by reference, provides for the extension of Petitioners' respective low-income assistance programs through May 31, 2011 (the "Extension Term"), subject to the following terms and conditions:

a. Continuation of the Citizens and Vectren Energy USPs.

Citizens and Vectren Energy will continue their respective USPs during the Extension Term generally in accordance with the terms set forth in the 2006 Extension Agreement approved by the Commission's December 6, 2006 Interim Order. (Settlement Agreement at 4.) The difference between the amount that otherwise would be payable for residential gas heating service under Citizens' and Vectren Energy's approved and authorized rates, and the lower bill paid by eligible USP participants, will be recovered from: (i) utility contributions to the USP; and (ii) a per unit charge incorporated as part of the monthly bills of Citizens' and Vectren Energy's residential (including low-income customers participating in the Program), commercial, and industrial/transportation

customers, known as the "USF Rider," to be effective through December 31, 2011. (*Id.* at 4-5.) The initial Citizens and Vectren Energy USF Rider charges are specifically enumerated in the Settlement Agreement. (*Id.*) Citizens and Vectren Energy will "true-up" their USF Rider charges annually based on the balance of their respective "Universal Service Fund," the projected average residential gas bill for the upcoming 12-month period, and projected enrollment/eligibility requirements of the State's EAP. (*Id.*) However, the "trued-up" USF Rider charges may not exceed certain amounts, which are specified in the Settlement Agreement. (*Id.*)

The Settlement Agreement also incorporates the "cap" established in the September 29, 2006 settlement agreement entered into among Vectren Energy, Citizens and the Industrial Group. The volumetric charge for Citizens and Vectren Energy's industrial/transportation customers will not exceed \$200 per customer account in any monthly billing period during the approved extension period. (*Id.*)

Under the terms of the Settlement Agreement, Citizens will contribute \$775,000 annually to the USP during the additional four heating seasons. (*Id.* at 6.) Vectren Energy's annual contribution will total approximately \$1,411,266. (*Id.*)

As a result of the increased funding, Citizens and Vectren Energy also have agreed to devote \$450,000 and \$411,266, respectively (instead of \$300,000 and \$350,000, as proposed in their case-in-chief) to fund special needs/hardship programs devoted to maintaining or reconnecting service to customers with household incomes at or below 200% of the federal poverty line. (*Id.* at 7.) Because Citizens and Vectren Energy already have or are in the process of implementing separate energy efficiency programs, neither utility will dedicate funds from their respective USPs for weatherization of low-income homes. (*Id.* at 6.)

b. Continuation of the NIPSCO Winter Warmth Program.

NIPSCO's Winter Warmth Program will continue during the Extension Term in accordance with the terms approved in the Commission's January 31, 2006 Order in Cause No. 42927 and the 2006 Extension Agreement. (*Id.* at 7.) NIPSCO will collect the same Winter Warmth Assistance Charge from its customers through May 31, 2011 as provided for under the 2006 Extension Agreement. (*Id.* at 8.) NIPSCO agreed to increase its contribution to the program from 13.33% of total customer collections to the program in the 2006/2007 program year to 17% in the 2007/2008 program year, 18% in the 2008/2009 program year, 19% in the 2009/2010 program year and 20% in the 2010/2011 program year provided that the first \$500,000 of these collections shall be available for NIPSCO's Gift of Warmth program on an annual basis, as has been the case in the prior years' program. (*Id.* at 7-8.)

NIPSCO also has agreed to devote \$1,000,000 of Winter Warmth Program funds to the "hardship" component of its program that generally is used by customers falling within the "working poor" classification (i.e., those who are from 150% to 200% of the federal poverty line and those who have been determined by its Winter Warmth agencies

as experiencing temporary hardship). (*Id.* at 8.) In the event that any of this \$1,000,000 remains available as of April 15 of each program year, the funds can be released for use by any customer qualifying for NIPSCO's Winter Warmth Program. (*Id.*)

c. Data Collection and Reporting.

Petitioners will continue to collect and provide to Mr. Colton, data they have previously collected, including that used to prepare the Report in this proceeding. (*Id.*) Petitioners also have agreed to collect certain additional data relating to their respective special needs/hardship programs. Specifically, Petitioners will collect the following data from a sample of 500 customers after each heating season, beginning with the 2007-2008 heating season: (i) arrearages of new participants in 2007 - 2008 as compared to arrearages, if any, of those 500 customers in 2006-2007, (ii) the number of those participants who are disconnected and the amount of the arrears of customers disconnected; and (iii) the number of these 500 customers that are reconnected within 12 months of disconnection. Petitioners also will track the number of participants who remain connected for at least three (3) years with no disconnections. (*Id.*) Mr. Colton will evaluate the data collected by Petitioners, and his evaluation will be filed with the Commission annually. (*Id.*) Petitioners also will request that a technical conference be convened in July or August of each year to discuss the data and Mr. Colton's evaluation. (*Id.*) The data evaluation by Mr. Colton will be filed with the Commission 30 days before the convening of the technical conference.

d. Miscellaneous Terms.

The parties agreed that the OUCC's direct testimony and Petitioners' and CAC's testimony directly responsive to the OUCC's testimony would not be offered into evidence in this proceeding.

6. Evidence in Support of the Settlement Agreement.

a. Petitioners' Evidence in Support of the Settlement Agreement.

Petitioners' witness Sawyers testified that under the Settlement Agreement, Citizens' USP will continue through May 31, 2011 and function nearly exactly as Citizens proposed in its "Phase II" direct testimony. (Pet. Ex. GAS-II-S at 2.) Mr. Sawyers described two principal changes from the USP as proposed in Petitioners' "Phase II" direct testimony. (*Id.* at 3-4.) First, Citizens agreed to contribute an additional \$600,000 (*i.e.*, an additional \$150,000 per year) during the extended term of the USP. (*Id.* at 4.) Mr. Sawyers noted that Citizens' contribution during the additional four heating seasons will total \$3,100,000 (*i.e.*, \$775,000 annually). (*Id.* at 7.) Second, Citizens agreed to create a "special needs/hardship program" devoted to maintaining or reconnecting service to customers with household incomes at or below 200% of the federal poverty line. (*Id.* at 4.) Citizens will devote a total of \$450,000 annually to this special needs/hardship program. (*Id.*) Mr. Sawyers stated that the special needs/hardship

fund will take the place of the proposed "Keep the Heat On" component of the USP. (*Id.* at 5.)

