

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF INDIANA GAS )  
COMPANY, INC., SOUTHERN INDIANA GAS )  
AND ELECTRIC COMPANY AND THE BOARD )  
OF DIRECTORS FOR UTILITIES OF THE )  
DEPARTMENT OF PUBLIC UTILITIES OF THE )  
CITY OF INDIANAPOLIS, AS SUCCESSOR )  
TRUSTEE OF A PUBLIC CHARITABLE TRUST, )  
D/B/A CITIZENS GAS, PURSUANT TO IND. )  
CODE 8-1-2.5 ET SEQ. FOR APPROVAL OF AN )  
ALTERNATIVE REGULATORY PLAN )  
ESTABLISHING FLEXIBLE TERMS, RATES )  
AND CHARGES FOR CERTAIN RETAIL )  
ENERGY SERVICES, INCLUDING CONTINUED )  
USE OF A GAS COST INCENTIVE )  
MECHANISM AND APPROVAL OF NEW )  
SUPPLY AGREEMENTS WITH PROLIANCE )  
ENERGY, LLC )

CAUSE NO. 43963

APPROVED: MAR 17 2011

**BY THE COMMISSION:**

**Larry S. Landis, Commissioner**  
**Angela Rapp Weber, Administrative Law Judge**

Pursuant to Section 10.1 of the Settlement Agreement approved by the Indiana Utility Regulatory Commission (“Commission”) in its Order issued in Cause No. 42973 on April 25, 2006, Indiana Gas Company, Inc., d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren North”); Southern Indiana Gas and Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South”); 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 (“Citizens”) (Citizens, together with Vectren North, and Vectren South, “Joint Petitioners”); the Office of Utility Consumer Counselor (“OUCC”); the I.G.C.G. Industrial Group (“Industrial Group”); the Citizens Action Coalition (“CAC”); and ProLiance Energy, LLC (“ProLiance”) commenced negotiations concerning the terms for any continuation of Citizens’, Vectren North’s, and Vectren South’s receipt of gas supply services from ProLiance. As a result of the negotiations, a new Settlement Agreement (the “2010 Settlement Agreement”) was executed by the Joint Petitioners, OUCC, ProLiance, CAC, and Industrial Group. On November 3, 2010, the Joint Petitioners filed a Verified Joint Petition (“Petition”) with the Commission. Attached to the Petition was the 2010 Settlement Agreement.

On November 12, 2010, the Industrial Group filed a Petition to Intervene in this Cause, and the Presiding Officers granted it on November 23, 2010. The Presiding Officers granted ProLiance’s December 10, 2010 Petition to Intervene pursuant to a Docket Entry dated January

4, 2011. On February 1, 2011, CAC filed a Petition to Intervene in this Cause, which was granted on the record at the February 1, 2011 Evidentiary Hearing.

On December 17, 2010, Joint Petitioners filed the Direct Testimony of LaTona S. Prentice and Perry M. Pergola. Also on December 17, 2010, the OUCC filed the Direct Testimony of Leja D. Courter. On January 31, 2011, Joint Petitioners and the OUCC provided written responses to the Presiding Officers' request for additional information.

A public Evidentiary Hearing was held in this Cause on February 1, 2011 in Room 222 of the PNC Center, Indianapolis, Indiana. Counsel for Joint Petitioners, the CAC, the OUCC, and the Industrial Group appeared and participated at the Hearing. The 2010 Settlement Agreement was submitted into evidence, along with supporting testimony and exhibits, without objection. No members of the general public appeared or sought to testify at the Hearing.

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

**1. Notice and Jurisdiction.** Due, legal, and timely notice of the Hearings in this Cause was given and published by the Commission as required by law. Citizens is a municipally owned gas utility subject to the jurisdiction of the Commission under Indiana Code ch. 8-1-11.1. Vectren North is a "public utility" and a "gas utility" within the meaning of those terms as used in the Public Service Commission Act, as amended, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana. Vectren South is also a "public utility" and a "gas utility" within the meaning of those terms as used in the Public Service Commission Act, as amended, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana.

**2. Joint Petitioners' Characteristics.** Citizens' principal office is located at 2020 North Meridian Street, Indianapolis, Indiana and distributes to the public natural gas, and provides gas delivery services to its eligible customers. Citizens provides gas service to approximately 263,000 customers in Marion County, Indiana by means of gas utility plant, properties, equipment, and facilities owned, operated, managed, and controlled by it, which are used and useful for the convenience of the public. Citizens' gas plant includes transmission, distribution, and liquefied natural gas storage facilities in Marion County, Indiana and underground natural gas storage facilities in Greene County, Indiana.

Vectren North's principal office is located at One Vectren Square, Evansville, Indiana. It is engaged in the business of rendering gas distribution service to approximately 540,000 customers in forty-nine counties in Indiana. It 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.

Vectren South's principal office is located at One Vectren Square, Evansville, Indiana. It is engaged in the business of rendering both gas and electric public utility service in the State of Indiana. It owns, operates, manages and controls, among other things, plant, and equipment within the State of Indiana used for the production, transmission, delivery, and furnishing of such

service to approximately 130,000 ultimate electric customers in six counties and 155,000 ultimate gas customers in nine counties in southwestern Indiana.

3. **Requested Relief.** Joint Petitioners filed their Petition initiating this proceeding under Indiana Code ch. 8-1-2.5. The Petition requested approval of an Alternative Regulatory Plan (“ARP”) establishing flexible terms, rates, and charges for certain retail energy services, including continued use of a Gas Cost Incentive Mechanism (“GCIM”) and approval of new supply agreements with ProLiance. The 2010 Settlement Agreement detailed the Joint Petitioners’ proposed ARP in this Cause.

4. **The 2010 Settlement Agreement and Supporting Evidence.**

A. **2010 Settlement Agreement.** According to the 2010 Settlement Agreement, the Joint Petitioners, OUCC, CAC, and Industrial Group negotiated in good faith in order to reach agreement on terms designed to preserve the benefits of the joint administration of the Joint Petitioners’ supply portfolios. The 2010 Settlement Agreement stated that ProLiance is a signatory to the Agreement, but it is not a party to this Cause.<sup>1</sup> The 2010 Settlement Agreement also explained that it builds on the prior Settlement Agreements executed by the parties to ensure that a proper allocation of benefits and a continual review of information are facilitated, as well as to ensure that certain concepts are addressed. These concepts include: (1) transparency of information; (2) sharing of synergies; (3) capacity release access; (4) supply planning protocol; and (5) affiliate guideline clarity, compliance, and non-discrimination. The 2010 Settlement Agreement modifies the current supply agreements and permits the continued provision of gas supply services by ProLiance to the Joint Petitioners. The 2010 Settlement Agreement enumerated certain provisions, which are summarized below:

1. **Information Transparency.** Under Article I of the 2010 Settlement Agreement, ProLiance and the Joint Petitioners agreed to provide the OUCC with full access to all data reasonably related to ProLiance’s services under the agreed arrangements, including access to the portion of ProLiance’s books and records reasonably related to the service provided for in the 2010 Settlement Agreement. The OUCC will be permitted to discuss all relevant data with ProLiance and Joint Petitioners’ personnel, subject to agreed confidentiality protections. Pursuant to Article II, the coordination of resources to provide services to the Joint Petitioners, as well as the supply planning process, will be transparent. The OUCC will be able to monitor all aspects of Joint Petitioners’ process, as well as all support and assistance provided by ProLiance.

2. **Utility Supply Planning.** Under Article II of the 2010 Settlement Agreement, the Joint Petitioners will own the supply planning process, including maintaining sole, final decision-making authority with respect to their individual supply plans. Joint Petitioners will follow the detailed supply planning procedures set forth in Exhibit F to the 2010 Settlement Agreement. Exhibit F generally provides that Joint Petitioners will work collaboratively, and may include ProLiance, to optimize their supply resources in order to create synergies and reduce costs. Joint Petitioners will provide timely, detailed demand forecast data

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<sup>1</sup> However, the Commission notes that on December 10, 2010, ProLiance filed a Petition to Intervene with the Commission. The Presiding Officers granted ProLiance’s Petition to Intervene pursuant to a Docket Entry dated January 4, 2011, thus making ProLiance a party to this Cause.

and analysis to ProLiance to enable ProLiance to investigate, develop, and implement demand cost savings strategies. Joint Petitioners will not completely delegate supply planning responsibility to ProLiance. However, Joint Petitioners are not prohibited from using consultants, including ProLiance, to support supply planning analysis and implementation.

3. Modified Supply Agreements. Under Article III, from the date of Commission approval of the 2010 Settlement Agreement through March 31, 2016, the supply relationships between Joint Petitioners and ProLiance will be subject to new gas supply agreements. The terms of the new agreements will be in the form set forth in Exhibits A, B, and C to the 2010 Settlement Agreement. The respective executed Appendices to Exhibits A, B, and C, which set forth specific price and service terms for each delivery service provided to Joint Petitioners, will be filed with the Commission as part of the executed supply contracts within thirty days after approval of the 2010 Settlement Agreement. At least fifteen days prior to the filing of the initial Appendices with the Commission, as well as updates, renewals, or revisions to the Appendices, Joint Petitioners will provide the OUCC and Industrial Group with copies of the proposed Appendices. Joint Petitioners will inform the Commission of objections the OUCC or Industrial Group may have concerning the Appendices at the time of filing.

a. Commodity. Commodity will be separately purchased for Joint Petitioners subject to the provisions set forth in Exhibit E to the 2010 Settlement Agreement. Exhibit E includes guidelines related to the GCIM as well as a Price Volatility Mitigation Program (“PVMP”). The GCIM and PVMP were previously approved by the Commission as part of the 2006 Settlement Agreement and have been relied upon by Joint Petitioners in making their commodity purchases.

b. Delivery Services to Joint Petitioners. ProLiance will sell delivery services necessary for Joint Petitioners to provide gas supply to their customers. ProLiance is expected to provide delivery entitlements at a savings compared to what the Joint Petitioners could achieve individually without the benefit of the joint portfolio administration. Joint Petitioners’ customers and ProLiance will share the benefit of such economies or synergies. Following a review process conducted by the OUCC, Joint Petitioners, and ProLiance, synergies and efficiencies associated with the joint portfolio of interstate pipeline transportation and storage services will be shared on a 50/50 basis through the establishment of an annual demand cost cap, which is an amount negotiated by the OUCC and ProLiance.

4. Entitlement Utilization. Article IV of the 2010 Settlement Agreement concerns entitlement utilization. Joint Petitioners will identify anticipated unused transportation entitlements to obtain proceeds to offset gas sales customers’ costs. This will also provide non-discriminatory access to available pipeline transportation capacity. After such identification, Joint Petitioners’ available unused pipeline entitlements will be divided into equal halves. ProLiance will retain one half in exchange for providing an annual credit to Joint Petitioners in an amount equal to \$3,500,000. The other half will be auctioned by Joint Petitioners through their electronic bulletin boards and in a manner prescribed by Exhibit D to the 2010 Settlement Agreement.

5. *Affiliate Guidelines.* Under Article V of the 2010 Settlement Agreement, Joint Petitioners will comply with the Affiliate Guidelines set forth in Exhibits G and H to the 2010 Settlement Agreement. Provisions of service provided for in Exhibits A, B, and C will not be considered violations of the Affiliate Guidelines. ProLiance is not exempt from the Affiliate Guidelines except as agreed to by the parties to the 2010 Settlement Agreement and as authorized by other affiliate agreements or the Commission prior to the date of the 2010 Settlement Agreement.

6. *Customer Education.* Pursuant to Article VI of the 2010 Settlement Agreement, Joint Petitioners will host seminars and workshops for competitors and interested customers to explain relevant provisions of the 2010 Settlement Agreement, including the process for offering for sale Joint Petitioners' unused pipeline entitlements via the capacity auction process. Joint Petitioners will coordinate with the OUCC and the Industrial Group in preparing presentations for the seminars and workshops. Joint Petitioners will host workshops and seminars within sixty days of Commission approval of the 2010 Settlement Agreement.

7. *Joint Administration Benefits.* Pursuant to Article VII of the 2010 Settlement Agreement, Joint Petitioners will contribute \$2,000,000 annually to utility customer programs, which is contingent on ProLiance's continued administration of gas supply for Joint Petitioners. These programs will be selected by Joint Petitioners after consultation with the OUCC. Further, the contribution will continue each year ProLiance provides supply to Joint Petitioners through 2016, with a pro rata payment made for 2011 and 2016. The initial payment is to be made within sixty days following Commission approval of the 2010 Settlement Agreement, and all subsequent payments will be made by January 31 of the relevant year. Citizens' payment each year will be calculated by multiplying \$2,000,000 by Citizens Resources' (or successor's) percentage share of ProLiance earnings for that year, and Vectren North's and Vectren South's payments each year shall be calculated by multiplying \$2,000,000 by Vectren Energy Solutions' (or successor's) percentage share of ProLiance earnings for that year. Each year, 10% of the annual contribution will be allocated as a grant to the Indiana Utility Ratepayer Trust, and the remaining 90% will be allocated to low-income programs.

8. *Settlement Review.* Under Article VIII, Joint Petitioners, the OUCC, CAC, and Industrial Group will meet no later than June 1, 2012 to review the Entitlement Release Process. By agreement of Joint Petitioners, the OUCC, CAC, Industrial Group, and ProLiance, adjustments may be made to improve such processes that are consistent with their overall agreement through a process that remains subject to Commission oversight and approval.