Mr. Sawyers believes the special needs/hardship programs established under the Settlement Agreement will help fill the "gap" created by the discontinuance of the State of Indiana's "Help Thy Neighbor" program. (*Id.*) Mr. Sawyers also believes the Settlement Agreement is consistent with the public interest in that it allows for the continuation of the USP, which has been shown to improve customer payment performance and achieve other important objectives. (*Id.* at 7.)

Petitioners' witness Douglas A. Karl testified that Vectren Energy's USP also will function in nearly the same manner as described by Petitioners' witness Sparks, with two exceptions. (Pet. Ex. DAK-II-S at 1-3.) The first change is that Vectren Energy has agreed to contribute an additional \$600,000 to the USP over the Extension Term (i.e., an additional \$150,000 per year). (*Id.* at 4.) Mr. Karl noted that Vectren Energy's annual contribution will total approximately \$1,411,266. (*Id.* at 6.) The second change is that Vectren Energy, like Citizens, has agreed to create a "special needs/hardship program" devoted to maintaining or reconnecting service to customers with household incomes at or below 200% of the federal poverty line. (*Id.* at 4.)

Mr. Karl stated that the special needs/hardship program was established in recognition of the fact that some customers are not eligible for EAP benefits because their incomes are too high (i.e., exceed 150% of the federal poverty guidelines), but still have difficulty paying their bills for gas service. (*Id.* at 5.) Mr. Karl stated that Vectren Energy will devote \$411,266 annually to fund the special needs/hardship program under the terms of the Settlement Agreement. (*Id.* at 6.) Mr. Karl concluded that the USP is an effective and necessary program that should be continued because it meets worthy objectives, addresses a known problem and allows certain low-income customers to retain essential utility service. (*Id.*)

Petitioners' witness Jackson testified that, in her opinion, approval of the Settlement Agreement is in the public interest. (Pet. Ex. CCJ-II-S at 5.) Ms. Jackson stated that under the Settlement Agreement, the Winter Warmth Program would continue pursuant to the terms NIPSCO originally proposed with limited modifications. (*Id.* at 2.) First, NIPSCO agreed to contribute more of its own funds to support the program. (*Id.*) Second, a specified dollar amount will be designated as available for hardship/working poor customers that fall within 150% to 200% of the federal poverty level or have been determined by NIPSCO's Winter Warmth agencies to be experiencing temporary hardship. (*Id.*) Finally, NIPSCO, Citizens and Vectren Energy committed to collect and make available additional data tracking the success of their respective programs. (*Id.* at 3.)

Ms. Jackson stated that in the Settlement Agreement, NIPSCO agreed to increase the percentage it matches of customer collected funds to 17% in the 2007/2008 program year, 18% in the 2008/2009 program year, 19% in the 2009/2010 program year and 20% in the 2010/2011 program year. As in prior years, the first \$500,000 contributed by

NIPSCO will be available for NIPSCO's Gift of Warmth Program on an annual basis. (*Id.*) Ms. Jackson stated that the funds NIPSCO will contribute to the program would otherwise be considered shareholder dollars. (*Id.* at 4.)

b. CAC's Evidence in Support of the Settlement Agreement.

CAC witness Menzer testified that CAC believes the Settlement Agreement goes "a long way to resolving key concerns the Coalition had with the original proposals and is in the public interest." (CAC Ex. DM-S at 1.) Specifically, Mr. Menzer indicated that "[t]he utilities have committed additional utility dollars and those dollars will be earmarked for providing assistance to additional customers who need assistance but might not otherwise receive it." (*Id.* at 2.) Mr. Menzer noted that the Settlement Agreement does not provide for additional funding for low-income weatherization. (*Id.*) However, Mr. Menzer indicated that CAC is a member of NIPSCO's energy efficiency oversight board and it has been given verbal assurances by Citizens and Vectren that low-income weatherization will be properly funded and other DSM programs will not be allowed to suffer from moving low-income weatherization out of the USP. (*Id.*)

7. Discussion and Commission Findings.

a. Approval of Petitioners' Programs Under the AUR Act.

Each Petitioner is an "energy utility" under the AUR Act. Petitioners commenced this Cause for the purpose of seeking Commission approval to implement ARPs, pursuant to I.C. 8-1-2.5. Under Section 6(a)(1) of the AUR Act, the Commission may adopt alternative regulatory practices, procedures and mechanisms and establish just and reasonable rates and charges that: (a) are in the public interest as determined by consideration of the factors listed in I.C. 8-1-2.5-5; and (b) enhance or maintain the value of the energy utility's retail energy services or property, including practices and procedures focusing on price, quality, reliability and efficiency of the service provided by the energy utility. Pursuant to I.C. 8-1-2.5-5(b), the Commission, in determining whether the public interest will be served must consider:

- (1) Whether technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies render the exercise, in whole or in part, of jurisdiction by the commission unnecessary or wasteful.
- (2) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will be beneficial for the energy utility, the energy utility's customers or the state.
- (3) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will promote energy utility efficiency.
- (4) Whether the exercise of commission jurisdiction inhibits an energy utility from competing with other providers of functionally similar energy

services or equipment.

We previously have determined that "approval of the terms of Petitioners' respective Programs through ARPs, as envisioned by I.C. 8-1-2.5, et seq., is appropriate." See, *Re Citizens and Vectren Universal Service Programs*, Cause No. 42590 at 7 (approved August 18, 2004). In the Order initially approving the USPs for Citizens and Vectren Energy, we noted they presented evidence showing the programs would "promote energy efficiency by requiring participants to be responsible for a manageable portion of their natural gas bill, thereby giving them an incentive to monitor and reduce usage, and if possible, to lower their monthly gas bills." *Id.*

Similarly, in Cause No. 42722, in which we first approved the NIPSCO Winter Warmth Program, we found:

The alternative regulatory plans and practices authorized by the AUR Act include practices, procedures, and mechanisms focusing on the price, quality, reliability, and efficiency of service. . . . The record reflects that the Program satisfies the statutory standards. First, the program will provide significant benefits to low income customers by reducing their total gas bills and making winter heating bills more manageable. . . . Second, the Program will reduce the number of service terminations attributable to low income customers' inability to pay for gas service. Fewer terminations, and the reduced need to dispatch personnel to effectuate those terminations of service, will result in more efficient utility operation. . . . Accordingly, the Commission finds that the Program is in the public's interest, will result in rates and charges that are in the public interest as defined by I.C. § 8-1-2.5-5(b), and will promote efficiency in the rendering of retail energy services. . . .

Verified Petition of Northern Ind. Pub. Serv. Co., Cause No. 42722, at 7-8 (Dec. 15, 2004). In our December 6, 2006 Interim Order in this proceeding we approved the extension of Petitioners' programs through May 31, 2007 pursuant to I.C. 8-1-2.5, et seq.

Following the initial approval of Petitioners' pilot programs, the Commission has requested that Petitioners demonstrate the "business case" for the programs. Specifically, in the October 13, 2006 hearing which was converted to a technical conference, the Presiding Officers addressed the need for additional corroborative data, and included in that discussion references to the need for Petitioners to make a "business case." While the information presented by Mr. Colton has improved over time, and while his findings remain consistent, there remains a lack of evidentiary support quantifying the benefits received by ratepayers that do not participate in the programs compared to ratepayers' contributions toward the programs. As noted in our Interim Order, Mr. Colton concluded in the meetings that took place from February through May of 2006 that "existing data was insufficient to perform the business case analysis." Interim Order, at 8. Even with the supplemental data submitted to the Commission on September 14, 2007 in response to questions by the Presiding Officers, the Commission finds that the business case for the programs still has not been met.

In response to the Presiding Officers' clarifying questions posed during the September 6, 2007 Evidentiary Hearing, Petitioners provided data and diagrams which offer a clearer indication of cash flow (i.e., sources and uses of funds) and offer much-to-be-desired clarity. However, the evidence of record in this consolidated case, as in previous cases, falls short of adequately demonstrating the impact of Petitioners' programs on the finances of Petitioners. There is partial, piecemeal evidence in the record (e.g., estimated reductions in bad debt writeoffs attributed to the programs), but the evidence of record still does not fully demonstrate specific benefits to the ratepayers, whether in the aggregate or by rate class.

This process is further hampered by a lack of clarity regarding what constitutes an appropriate comparison of costs with benefits. Is it appropriate that the answer to that question should vary depending on whose costs and benefits, company or ratepayer, are being examined? In examining the costs and benefits of the programs to ratepayers, what benefits would not be realized by ratepayers until after Petitioners file their respective next rate cases?

As we noted in *Verified Petition of Northern Indiana Public Service Company*, Cause No. 42927 (Jan. 31, 2006), Petitioner (in that case, NIPSCO) had made the case that their program produced measurable benefits to and significant behavioral changes in the payment patterns of program recipients, as well as producing benefits to Petitioner. In his testimony in this consolidated cause, Mr. Colton restates those benefits, as well as providing a snapshot of certain benefits to Petitioners, although he declines to project the findings attributed to the sample population in his analysis to the entire universe of program participants. Petitioners have been responsive to the explicit questions and requests of the Commission. It is our goal that in extending the pilot programs, Petitioners will be able to focus on demonstrating the "business case" for these programs and provide the type of data the Commission believes appropriate.

The evidence presented in this proceeding demonstrates that each of the programs reduces low-income customer arrears in a less costly way than could be accomplished through the increased use of existing collection mechanisms. Moreover, without the assistance provided by Petitioners' low-income energy assistance programs, participating customers otherwise might be unable to pay their natural gas bills and ultimately would be disconnected. In our December 6, 2006 Interim Order in this proceeding, we recognized that "Petitioners experience benefits from keeping customers active and collecting rates that cover their fixed costs, and also reducing accounts receivables going to write-off as a result of the programs." Mr. Colton's Report underscores and further supports that finding. Mr. Colton also found that Petitioners' programs have resulted in a reduction in collection activity directed toward customers participating in the programs – which in turn, allows them to focus those efforts on customers with the ability to pay. (*Id.* at 26-29.)

For the above reasons, the Commission finds that the terms of the Settlement Agreement are generally reasonable, supported by the evidence of record, and are in the

public interest. For this reason, we approve the proposed Settlement Agreement for a period of two (2) years, commencing immediately upon issuance of this Order and extending through May 31, 2009. We decline to accept the proposed four-year term of the Settlement Agreement because (1) we believe that would have the effect of indicating that the programs as outlined by Petitioners are sufficiently robust to warrant long-term or continuing status, and (2) because a two-year extension of what have heretofore been "pilot" programs is warranted to allow the development of additional data as outlined above. Upon completion of the two year extension of the pilot programs, the programs will terminate. To the extent Petitioners may wish to continue, or to continue with further modifications, the programs proposed herein, the filing of a new Cause should be employed as determined appropriate by Petitioners.

Accordingly, we find, consistent with our decisions in past approvals of these programs, that continuing the pilot programs through ARPs, as envisioned by Indiana Code Section 8-1-2.5 is appropriate.

b. Terms of Petitioners' Respective Programs.

In several Orders in other proceedings before this Commission, we have previously discussed the Commission's policy with respect to settlements:

Indiana law strongly favors settlement as a means of resolving contested proceedings. See, e.g., *Manns v. State Department of Highways*, (1989), Ind., 541 N.E.2d 929, 932; *Klebes v. Forest Lake Corp.*, (1993), Ind. App. 607 N.E.2d 978, 982; *Harding v. State*, (1992), Ind. App., 603 N.E.2d 176, 179. A settlement agreement "may be adopted as a resolution on the merits if [the Commission] makes an independent finding, supported by substantial evidence on the record as a whole, that the proposal will establish 'just and reasonable' rates." *Mobil Oil Corp. v. FPC*, (1974), 417 U.S. 283, 314 (emphasis in original).

Indianapolis Power & Light Co., Cause No. 39936, at 7 (Sept. 24, 1995); see also *Commission Investigation of Northern Ind. Pub. Serv. Co.*, Cause No. 41746, p. 23 (TURC 9/23/02). This 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"); *In re Assignment of Courtrooms, Judge's Offices and Other Facilities of St. Joseph Superior Court*, 715 N.E.2d 372, 376 (Ind. 1999) ("Without question, state judicial policy strongly favors settlement of disputes over litigation").