9. *Audit, Consulting Review, and Costs.* Article IX provides that three times per year, the books, records, and data reasonably related to the provisions of the 2010 Settlement Agreement may be formally reviewed by the OUCC. In the event the OUCC employs an outside auditor or consultant to assist in this review process, Joint Petitioners will pay up to \$125,000 each year, which may be used to offset the OUCC's reasonable costs specifically incurred for such review. To the extent the OUCC's outside auditor or consultant expenses do not total \$125,000 in a given year, the OUCC may carry over the balance to fund reviews in the next year. Additionally, once each year during the term of the 2010 Settlement Agreement, the

Commission, the OUCC, and all outside auditors or consultants employed by the OUCC will meet in order to provide the Commission with an update on the work conducted by the OUCC and its auditors and consultants.

10. Duration of Supply Relationship. Under Article X, ProLiance will provide gas supply services for a term beginning April 1, 2011 and ending March 31, 2016. Prior to April 30, 2015, Joint Petitioners, the OUCC, CAC, and Industrial Group will commence discussions regarding the terms for the Joint Petitioners' receipt of gas supply services after March 31, 2016. If they fail to reach an agreement on terms for the provision of supply services after expiration of the 2010 Settlement Agreement, any or all of the Joint Petitioners may propose to purchase services from an affiliate. Any such proposal shall be filed with the Commission by October 1, 2015.

B. Evidence in Support of 2010 Settlement Agreement. LaTona S. Prentice, Citizens' Executive Director of Regulatory Affairs, testified in support of the 2010 Settlement Agreement. She provided a history of ProLiance's provision of gas supply to Joint Petitioners, which led to the execution of the 2010 Settlement Agreement. Ms. Prentice also described the supply agreements, identified as Exhibits A, B, and C to the 2010 Settlement Agreement. She noted the GCIM and PVMP remain essentially unchanged from the 2006 Settlement Agreement. The supply agreements will expire on March 31, 2016, and prior to April 30, 2015 the parties will begin discussions concerning terms for the receipt of gas supply after March 31, 2016.

In Ms. Prentice's opinion, the terms of the 2010 Settlement Agreement benefit ratepayers. Each year, a \$2,000,000 contribution will be made by Joint Petitioners to low-income programs. The contribution made each year will be split among Joint Petitioners according to their ownership in ProLiance, with 10% allocated as a grant to the Indiana Utility Ratepayer Trust. Ms. Prentice also testified that customers will receive 50% of the pipeline demand cost synergies generated as a result of joint administration of the supply portfolios, and with limited exceptions, such costs will be capped thereby transferring risk of any cost increases to ProLiance. Further, customers will continue to experience savings as a result of commodity purchases made via the GCIM.

Ms. Prentice also testified that under the 2010 Settlement Agreement, customers will benefit from the sale of Joint Petitioners' unused pipeline entitlements. Under the 2010 Settlement Agreement, Joint Petitioners' available unused pipeline entitlements will be divided into equal halves. Joint Petitioners will share with customers 85% of the value received from half of the unused entitlements auctioned on electronic bulletin boards. Customers will also receive an annual \$3,500,000 credit through the Profit Sharing Mechanism related to the sale of unused pipeline entitlements made by ProLiance to Joint Petitioners through the GCA mechanism. According to Ms. Prentice, it is intended that the provisions in the 2010 Settlement Agreement relating to Joint Petitioners' unused pipeline entitlements will benefit customers by guaranteeing an annual fee throughout the five-year extension of the supply agreements, thus providing certainty and less exposure to future capacity market conditions. With respect to the capacity auction process mentioned above, Ms. Prentice stated it is consistent with the following goals: (1) competition, (2) nondiscriminatory open access, (3) the highest economic value consistent with reliable supply and fair competition, and (4) process transparency.

Ms. Prentice noted the 2010 Settlement Agreement creates a process which ensures that information related to the supply agreements is transparent. For example, the OUCC will have full access to ProLiance's books and records reasonably related to the services provided under the 2010 Settlement Agreement. Joint Petitioners will provide funding for such access. Also, the parties to the 2010 Settlement Agreement are subject to the affiliate guidelines and may, by mutual agreement, utilize the Rules of Alternative Dispute Resolution, as adopted by the Indiana Supreme Court, to facilitate interpretation and implementation of the Affiliate Guidelines. In addition, the parties have agreed that no contractual arrangements with ProLiance, or its direct or indirect subsidiaries, will be negotiated on behalf of Joint Petitioners by an employee of Joint Petitioners who is an officer or director of ProLiance.

Ms. Prentice concluded by stating Commission approval of the 2010 Settlement Agreement is in the public interest. The 2010 Settlement Agreement, according to Ms. Prentice, reduces customer costs, preserves the joint administration of Joint Petitioners' gas supply, and promotes efficiency in the provision of gas supply to Joint Petitioners. Thus, the 2010 Settlement Agreement provides benefits to customers and should be approved.

Perry Pergola, Director, Gas Supply for Vectren Utility Holdings, Inc., testified on behalf of Joint Petitioners. Mr. Pergola summarized Joint Petitioners' current service relationship with ProLiance. He also described key terms and provisions of the 2006 Settlement Agreement. He explained that the 2010 Settlement Agreement preserves many of the key components of the 2006 Settlement Agreement, such as information transparency, available capacity access, and customer savings. Mr. Pergola described in greater detail the terms of the 2010 Settlement Agreement that provide for continued information transparency, savings passed to customers as a result of joint portfolio administration, and the sale of unused pipeline entitlements. Mr. Pergola concluded by stating that the 2010 Settlement Agreement is in the public interest and should be approved.

Leja Courter, Director, Natural Gas Division, testified on behalf of the OUCC and in support of the 2010 Settlement Agreement. He described in detail how the 2010 Settlement Agreement provides for information transparency; the sharing of synergies through the establishment of an annual demand cost cap and a GCIM for gas commodity purchases; a supply planning process; capacity release access; customer education concerning the sale of available entitlements; the application of affiliate guidelines; an audit of books, records, and data reasonably related to the supply agreements; and a \$2,000,000 annual contribution to customer programs by Joint Petitioners. Mr. Courter testified that the 2010 Settlement Agreement is in the public interest because it provides benefits and cost savings to Joint Petitioners and their customers.

**5. Commission Findings.** The Commission starts with a general discussion on settlement agreements. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a

settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coalition*, 664 N.E.2d at 406.

Furthermore, any Commission decision, ruling, or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission’s own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, it must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Indiana Code ch. 8-1-2, and that such agreement serves the public interest.

Based on the Commission’s review of the 2010 Settlement Agreement, a copy of which is attached to this Order and incorporated by reference, and the evidence in support thereof, we find that the terms negotiated by Joint Petitioners, the OUCC, CAC, and Industrial Group are reasonable, supported by sufficient evidence, in the public interest, and should be approved. In particular, the 2010 Settlement Agreement preserves the joint administration of Joint Petitioners’ gas supply and provides for sizeable benefits to customers, while ensuring the provision of reasonable and reliable utility service. The Commission’s approval of the 2010 Settlement Agreement includes the necessary approval of the Joint Petitioners’ ARP, which has been submitted in order to effectuate certain designated portions of the 2010 Settlement Agreement.

Customers will receive half of the pipeline demand cost synergies created as a result of the joint administration of Joint Petitioners’ supply portfolios. Customers will also receive a guaranteed credit in GCA proceedings as compensation for the Joint Petitioners’ available unused pipeline entitlements. Further, the use of the GCIM process will ensure that cost savings on commodity purchases are shared with customers. The 2010 Settlement Agreement also continues funding by the Joint Petitioners for low-income customers and provides for an annual contribution to the Indiana Utility Ratepayer Trust fund.

In addition, the 2010 Settlement Agreement provides for reasonable access to ProLiance’s books and records, and funding for an auditor or consultant to provide assistance to the OUCC in that review. Also, an annual update will be submitted to the Commission under this Cause concerning the audit and consultant work conducted by the OUCC and its auditors and consultants. This process ensures that information related to the supply agreements is transparent. Thus, the outcomes reached in the 2010 Settlement Agreement are beneficial to both Joint Petitioners and their customers.

The parties agreed the 2010 Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. However, with regard to future citation of the 2010 Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, approved March 19, 1997.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:**

1. The 2010 Settlement Agreement is hereby approved.

2. Citizens, Vectren North, and Vectren South are authorized to enter into new gas supply agreements consistent with the 2010 Settlement Agreement in the form filed as Exhibits A, B and C. Copies of the executed gas supply agreements, including the attachments thereto in executed form, shall be filed with the Commission under Indiana Code § 8-1-2-49, as contemplated by the 2010 Settlement Agreement. Any subsequent revisions or amendments to the Appendices attached to the new gas supply agreements also shall be filed with the Commission pursuant to and consistent with the 2010 Settlement Agreement and Indiana Code § 8-1-2-49.

3. Consistent with the terms of the 2010 Settlement Agreement, the proposed ARP filed by Citizens, Vectren North, and Vectren South is approved, and the Commission's regulation of the Joint Petitioners' gas costs shall be modified consistent with those terms until its termination on March 31, 2016.

4. In accordance with Indiana Code § 8-1-2-70, Citizens shall pay the following itemized charges within twenty (20) days from the date of the Order into the Treasury of the State of Indiana, through the Secretary of this Commission, as well as any additional costs that were incurred in connection with this Cause:

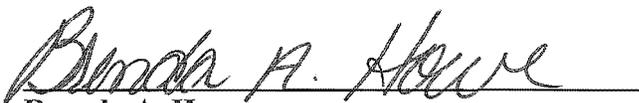
Commission Charges:	\$1,303.56
OUCG Charges:	\$1,488.45
Legal Advertising Charges:	\$ 147.70
TOTAL	\$2,939.71

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

**ATTERHOLT, LANDIS, AND ZIEGNER CONCUR; BENNETT AND MAYS NOT PARTICIPATING:**

**APPROVED:** MAR 17 2011

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

  
**Brenda A. Howe**  
**Secretary to the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF INDIANA )  
GAS COMPANY, INC., 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, PURSUANT )  
TO IND. CODE § 8-1-2.5 et. seq. FOR )  
APPROVAL OF AN ALTERNATIVE ) CAUSE NO.  
REGULATORY PLAN ESTABLISHING )  
FLEXIBLE TERMS, RATES AND )  
CHARGES FOR CERTAIN RETAIL )  
ENERGY SERVICES, INCLUDING )  
CONTINUED USE OF A GAS COST )  
INCENTIVE MECHANISM AND )  
APPROVAL OF NEW SUPPLY )  
AGREEMENTS WITH PROLIANCE )  
ENERGY, LLC )

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement") is entered into this 4<sup>th</sup> day of October, 2010, between and among duly authorized representatives of Indiana Gas Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North"), 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 ("Citizens"), Southern Indiana Gas & Electric Company, d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South") (Vectren North, Vectren South and Citizens are collectively referred to as the "Utilities", and each individually as a "Utility"), the Indiana Office of Utility Consumer Counselor ("OUCC"), I.G.C.G.-Industrial Group ("I.G.C.G.-Industrial Group," consisting

of Belden CDT Inc., General Motors Corporation, Rolls-Royce Corporation, Smurfit-Stone Container Corporation and Vertellus Agriculture & Nutrition Specialties, Inc.), and The Citizens Action Coalition of Indiana, Inc. ("CAC"). The foregoing parties are referred to collectively as the "Parties." ProLiance Energy, LLC ("ProLiance"), while not a Party to the captioned proceeding, is a signatory to the Settlement and is bound to the extent provided for herein. The Parties and ProLiance are referred to collectively as the "Signatories."

WHEREAS, on February 1, 2006, the Parties filed a settlement agreement with the Commission setting forth terms and conditions for the provision of gas supply services from ProLiance to Citizens, Vectren North and Vectren South from the date of the Commission's approval of the settlement agreement through March 31, 2011, thereby settling all outstanding issues in the Utilities' GCA proceedings and Cause No. 42973 (the "2006 settlement");

WHEREAS, the 2006 Settlement also addressed the administration of the Utilities' gas supply function by ProLiance beyond March 31, 2011, by specifying that the Parties would commence discussions regarding such administration prior to April 30, 2010;

WHEREAS, the 2006 Settlement further specified that if the Parties failed to reach an agreement on terms for the provision of supply services after expiration of the 2006 Settlement, any of the Utilities may propose to purchase such services from an affiliate through a filing with the Commission prior to October 1, 2010;

WHEREAS, the Parties commenced negotiations prior to April 30, 2010, and have negotiated in good faith in order to reach agreement on terms designed to preserve the benefits of the joint administration of the Utilities supply portfolios;

WHEREAS, the negotiated agreement builds upon the prior agreements of the Parties to ensure that the key concepts of (1) transparency of information, (2) sharing of synergies, (3) capacity release access, (4) supply planning protocol, and (5) affiliate guideline clarity, compliance and non-discrimination are addressed and that a proper allocation of benefits and a continual review of information is maintained;

WHEREAS, on October 22, 2010 the Utilities filed a joint petition with the Commission under I.C. § 8-1-2.5 in order to effectuate the Commission's review of this Settlement and, if found in the public interest, the approval of this Settlement to permit the Parties to modify the current supply agreements between ProLiance and the Utilities by April 1, 2011 consistent with the agreed upon provisions of the Settlement;

NOW, THEREFORE, the Parties, contingent on Commission approval, make this agreement in accordance with and subject to the following provisions:

## Article I

### Information Transparency

1.1 Subject to protection of confidential information as necessary, ProLiance and the Utilities agree to provide the OUCC and its agents with full access to all data reasonably related to ProLiance's services under the agreed arrangements. This information will include data related to ProLiance's services to the Utilities, as well as

data associated with the calculation of the Demand Cost Cap, including the data reasonably related to ProLiance's sales or disposition of supply resources held in connection with its services to the Utilities. The OUCC will have free and open access to all ProLiance books and records reasonably relating to the service provided for in the Settlement. The OUCC may retain outside consultants to monitor, consult and audit ProLiance's activities under the Settlement, on terms set forth in Article IX below.