Nevertheless, pursuant to the Commission's procedural rules, and prior determinations by this Commission, a settlement agreement will not be approved by the Commission unless it is supported by probative evidence. 170 IAC 1-1.1-17. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). Any

settlement agreement that is approved by the Commission "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy, Inc.*, 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. Furthermore, any Commission decision, ruling or order - including the approval of a settlement - must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d 790 at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement serves the public interest.

In this case, there is sufficient evidence before us to support our findings and ultimate conclusion that approval of the Settlement Agreement and the continuation of Petitioners' respective low-income energy assistance pilot programs is in the public interest. The purpose of extending Petitioners' pilot programs through May 31, 2007 was to allow Petitioners "time to obtain the required data and metrics and present evidence to the Commission as to the ongoing value of the programs." Petitioners presented evidence in this proceeding that supports the value of the programs, although as discussed above, not to the extent that the "business case" was fully supported. Mr. Colton's Report shows that each of the three programs "fundamentally works" and that they generate benefits for both the Petitioners and eligible customers. (*See*, Pet. Ex. RDC at 4.) For example, the Programs leveraged additional customer payments that would not have been achieved in the absence of the Programs and did so in a less costly manner than through alternative collection techniques. (*Id.* at 23-24.) Our order today preserves these benefits for the next two heating seasons.

Petitioners have made changes to their respective programs in order to make them more consistent. Citizens and Vectren Energy will implement special needs/hardship programs which, like the NIPSCO Winter Warmth Program, will offer "back end" assistance to customers that have accumulated significant arrearages or are experiencing a financial crisis. Petitioners also plan to develop similar outreach efforts relating to the Earned Income Tax Credit available to many low-income customers to facilitate utility bill payment.

Additionally, Petitioners agreed to further modifications to their respective programs in the Settlement Agreement, which not only will make them more consistent, but also will make the programs more beneficial to low-income families across the State. Specifically, Citizens and Vectren Energy agreed to expand the availability of their proposed special needs/hardship programs to households with a gross income at or below 200% of the federal poverty guidelines. Similarly, NIPSCO will devote \$1,000,000 of Winter Warmth Program funds to the "hardship" component of its program that is generally utilized by customers falling within the "working poor" classification (*i.e.*, those who are from 150% to 200% of the federal poverty line and those who have been

determined by its Winter Warmth agencies as experiencing temporary hardship). These programs will help fill the "gap" created by the discontinuance of the "Help Thy Neighbor" program, which previously provided assistance to "working poor" families in Petitioners' service territories.

We also note that Petitioners each agreed to make significant contributions to their respective programs. During the additional four heating seasons, Citizens and Vectren Energy will respectively contribute \$775,000 and approximately \$1,411,266 to their USPs, annually. NIPSCO will increase its contribution to the Winter Warmth Program from 13.33% of total customer collections to the program in the 2006/2007 program year to 17% in the 2007/2008 program year and 18% in the 2008/2009 program year (the proposed increases in the 2009/2010 and 2010/2011 program years are no longer applicable given the Commission's modification of the Settlement Agreement).

Petitioners also agreed to continue collecting and providing data to Mr. Colton that will allow him to continue evaluating the effectiveness of Petitioners' respective programs, and to accumulate additional longitudinal data over the life of the proposed programs. Mr. Colton's analyses will be filed with the Commission annually and subject to ongoing review and discussion at technical conferences convened in July or August of each year. Specifically, Petitioners will collect the following data from a sample of 500 customers after each heating season, beginning with the 2007-2008 heating season: (i) arrearages of new participants in 2007 - 2008 as compared to arrearages, if any, of those 500 customers in 2006-2007, (ii) the number of those participants who are disconnected and the amount of the arrears of customers disconnected; and (iii) the number of these 500 customers that are reconnected within 12 months of disconnection. Petitioners also will track the number of participants who remain connected for at least three (3) years with no disconnections. This data will be used to assess behavioral changes resulting from the Programs. This data will allow further assessment of the Programs and the potential for refinement. As stated above, the two year extension of the pilot programs will allow Petitioners the opportunity to demonstrate the "business case" for the programs if Petitioners choose to continue the programs under a new Cause.

For the above reasons, the Commission finds that the terms of the Settlement Agreement recommending continuation of the pilot programs addressed in the consolidated cause are generally reasonable, supported by the evidence of record, and are in the public interest. For this reason, we approve the proposed Settlement Agreement for an additional period of two (2) years, commencing immediately upon issuance of this Order and extending through May 31, 2009, upon which time the pilot programs will terminate.

8. **Effect of Settlement Agreement.** With regard to future citation of the Settlement Agreement, we find the Settlement Agreement and our approval of it should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (Mar. 19, 1997) and the terms of the Settlement Agreement regarding its non-precedential effect. The Settlement Agreement shall not constitute an admission or a waiver of any position that any of the parties may take with respect to any or all of the

items and issues resolved therein in any future regulatory or other proceedings, except to the extent necessary to enforce its terms.

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

1. The Settlement Agreement and Petitioners' proposed Alternative Regulatory Plans, as reflected in the Settlement Agreement filed on September 6, 2007, a copy of which is attached to this order, shall be and hereby are approved, as modified herein, and Petitioners are hereby authorized to implement the terms thereof.

2. Petitioners' pilot low-income energy assistance programs, as originally proposed in Cause Nos. 42590 and 42722, with the modifications, enhancements and other provisions set forth in subsequent proceedings and in the Settlement Agreement, shall be effective immediately and shall expire on May 31, 2009.

3. Consistent with the data gathering, analysis, reporting, and evaluation plan described in the Settlement Agreement and the Commission's Findings, Petitioners shall file a report on program results and trends annually, under the current Cause Numbers. This report shall be filed on or before August 15 while the programs are in effect.

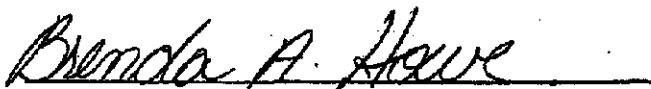
4. Petitioners are hereby authorized to file tariff sheets consistent with the Settlement Agreement, which shall become effective upon their filing with the Commission's Natural Gas Division.