1.2 ProLiance will provide information on the pipeline transportation and storage contracts that enable meeting delivery obligations to the Utilities. These resources will be reviewed in the demand cost review process described hereinafter, and at that time contract allocations (in full or in part to each of the Utilities) will be identified.

1.3 The OUCC shall be able to discuss all such data referenced in this Article with ProLiance and respective Utility personnel, and with any outside consultant retained by the OUCC, who does not own, operate or work for a competitor of ProLiance, subject to agreed confidentiality protections.

## Article II

### Utility Supply Planning

2.1 The Parties agree that an effective supply planning process, including accurate and independent estimates of demand and the proper determination of the need for and use of supply resources, is materially important to the provision of reliable and economical utility service. The Utilities will be the "owner" of the supply planning

process, including maintaining sole, final decision making authority with respect to their individual supply plans.

2.2 The Utilities are not prohibited from using consultants, including ProLiance, to support supply planning analysis and implementation, but in no event will supply planning responsibility be completely delegated to ProLiance. With regard to daily supply planning, a Utility may request ProLiance to run planning models and otherwise assist in determining its supply requirements, but the Utility will independently analyze, approve and be responsible for all of its supply plans. With respect to the Utilities' annual and other long term planning processes, the Utilities shall determine their own supply requirements and independently prepare their own plans for the level and type of supply resources required for system supply.

2.3 The Utilities will work collaboratively, and may include ProLiance, to optimize the Utilities' supply resources in order to create synergies where possible to reduce costs, and may consult with ProLiance in that regard, provided there is no delegation of supply planning responsibility. Each Utility will provide timely, detailed demand forecast data and analysis to ProLiance to enable ProLiance to investigate, develop and implement demand cost savings strategies.

2.4 The coordination of resources to provide services to the Utilities, as well as the Supply Planning process, shall be transparent, with the OUCC able to monitor all aspects of the Utilities' process and all support and assistance provided by ProLiance. The OUCC may use an outside auditor to assist in its review, under agreed confidentiality protections.

2.5 The Utilities will follow the supply planning procedures set forth in Exhibit F, which is incorporated herein by reference.

### Article III

#### Modified Supply Agreements

3.1 From the Settlement approval date through March 31, 2016, the supply relationships between each of the Utilities and ProLiance will be subject to new gas supply agreements with the elements described below. The terms of the new agreements will be in the form set forth in Exhibits A, B and C, which are incorporated herein by reference. The Commission's approval of the Settlement also will include approval of the attached forms of new supply agreements as being in the public interest. The respective executed Appendices to Exhibits A, B and C, which set forth specific price and service terms for each delivery service provided to the Utilities, will be filed with the Commission as part of the executed supply contracts within thirty (30) days after approval of the Settlement. With respect to the initial set of such Appendices, as well as any updates, renewals or revisions as may be necessary and appropriate through March 31, 2016, the Utilities will serve copies of the proposed Appendices on the OUCC and I.G.C.G.-Industrial Group at least fifteen (15) days prior to filing with the Commission, and will indicate at the time of filing whether any objection has been raised by either of these Parties. Absent an objection, the Appendices will become effective upon filing. In the event of an objection, the Appendices will become effective at such time and on such terms as the Commission may determine. In the event an objection is made to a revised Appendix which otherwise has expired by its terms, the Utility shall continue to receive service under the expired Appendix until such time as the

Commission resolves the objection. In accordance with Section 3.3, Commission approval of the initial Appendices, and updates, renewals or revisions to the Appendices does not supersede or otherwise modify or limit any rights, responsibilities or obligations of the Utilities under the GCA process to continue to provide reliable service and to present and support the reasonableness of any costs incurred.

3.2 ProLiance is a Signatory of this Settlement to confirm its agreement to be bound by the terms of Sections 1.1, 1.2, 1.3, 2.2, 2.3, 2.4, 3.1, 3.4(1), 3.4(2), 4.1, 4.2, 4.4, 5.2, 8.1, 10.1, 11.10, 11.11, 11.12, 13.1, 13.2, 14.1, 14.4, 15.1, 15.2, 15.3, 15.4 and 15.5 hereof. However, ProLiance's execution of this Settlement for these purposes will not make it a public utility and will not enlarge the scope and extent of the Commission's regulation of its activities. The Utilities will remain responsible for all compliance issues related to the Settlement.

3.3 Upon Commission approval of the Settlement, prospective gas costs incurred as a direct result of the Settlement and new supply agreements will be fully reported in, and presumed reasonable and recoverable in, the Utilities' GCAs. This Settlement is not intended to supersede or otherwise modify or limit any rights, responsibilities or obligations of the Utilities under the GCA process to continue to provide reliable service and to present and support the reasonableness of any costs incurred.

3.4 Certain material terms of the new supply agreements are set forth below, and, in the event of any conflict or ambiguity between these terms and those set forth in Exhibits A, B and C, then these terms shall govern for all regulatory purposes.

- (1) Commodity. Commodity will be separately purchased for each Utility subject to the provisions set forth in Exhibit E, which is incorporated by reference. Exhibit E includes guidelines related to a Gas Cost Incentive Mechanism (GCIM) as well as a Price Volatility Mitigation Program (PVMP). Both the GCIM and PVMP were previously approved by the Commission as part of the 2006 Settlement, and have been relied upon by the Utilities in making their commodity purchases. The GCIM will be an approved utility incentive plan, with full reporting in the GCA and a pass through of the allocated share of benefits to customers in the GCA. The reasonableness of terms for all purchase transactions will be reviewable in the Utilities' respective GCAs, but such review will be consistent with the approved terms of the GCIM. The method of tracking and segregation of the Utility commodity portfolios from the rest of ProLiance's portfolio shall be subject to thorough review, audit, scrutiny and enforcement. The Utilities may pass their share of the risks and rewards from operation of the GCIM to ProLiance in order to provide suitable incentive for ProLiance to beat the GCIM benchmark.
- (2) Delivery Services to the Utilities. ProLiance will sell delivery services necessary for the Utilities to provide gas supply to their customers. ProLiance is expected to provide delivery entitlements at a savings compared to what the Utilities could achieve individually without the benefit of the joint portfolio administration. The Utilities' customers and ProLiance will share the benefit of such economies or "synergies." Synergies and efficiencies associated with the joint portfolio of interstate pipeline transportation and storage services will be shared on a 50/50

basis through the establishment of an annual demand cost cap, following a review process conducted by the OUCC, the Utilities and ProLiance.

The Parties recognize the Annual Demand Cost Cap will be an amount negotiated by the OUCC and ProLiance. The negotiations will consider a number of factors including the negotiated synergies, the market value of the services provided by ProLiance, and ProLiance's costs in providing the services to the Utilities. The lower negotiable limit of the Annual Demand Cost Cap shall be the agreed upon ProLiance cost of providing the services. The upper negotiable limit of the Annual Demand Cost Cap shall be the estimated replacement market value of services provided by ProLiance to the Utilities. The OUCC is not bound by ProLiance's quantification of market value of the services provided to the Utilities or of allocated costs associated with services provided to the Utilities and may audit those analyses and present differing opinions.

The existing Annual Demand Cost Cap and Demand Cost Sharing established pursuant to the 2006 Settlement will remain in place until April 1, 2011. At least 90 days prior to April 1, 2011, ProLiance, the Utilities, and the OUCC will meet to discuss and seek agreement on an Annual Demand Cost Cap, based upon the actual portfolio to be used to serve the Utilities, beginning April 1, 2011 and extending through March 31, 2012. With respect to establishing a revised Annual Demand Cost Cap for the period from April 1, 2012 to March 31, 2016, the process detailed below will be repeated annually with corresponding date changes.

In the absence of agreement between the OUCC and ProLiance to the Annual Demand Cost Cap for either period, either Party may submit its respective quantifications of synergies to the Commission for determination of the Annual Demand Cost Cap. Upon agreement concerning the Annual Demand Cost Cap, any changes in ProLiance's actual costs subsequent to April 1, 2011 will not impact the Utilities' costs for ratemaking purposes, which will remain at the same level during the applicable one year period with the only possible adjustments to those costs for any of the Utilities resulting from the occurrence of one or more of the following contingencies: (a) a pipeline rate case resulting in a tariff rate change of at least two percent (2%), on a cumulative basis, of the tariff demand rate in effect on the dates stated above for the affected Utility; (b) a pipeline Force Majeure event that affects capacity required to meet Utility demand; (c) a change in the quality or character of service supplied by a pipeline pursuant to a FERC-approved tariff change that results in a changed set of charges or the need for a changed set of services; (d) a change in Utility demand requiring a changed set of services resulting from reconfiguration of on-system supply sources; (e) annual demand or overall peak day changes resulting from changes to a Utility's supply plan which meet or exceed two percent (2%) on a cumulative basis of the demand or peak day level as it exists on the date of approval of the Settlement; (f) the need to add pipeline costs consistent with building gas supply infrastructure. Further, such contingencies must be shown actually to have a material cost impact on ProLiance after netting against any other positive and negative impacts. Any adjustment will be made "dollar for dollar" to the total

annual portfolio demand costs of the applicable Utility and to the applicable delivery service demand cost. Absent the occurrence of a contingency resulting in an adjustment to the Utilities' demand costs, ProLiance will retain any pipeline rate case refunds associated with services provided to the Utilities between April 1, 2011 and March 31, 2016, unless the higher pipeline rates, subject to refund, were paid by the Utilities through an adjustment to the Annual Demand Cost Cap as described above, in which case the refunds will be returned to the Utilities. However, if a contingency occurs resulting in an adjustment to increase the Utilities' costs for ratemaking purposes, such an increase will be reduced by future pipeline refunds.

#### Article IV

##### Entitlement Utilization

4.1 In order to obtain proceeds to offset gas sales customers' costs, while also providing non-discriminatory access to available pipeline transportation capacity, the Utilities in accordance with their supply plans and the provisions of Exhibit D will identify anticipated unused transportation entitlements. After the anticipated unused transportation entitlements are identified, they will be split into two halves. One half will be retained by ProLiance in exchange for ProLiance providing an annual credit to the Utilities in an amount equal to \$3,500,000. Each Utility's share of the credit will be provided to customers through a credit to the respective GCA. The other half will be posted by the Utilities through the respective Utility's process administered by Utility personnel and described in Exhibit D. After the completion of the Utility process

to identify pre-arranged bidders, ProLiance will post the capacity for release on the applicable interstate pipeline Electronic Bulletin Board (EBB) with clear separation from other ProLiance operations all as further described in Exhibit D.

4.2 The Utilities' available entitlements will be determined from the total long haul transport entitlements separately for each pipeline based upon the delivery services provided by ProLiance to the Utilities, but including entitlements on Heartland Gas Pipeline and the upstream entitlements on Midwestern Gas Transmission pipeline to the extent it is associated with Heartland delivery entitlements and necessary for providing service to Citizens under the Heartland Appendix Service.

4.3 With respect to the entitlements posted for release by the Utilities, offers will be made in semi-annual seasonal releases, with any additional available entitlements being offered in monthly releases. Bid packages will not exceed 10,000 DTH per day.

4.4 In the event of a recall, the total quantity recalled will be divided between the portion retained by ProLiance and the Entitlement Auction portion in approximately equal measure. There shall be no intraday recalls of released capacity.

4.5 The Utilities will seek pre-arranged bidders for one half of the anticipated unused entitlements by notification to these pre-arranged bidders of the capacity available from each Utility. Each Utility will also provide notice by email to all prior bulletin board participants and all known marketers that are

active behind their city gate of an impending posting of anticipated unused entitlements at least 48 hours prior to such posting. After the Utilities identify pre-arranged bidders, ProLiance will post for release the anticipated unused entitlements, using the EBB of the applicable interstate pipeline in accordance with all FERC rules and regulations. Monthly entitlements also will be offered via an identical non-discriminatory release process. The capacity release process will be conducted in accordance with the guidelines attached as Exhibit D. Those guidelines will be implemented and construed to promote the following goals: (1) competition; (2) nondiscriminatory open access; (3) the highest economic value consistent with reliable supply and fair competition; and (4) process transparency. The Utilities will retain 15% of the proceeds from this release process to offset administrative costs.

4.6 The scope of the entitlements covered by this Article will consist of all long haul transportation entitlements reserved to meet Utility sales demand and paid for by Utility customers, and will include the entitlements currently subject to the auction procedures from the 2006 Settlement as well as any intrastate pipeline capacity reserved on behalf of the Utilities subsequent to the 2006 Settlement, although the entitlements could change, plus or minus, over time as services are renewed, dropped or added. None of the provisions in this Article will prevent the reduction of existing entitlements where that reduction is consistent with best cost reliable portfolio services. All entitlements within the scope of this Article will be either: (1) utilized to meet actual Utility demand or (2) marketed through the capacity release process described above.