5. This Order shall be effective on and after the date of its approval.

GOLC. LANDIS. SERVER. AND ZIEGNER CONCUR; HARDY ABSENT:

APPROVED: NOV 07 2007

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

FILED

SEP 06 2007

INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY, PURSUANT TO)
IND. CODE § 8-1-2.5-1 ET. SEQ., FOR APPROVAL)
OF AN ALTERNATIVE REGULATORY PLAN)
THAT WOULD BECOME EFFECTIVE ON)
JANUARY 1, 2007, AND EXTEND NORTHERN)
INDIANA PUBLIC SERVICE COMPANY'S)
PREVIOUSLY APPROVED PILOT LOW INCOME)
ENERGY ASSISTANCE PROGRAM IN CAUSE)
NOS. 42722 AND 42927, WHICH IS SET TO EXPIRE)
ON DECEMBER 31, 2006.)

CAUSE NO. 43077

**OFFICIAL
EXHIBITS**

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 ALTERNATIVE REGULATORY)
PLANS UNDER WHICH EACH PETITIONER)
WOULD CONTINUE THEIR RESPECTIVE)
UNIVERSAL SERVICE PROGRAM.)

CAUSE NO. 43078

IURC
JOINT

EXHIBIT No. 1

DATE 10-10-07

REPORTER AT

SUBMISSION OF STIPULATION AND SETTLEMENT AGREEMENT

Northern Indiana Public Service Company, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc., Southern Indiana Gas & Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. 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 (collectively, the "Petitioners"), by counsel, hereby jointly submit the Stipulation and Settlement Agreement entered into on September 6, 2007 among Petitioners, the Indiana Office of

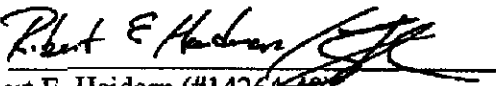
the Utility Consumer Counselor, the Indiana Industrial Group, Citizens Action Coalition
of Indiana, Inc. and the Board of Commissioners of LaPorte County, Indiana.

Respectfully submitted,

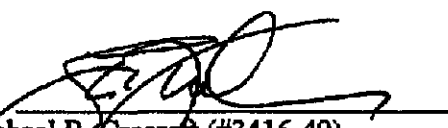
Indiana Gas Company, Inc., d/b/a
Vectren Energy Delivery of Indiana, Inc.,
Southern Indiana Gas & Electric Company,
d/b/a Vectren Energy Delivery of Indiana, Inc.

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:

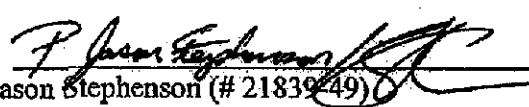

Robert E. Heidorn (#14264-49)
Vectren Corporation
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Northern Indiana Public Service Company

By:


P. Jason Stephenson (# 21839-49)
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
(317) 231-7229

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of September, 2007 a copy of the foregoing
"Submission of Stipulation and Settlement Agreement" has been served by U. S. Mail or
personal delivery to:

Susan L. Macey
Office of Utility Consumer Counselor
National City Center
115 West Washington Street, Suite 1500
Indianapolis, IN 46204

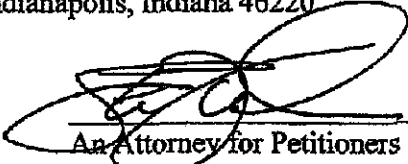
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An Attorney for Petitioners
Vectren Energy and Citizens

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**STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION**

**VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY, PURSUANT TO IND.)
CODE § 8-1-2.5-1 ET. SEQ., FOR APPROVAL OF AN)
ALTERNATIVE REGULATORY PLAN THAT)
WOULD BECOME EFFECTIVE ON JANUARY 1,)
2007, AND EXTEND NORTHERN INDIANA PUBLIC)
SERVICE COMPANY'S PREVIOUSLY APPROVED) CAUSE NO. 43077
PILOT LOW INCOME ENERGY ASSISTANCE)
PROGRAM IN CAUSE NOS. 42722 AND 42927,)
WHICH IS SET TO EXPIRE ON DECEMBER 31,)
2006.)**

**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. 43078
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)
ALTERNATIVE REGULATORY PLANS UNDER)
WHICH EACH PETITIONER WOULD CONTINUE)
THEIR RESPECTIVE UNIVERSAL SERVICE)
PROGRAM.)**

STIPULATION AND SETTLEMENT AGREEMENT

Northern Indiana Public Service Company ("NIPSCO"), Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North"), Southern Indiana Gas & Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South"), 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"), the Indiana Office of the Utility Consumer Counselor ("OUCC"), the Indiana Industrial Group ("IIG"), the Citizens Action Coalition of Indiana, Inc. ("CAC") and the Board of Commissioners of LaPorte County, Indiana (collectively, the "Settling Parties") having been duly advised by their respective staff, experts and counsel, stipulate and agree that the existing low-income assistance programs presently offered by NIPSCO, Vectren Energy and Citizens (collectively, the "Petitioners") pursuant to prior Orders of the Indiana Utility Regulatory Commission ("Commission") should continue in force through May 31, 2011 under the terms set forth in Section II below.

The Settling Parties believe this Stipulation and Settlement Agreement (the "Agreement") represents a fair, reasonable and just resolution of the foregoing issues subject to incorporation into a non-appealable Order of the Commission without modification or further condition that may be unacceptable to any Settling Party hereto ("Final Order"). If the Commission does not approve the Agreement in its entirety, the Agreement shall be deemed null and void and withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. BACKGROUND OF CONSOLIDATED CAUSE NOS. 43077 AND 43078

In its December 14, 2004 Order in Cause No. 42722, the Commission authorized NIPSCO to establish a pilot low income assistance program to be effective through December 31, 2005. The program, known as the "Winter Warmth Program," was approved as an alternative regulatory plan pursuant to Ind. Code § 8-1-2.5 *et seq.* under the terms of a settlement agreement between NIPSCO and the OUCC. NIPSCO's program is designed to assist in the restoration or avoidance of termination of gas service for qualifying low income residential customers along with residential customers experiencing temporary hardship by making available a combination of reduced security deposit requirements, security deposit assistance and utility bill assistance prior to and during the winter heating season. The Commission approved an extension of the program in its January 31, 2006 Order in Cause No. 42927 pursuant to Ind. Code § 8-1-2.5 *et seq.* The program was again approved under the terms of a settlement agreement, this time between NIPSCO and the Board of Commissioners of LaPorte County, Indiana. In the January 31, 2006 Order, the Commission instructed NIPSCO that if it elected to seek continuation of the program, NIPSCO should file a petition seeking such relief no later than August 1, 2006.