## Article V

### Affiliate Guidelines

5.1 Citizens and IGC/SIGECO will comply with the Affiliate Guidelines set forth in Exhibits G and H, which are incorporated herein by reference. The provision of services expressly provided for in the agreements set forth in Exhibits A, B and C will not be considered a violation of the Affiliate Guidelines. With the exception of the contracts and related services expressly agreed to by the Parties in this Settlement or approved or authorized prior to the date of this Settlement under prior affiliate guidelines or action of the Commission, ProLiance is not otherwise exempt from the Affiliate Guidelines. The Affiliate Guidelines will remain in force unless and until modified, rescinded or superseded by order of the Commission.

5.2 No contractual arrangements with ProLiance, or its direct or indirect subsidiaries, will be negotiated on behalf of any of the Utilities by any Utility employee who is an officer or director of ProLiance.

5.3 The Parties agree to work together in good faith to interpret the provisions of the Settlement and the Affiliate Guidelines so that they will be implemented as intended. In furtherance of this agreement, the Parties and Signatory have provided for and encourage potential alternative methods to resolve disputes, as provided in the attached Exhibit I.

## Article VI

### Customer Education

6.1 IGC, Citizens and SIGECO will conduct focused educational and publicity efforts directed both to customers and to potential competitors to explain the process for offering for sale the Utilities' available entitlements via the process described in Article IV. Within sixty (60) days after a Commission order approving the Settlement becomes final and non-appealable, the Utilities will host seminars and workshops for competitors and interested customers, explaining relevant provisions of the Settlement. The notice to customers eligible to purchase gas in the competitive market and all written materials associated with the seminars and workshops shall be prepared by the Utilities and provided to the Parties for review and approval prior to dissemination. The Utilities will coordinate with the OUCC and the I.G.C.G.-Industrial Group in preparing the presentations for the seminars and workshops.

6.2 Customer inquiries regarding gas supply providers will be handled in a competitively neutral manner consistent with the Affiliate Guidelines attached hereto.

## Article VII

### Joint Administration Benefits

7.1 Contingent on ProLiance's continued administration of gas supply for the Utilities, \$2 million will be contributed annually to utility customer programs that have been selected by the Utilities, after consultation with the OUCC. This contribution will continue each year ProLiance provides supply to the Utilities through 2016, with a pro rata payment made for 2011 and 2016. The initial

payment will be made within sixty (60) days following Commission approval of this Settlement, and all subsequent payments will be made by January 31 of the relevant year. Citizens' payment each year shall be calculated by multiplying \$2 million by Citizens Resources' (or successor's) percentage share of ProLiance earnings for that year; Vectren's payment each year shall be calculated by multiplying \$2 million by Vectren Energy Solutions' (or successor's) percentage share of ProLiance earnings for that year. Each year, ten percent of the annual contribution will be allocated as a grant to the Indiana Utility Rate Payer Trust and the remaining ninety percent will be allocated to low-income programs.

#### Article VIII

##### Settlement Review

8.1 The Settlement Parties will meet no later than June 1, 2012, to review the Entitlement Release Process. By agreement of the Signatories, adjustments may be made to improve such processes that are consistent with the overall agreement of the Signatories through a process that remains subject to Commission oversight and approval.

#### Article IX

##### Audit and Consulting Review and Costs

9.1 The Signatories agree that to assure the proper effectuation of the Settlement, periodic review of the terms agreed to herein should occur. Three times per year, the books, records and data reasonably related to the provisions of this Settlement may be formally reviewed by the OUCC. In the event the

OUCC employs an outside auditor or consultant to assist in this review process, the Utilities will pay up to \$125,000 each year, which may be used to offset the OUCC's reasonable costs specifically incurred for such review. Citizens' payment each year shall be calculated by multiplying \$125,000 by Citizens Resources' (or successor's) percentage share of ProLiance earnings for that year; Vectren's payment each year shall be calculated by multiplying \$125,000 by Vectren Energy Solutions' (or successor's) percentage share of ProLiance earnings for that year. Thirty days after Commission approval of this Settlement, such funds will be placed in an account which may be drawn upon by the OUCC, subject to submission of appropriate invoices demonstrating incurrence of recoverable costs for audits related to the Settlement.

9.2 To the extent the OUCC's outside auditor or consultant expenses do not total \$125,000 in a given year, the OUCC may carry over the balance to fund reviews in the next year. The Utilities will fund the increment between any carried over balance and \$125,000 no later than January 31 each year for the duration of the settlement.

9.3 Once during each calendar year of this Settlement, the Signatories, the Commission, the OUCC, and all outside auditors or consultants employed by the OUCC, shall meet in order to provide the Commission with an update on the audit and consultant work conducted by the OUCC and its auditors and consultants.

### Duration of Supply Relationship

10.1 ProLiance will provide gas supply services consistent with the provisions set forth herein for a term beginning April 1, 2011 and ending March 31, 2016. Prior to April 30, 2015, the Parties will commence discussions regarding the terms for the Utilities' receipt of gas supply services after March 31, 2016. In the event the Parties fail to reach an agreement on terms for the provision of supply services after expiration of the Settlement, any or all of the Utilities may propose to purchase services from an affiliate, with any such proposal filed with the Commission by October 1, 2015. In the event of such a filing, the Petitioning Utility or Utilities will bear the burden of proof to demonstrate the proposed affiliate agreement is in the public interest.

10.2 Unless otherwise pre-approved by the Commission, each of the Utilities will maintain its respective commodity merchant function during the term of the Settlement.

10.3 It is contemplated that Vectren and Citizens Resources will maintain their ownership control of ProLiance during the term of the Settlement. In the event either member proposes to transfer its ownership interest in ProLiance to another entity, such transfer would not take place absent prior discussion with the OUCC and the I.G.C.G. Industrial Group.

### Article XI

#### Enforcement and Remedies

11.1 Any of the Parties, individually or collectively, as well as individual non-parties, shall be entitled to seek enforcement of the Settlement's provisions, including the incorporated Affiliate Guidelines, against the Utilities. The Utilities also reserve the right to seek enforcement of the Settlement. All complaints related to compliance with the terms of the Affiliate Guidelines shall be initiated in accordance with the process set forth in the Affiliate Guidelines, specifically Exhibit G at ¶18 and/or Exhibit H at ¶18. All other complaints arising under the Settlement may be initiated in accordance with the process set forth in the Affiliate Guidelines, but in such instances completion of the informal review process will not be deemed a prerequisite to the commencement of enforcement proceedings before the Commission, provided that the applicable Utility is given at least three business days' prior written notice of any complaint.