The Commission issued an Order on August 18, 2004 in Cause No. 42590 approving a Settlement Agreement among Vectren North, Vectren South (collectively "Vectren Energy"), Citizens, the OUCC, Citizens Action Coalition of Indiana, Inc. and an ad hoc group of Citizens' and Vectren Energy's industrial customers, known as the Manufacturing and Healthcare Providing Customers. The Order in Cause No. 42590 authorized Citizens and Vectren Energy to implement pilot Universal Service Programs ("USPs") for the period of January 1, 2005 through December 31, 2006. Under the USPs, eligible low-income customers receive a rate reduction which varies depending on their natural gas distribution service provider and the application of the Benefit Matrix used in the State's Energy Assistance Program ("EAP"). The Settlement Agreement approved in Cause No. 42590 provides that "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. . . ."

On June 27, 2006, NIPSCO filed a Verified Petition with the Commission initiating Cause No. 43077, seeking to extend its "Winter Warmth Program" for a period of seventeen months beyond the December 31, 2006 expiration date, and through May 31, 2008. Also on June 27, 2006, Citizens and Vectren Energy filed a Verified Joint Petition initiating Cause No. 43078 in which they also sought Commission approval to continue their respective USPs through May 31, 2008.

On July 14, 2006, Petitioners filed a Joint Motion to Consolidate Cause Nos. 43077 and 43078, on the grounds that the proceedings involve common issues of fact and law and are

sufficiently interrelated as to warrant consolidation. The Commission granted the Joint Motion to Consolidate during the August 7, 2006 prehearing conference.

On September 29, 2006, Intervenor, the IIG filed a Stipulation and Settlement Agreement it entered into with Citizens and Vectren Energy in Consolidated Cause Nos. 43077/43078 (the "2006 IIG Settlement Agreement"). The 2006 IIG Settlement Agreement placed a "cap" on the contributions of the large volume customers of Citizens and Vectren Energy, so each large volume customer's contribution will not exceed \$200 during any monthly billing cycle. On November 21, 2006 Petitioners entered into a Stipulation and Settlement Agreement with the OUCC, CAC and LaPorte County (the "2006 Extension Settlement") providing for a five month extension of the Petitioners' Programs.

On December 6, 2006, the Commission entered an Interim Order approving the 2006 Extension Settlement and the extension through May 31, 2007 of Petitioners' respective low-income energy assistance programs. The Commission found that:

[T]he extension should allow Petitioners time to obtain the required data and metrics and present evidence to the Commission as to the ongoing value of the Programs. The extension should also allow [Petitioners' witness Roger D. Colton] to collect further data on the Programs that will allow identification of best practices and an appropriate procedure for continuing this proceeding to consider further possible modifications and extension of the Petitioners' Programs.

The Interim Order further stated: "[a] new procedural schedule will be established after the winter heating season to allow the parties to evaluate and comment on the implications of Mr. Colton's analysis."

On April 25, 2007, the Commission convened an attorneys' conference at the request of the Joint Petitioners in order to establish a new procedural schedule. The Presiding Officers issued a docket entry on April 27, 2007, setting forth a procedural schedule reflecting the parties' agreement during the attorneys' conference, which included two technical conferences to be held on June 14, 2007 and July 24, 2007.

During the first technical conference held on June 14, 2007, each of the Petitioners presented an overview of the results of their respective programs during the 2006-2007 winter heating season. David Carroll of the Applied Public Policy Research Institute for Study and Evaluation ("APPRISE") discussed a nation-wide study of low-income assistance programs. APPRISE is a nonprofit research institute dedicated to collecting and analyzing data and information to assess and improve public programs.

On July 13, 2007, Petitioners filed the "Phase II" direct testimony and exhibits of Citizens' President and Chief Executive Officer Carey B. Lykins, Citizens' Director of Customer Service Gregory A. Sawyers, Vectren Utility Holdings, Inc.'s Chairman of the Board and Chief Executive Officer Niel C. Ellerbrook, Vectren Utility Holdings, Inc.'s Director of Customer Service & Residential Commercial Sales Breck A. Sparks, NIPSCO's President Mark T. Maassel, NIPSCO's Energy Assistance and Weatherization Program Manager, Cynthia C. Jackson and Roger D. Colton a

consultant with the firm Fisher Sheehan & Colton. Petitioners' evidence suggested that the programs should be continued through May 31, 2011, with certain modifications based on the results of Mr. Colton's study. During the July 24, 2007 technical conference, Petitioners' witness Colton discussed the results of his evaluation of Petitioners' low-income assistance programs.

On August 15, 2007, the OUCC pre-filed the direct testimony of James A. Polito, Ph.D. On the same day, CAC pre-filed the direct testimony of David B. Menzer and Intervenor, the Industrial Group pre-filed the direct testimony of Nicholas Phillips, Jr. Petitioners filed the "Phase II" rebuttal testimony of Gregory A. Sawyers, Breck A. Sparks, Michael J. Martin, Jerrold L. Ulrey and Roger D. Colton on August 22, 2007. Also on August 22, 2007, CAC pre-filed the cross response testimony of David B. Menzer.

Following the filing of testimony, the Settling Parties engaged in settlement discussions. As a result of those discussions, the Settling Parties reached an agreement that the Commission should enter a Final Order for each Petitioner as follows.

II. TERMS AND CONDITIONS OF AGREEMENT

Petitioners will continue their respective low-income assistance programs through May 31, 2011 (the "Extension Term"), subject to the terms and conditions set forth below.

A. Continuation of the Citizens and Vectren Energy Programs

Citizens and Vectren Energy will continue their respective programs during the Extension Term generally in accordance with the terms set forth in the 2006 Extension Agreement, with certain limited exceptions. In particular, the following terms of the 2006 Extension Agreement will remain unchanged and in effect during the Extension Term: (i) the Program eligibility and enrollment requirements; (ii) the notice requirements; (iii) the agreement to continue to protect customers during the service termination moratorium; and (iv) the limitation on the number of participants based on EAP availability (except with respect to the Hardship Fund for Working Poor Customers).

The limited changes to the Citizens and Vectren Energy programs during the Extension Term are specifically described below:

1. Funding

a. *Citizens*

Citizens will recover the difference between the amount that otherwise would be payable for residential gas heating service under its approved and authorized rates, and the lower bill paid by eligible program participants first from contributions Citizens will make as set forth in paragraph 4, below. Any unfunded balance in the "Universal Service Fund" will be recovered through a per unit charge (the "USF Rider"), which will be incorporated as part of the monthly bills of its residential (including low-income and working poor customers participating in the program), commercial and industrial customers. The USF Rider shall be applied to each therm of metered gas usage each month. The USF Riders by Rate Schedule are set forth below:

<u>Rate Schedule</u>	<u>USF Rider (per therm)</u>	
Gas Rate No. D1	\$0.0048	
Gas Rate No. D2	\$0.0048	
Gas Rate No. D3	\$0.0026	
Gas Rate No. D4	\$0.0026	
Gas Rate No. D5	\$0.0005	For the First 400,000 Therms per Month
Gas Rate No. D5	\$0.0000	For All Usage Over 400,000 Therms
Gas Rate No. D9	\$0.0005	For the First 400,000 Therms per Month
Gas Rate No. D9	\$0.0000	For All Usage Over 400,000 Therms

The foregoing charges will be included in customer bills beginning January 1, 2008 and through December 31, 2011.

Citizens will "true-up" the above charges annually based on the balance of its "Universal Service Fund," the projected average residential gas bill for the upcoming 12-month period, and projected enrollment/eligibility requirements of the State's EAP. However, in no event will the per therm charges exceed \$0.0068 for residential customers, \$0.0036 for commercial customers, and the rates set forth in the schedule above for industrial customers.

Citizens will true-up the new per unit charges by November 30th of each year. Citizens will file with the Commission its proposed per unit charge to be effective January 1st each year, as a compliance filing under this Cause.

b. Vectren Energy

Vectren Energy will recover the difference between the amount that otherwise would be payable for residential gas heating service under its approved and authorized rates, and the lower bill paid by eligible program participants first from contributions Vectren Energy will make as set forth in paragraph 4, below. Any unfunded balance in the "Universal Service Fund" will be recovered through a per unit charge (the "USF Rider"), which will be incorporated as part of the monthly bills of its residential (including low-income and working poor customers participating in the program), commercial and transportation customers. The per therm charge will not exceed (\$0.007) for residential customers (Rate 10: Indiana Gas; Rate 110: SIGECO), (\$0.004) for commercial customers (Rates 20 and 40: Indiana Gas; Rate 120 Sales: SIGECO) and (\$0.001) for transportation customers (Rates 45, 60 and 70: Indiana Gas; Rates 120, transportation, 160 and 170: SIGECO). In accordance with the terms of the 2006 IIG Settlement Agreement, the volumetric charge for transportation customers will not exceed \$200.00 per customer in any monthly billing period during the Extension Term. The foregoing charges will be included in customer bills beginning January 1, 2008 and through December 31, 2011.

Vectren Energy will "true-up" the above charges annually based on the balance of its "Universal Service Fund," the projected average residential gas bill for the upcoming 12-month period, and projected enrollment/eligibility requirements of the State's EAP. However, in no event

will the per therm charges exceed \$0.007 for residential customers, \$0.004 for commercial customers, and the rate set forth above for transportation customers.

Vectren Energy will true-up the new per unit charges by November 30th of each year. Vectren Energy will file with the Commission its proposed per unit charge to be effective January 1st each year, as a compliance filing under this Cause.

2. Discounts provided to Eligible Customers.

During the Extension Term, the discounts provided to Citizens' and Vectren Energy's low-income customers will continue to be tiered and will coincide with the EAP-established tiers. The discounts to be provided to Citizens' participating low-income USP customers will be 10%, 18% and 25%. Vectren Energy will use data from the 2006-2007 heating season to determine whether any adjustments are needed to the existing percentage discounts (which are 15%, 26% and 32%) or tier structure before the 2007-2008 heating season in order to assure the USP tiers coincide with the EAP established tiers. This review will be conducted with the assistance of, and input from, the Housing and Community Development Authority. The discounts will be applied to participating customers' bills from December 1 through May 31 of each year during the Extension Term.

3. Weatherization.

Vectren Energy has funding mechanisms providing for weatherization of low-income homes as a result of the Commission Orders in Cause No. 42943 and Cause No. 43046. Similarly, Citizens' low-income weatherization program will be migrated to the Energy Efficiency Portfolio provided for pursuant to the Commission's August 29, 2007 Order in Cause No. 42767. Citizens' Energy Efficiency Portfolio also includes a component for working poor weatherization. Accordingly, Citizens and Vectren Energy will not dedicate funds from their respective USPs for weatherization of low-income homes.

4. Utility Contribution to the Programs.

During the Extension Term, Citizens and Vectren Energy will contribute to the programs to offset a portion of their respective Universal Service Fund balance as follows:

a. Citizens

Citizens' annual contribution during the Extension Term will total \$775,000. Citizens agrees to contribute \$625,000 annually to its program from funds provided for under Article VII of the Settlement Agreement in Cause No. 42973. In addition, Citizens will contribute an additional \$150,000 to the program annually.

b. Vectren Energy

Vectren Energy's annual contribution during the four year Extension Term will total approximately \$1,411,266. This figure is comprised of the following funds aggregated and averaged over the Extension Term:

1. \$1,315,000 in estimated NTA settlement dollars, with the actual total depending on the timing of a final order in Cause No. 43298.

2. Funds provided for under Article VII of the Settlement Agreement in Cause No. 42973 (specifically: \$436,065 in remaining funds from 2007; \$1,098,000 for 2008; \$1,098,000 for 2009; and \$1,098,000 for 2010).

3. An additional \$600,000 from the Company over years 2008-2011 (\$150,000 per year).

This total annual contribution will be divided as follows: (i) \$1,000,000 will go toward the general USP credits applied to those customers at or below 150% of the federal poverty income guidelines and qualified through the State's EAP Benefit Matrix; and (ii) the remaining up to \$411,266 per year will go toward the special needs/hardship program to assist those customers at or below 200% of the federal poverty income guidelines to maintain or reconnect their natural gas utility service.

5. Hardship Fund for Customers at or Below 200% of Poverty

As a result of the increased funding described above, Citizens and Vectren Energy will devote \$450,000 and \$411,266, respectively (instead of \$300,000 and \$350,000, respectively – as proposed in Petitioners' direct testimony) to fund special needs/hardship programs devoted to maintaining or reconnecting service to customers with household incomes at or below 200% of the federal poverty line. Citizens and Vectren Energy may provide special needs/hardship assistance throughout the course of each year (through December 31, 2011). Any unused funds will roll-over for use in the next year, or in the final year, will be included in the "true-up" described in paragraph 6, below.

6. True-up.

In the event a funding deficit or surplus exists at the expiration of their respective programs, Citizens and Vectren Energy may continue to use their existing USF Riders for reconciliation purposes.

B. Continuation of the NIPSCO Winter Warmth Program

NIPSCO's Winter Warmth Program will continue during the Extension Term in accordance with the terms approved in the Commission's January 31, 2006 Order in Cause No. 42927 and the 2006 Extension Agreement, with certain limited exceptions. The limited changes to NIPSCO's program during the Extension Term are specifically described below:

1. NIPSCO Contributions to the Program.

NIPSCO will increase its contribution from 13.33% of total customer collections to the program in the 2006/2007 program year to 17% in the 2007/2008 program year, 18% in the 2008/2009 program year, 19% in the 2009/2010 program year and 20% in the 2010/2011 program

year provided that the first \$500,000 of these collections shall be available for NIPSCO's Gift of Warmth program on an annual basis as has been the case in the prior years' program.

2. Collection of Winter Warmth Assistance Charge.

NIPSCO shall collect the same Winter Warmth Assistance Charge from its customers through May 31, 2011 as provided for under the 2006 Extension Agreement. Funds collected shall not be subject to refund or further recovery by NIPSCO.

3. Hardship Fund for Working Poor Customers

NIPSCO will devote \$1,000,000 of Winter Warmth Program funds to the "hardship" component of its program that is generally utilized by customers falling within the "working poor" classification (i.e., those who are from 150% to 200% of the federal poverty line and those who have been determined by its Winter warmth agencies as experiencing temporary hardship). In the event that any of this \$1,000,000 remains available as of April 15 of each program year, the funds can be released for utilization by any customer qualifying for the Winter Warmth Program.

C. Data Collection and Reporting

Petitioners will continue to collect and provide to Mr. Colton, the metrics set forth in Petitioners' Exhibit RDC-4, as well as the additional data Mr. Colton used to prepare "An Outcome Evaluation of Indiana's Low-Income Rate Affordability Programs." In addition, Petitioners will collect similar data for customers provided assistance under their respective Hardship Funds for Customers. In particular, Petitioners will collect the following data from a sample of 500 customers after each heating season, beginning with 2007-2008 heating season: (i) arrearages of new participants in 2007 - 2008 (defined as a customer who received gas service, but did not receive bill assistance in 2006 - 2007) as compared to the arrearages, if any, of those 500 customers in 2006-2007; (ii) the number of those participants who are disconnected and the amount of the arrearages of customers disconnected; and (iii) the number of these 500 customers that are reconnected within 12 months of disconnection. Petitioners also will track the number of participants who remain connected for at least three (3) years with no disconnections.

Mr. Colton's analysis of data collected by Petitioners would be filed with the Commission annually and provided to the OUCC and other interested parties. Petitioners also would request that a technical conference be convened in July or August of each year that their respective programs are active to discuss the data and Mr. Colton's evaluation.

D. Presentation of this Agreement to the Commission

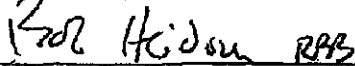
The Settling Parties shall support this Agreement before the Commission and request that the Commission accept and approve this Agreement in a final Order without any changes or conditions(s) unacceptable to any Settling Party. The OUCC will not offer its direct testimony into evidence. The rebuttal testimony of Mr. Colton and Jerrold L. Ulrey also will not be offered into evidence. Petitioners' other rebuttal testimony specifically responsive to the OUCC's direct testimony also will not be offered into evidence.

E. Effect and Use of Agreement

1. This Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling 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 Settling Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceeding.
2. 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.
3. In the event that the Commission enters an 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.
4. The provisions of this Agreement shall be enforceable by any Settling Party, in any tribunal of competent jurisdiction, including but not limited to the Commission.
5. The communications and discussions during the negotiations and conferences attended by the Settling 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.
6. The Settling 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 Settling 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.
7. Solely for purposes of compromise and settlement, the Settling Parties agree that the testimony and exhibits offered into evidence in this proceeding constitute substantial evidence upon which the Commission may approve the Agreement.

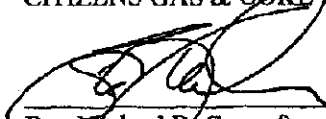
Accepted and Agreed on this 6th day of September, 2007.

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



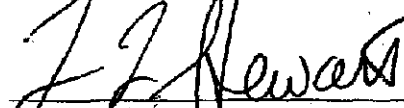
By: Robert E. Heidorn
Vice President and General Counsel
Vectren Corporation
20 N. Fourth Street, P.O. Box 209
Evansville, IN 47702-0209

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



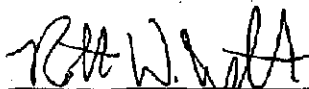
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Hackman Hulett & Cracraft, LLP
111 Monument Circle, Suite 3500
Indianapolis, IN 46204

INDIANA INDUSTRIAL GROUP



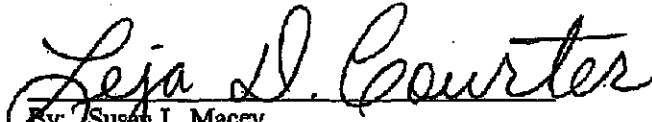
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LAPORTE COUNTY, INDIANA



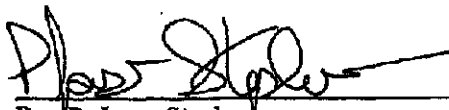
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INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR



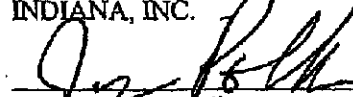
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Leja D. Courter
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COMPANY



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CITIZENS ACTION COALITION OF
INDIANA, INC.



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