11.2 Subject to Section 11.1, any of the Parties, individually or collectively, as well as individual non-parties, may raise Settlement compliance issues by filing a complaint with the Commission. However, with respect to complaints filed at the Commission, a non-party must file with any Settlement compliance-related complaint a verified statement supporting its position, must demonstrate that it has been adversely affected and has a "substantial and legitimate interest" in the compliance issue, and if such a non-party is found not to have a meritorious complaint, thereafter it will be prohibited from bringing or participating in complaints pursuant to the Settlement enforcement process, but still would have access to the statutory complaint process.

11.3 Upon its own motion or at the request of any Party or complainant, the Commission may notice and thereafter conduct a hearing to determine whether the Utilities, individually or collectively, have failed to perform any of the obligations under this Settlement. A failure of ProLiance to comply with provisions of this Settlement applicable to it shall constitute a failure of the applicable Utility or Utilities to perform an obligation under the Settlement. If, after notice and hearing, the Commission enters a final order determining that there has been a failure to perform an obligation imposed herein, the applicable Utility or Utilities shall commence corrective action or cause corrective action to be commenced within thirty (30) days or as directed by the Commission. Failure of the applicable Utility or Utilities to comply with a Commission order entered under this Section within a reasonable period shall be subject to any additional enforcement and penalties under this Section as a separate violation of this Settlement.

11.4 In considering whether to impose a penalty or other remedy for non-compliance, the Commission shall consider the gravity of the violation or failure to comply, the good faith of the Utility or other Signatory in attempting to achieve compliance after notice of the violation or failure to comply, whether previous violations have occurred, and if so, the frequency and nature of such other violations, the effect of the penalty on the Utility's ability to provide adequate and reliable service, and other relevant factors. If a penalty is ordered by the Commission, it shall be paid to customers as a further reduction in the Utility's gas costs, or otherwise as directed by the Commission.

11.5 In the event the Commission finds a violation in an enforcement proceeding pursuant to Section 11.3 to be knowing and intentional, the Commission may require the violator to pay the reasonable fees, costs and expenses of the initiating party or parties. If the Commission finds that a frivolous complaint has been filed, the Commission may require the party that initiated the complaint to pay the applicable Utility's reasonable fees, costs and expenses of defending itself. A reasonable award shall be determined in light of the factors set forth in Section 11.4.

11.6 The Commission shall have the authority to impose penalties only to the extent necessary to assure compliance with the terms of the Settlement. Penalties, if any, are intended to be remedial and not punitive in nature, and should not be imposed for inadvertent or unintentional violations and when imposed the amount of any penalty should be proportionate to the significance of the violation. Any penalty amount shall reflect the factors set forth in Section 11.4

11.7 To the extent that any violation of the Settlement results in the consumer portion of economic benefits shared pursuant to Articles III, IV and VII being less than it would have been as a result of compliance, the Commission shall have the authority to order a Utility to share the benefits as required by the Settlement, both retroactively and prospectively. Such an order will not constitute a "penalty or other remedy" within the meaning of Sections 11.4 and 11.6.

11.8 If the Commission finds that a violation of the Settlement, which results in the consumer portion of economic benefits shared pursuant to Articles III, IV and VII being less than it would have been as a result of compliance, is both (a) intentional and (b) material, the Commission shall have the authority to order reduction or elimination on a prospective basis of the Utility share of the affected benefit(s). Such an order will constitute a “penalty or other remedy” within the meaning of Sections 11.4 and 11.6.

11.9 If a Utility commits multiple separate violations of the Settlement that the Commission finds are both intentional and material, such violations shall constitute “material and irreparable harm” to the Utility’s customers within the meaning of I.C. § 8-1-2.5-7.

11.10 Nothing in the Settlement or any of its Exhibits shall be construed as restricting or qualifying remedies for conduct that violates independent standards or principles of law, and in connection with such remedies none of the enforcement procedures and remedies provided for herein should be construed as establishing any exhaustion requirements or other prerequisites to seeking such independent relief.

11.11 Counsel who have represented Signatories in connection with the negotiation of the Settlement acknowledge that, upon Commission approval, they would have a conflict with respect to any potential future representations that would involve a challenge to the validity and/or reasonableness of the terms and conditions of the Settlement, provided that all Signatories and counsel retain the

right to seek enforcement of the Settlement and to pursue remedies for any violations of its provisions.

11.12 The Signatories, on behalf of themselves and their agents, counsel and privies, agree that the Settlement shall be subject to an obligation of good faith and fair dealing, and that no Signatory, directly or indirectly, shall engage in conduct that would have the effect of depriving any other Signatory of the negotiated benefits.

## Article XII

### Alternative Regulatory Oversight

12.1 Those specific terms of this Settlement that are necessary to replace traditional regulation are limited in scope and application. Further, the alternative regulatory provisions are being pursued solely to effect the specified terms and mechanisms provided for under this Settlement and are limited in time and to the extent necessary to implement the terms of this Settlement. Nothing in this Settlement is intended to limit or prevent the Commission from fulfilling its statutory obligations and carrying out any mandates under any applicable law. The Commission shall retain all jurisdiction over the Utilities that is not expressly declined or supplanted by the express provisions of this Settlement. The Commission shall continue to oversee and regulate the Utilities' rates and charges, including those specified mechanisms and charges expressly created and/or modified by the provisions of this Settlement. The Commission further shall retain jurisdiction to the extent necessary to enforce the terms and

conditions of this Settlement. The Commission shall, only to the extent necessary to effectuate the express and limited terms of this Settlement, expressly modify its jurisdiction and review under I.C. § 8-1-2-42(g), and any of the Commission's rules, standards, or other regulatory provisions based upon or related thereto.

12.2 At any time during the term of this Settlement, the Commission, upon its own motion and after notice and hearing, may conduct a review of the Utilities' compliance with the terms of this Settlement.

12.3 With regard to those areas to which the alternative regulatory provisions apply, the Commission shall not stay, suspend or otherwise alter the operation or effect of any term or provision of this Settlement without first providing notice and an opportunity for hearing in accordance with I.C. § 8-1-2.5-7.

### Article XIII

#### Comprehensive Agreement Requirement and Effect of Change in Law

13.1 This Settlement is an integrated proposal in which each provision is dependent on others. It is a comprehensive agreement comprised of individual pieces designed to work together to benefit all stakeholders. As such, the proposal should be judged and approved in its entirety and without change unacceptable to any of the Signatories to this Settlement. The commitments made herein are conditioned upon overall approval of this entire Settlement.

13.2 Each Utility agrees that: (a) in the event there is a change in the statutory law, it will continue to be bound by and will fulfill its obligations under this Settlement, unless to do so would be unlawful; and (b) it will not propose, endorse or seek state legislation that, if enacted into law, would make it unlawful for any Signatory to comply with those obligations through April 1, 2016, provided nothing in this provision shall be construed as abrogating the OUCC's statutory responsibilities. In the event there is a change in the law which would have the effect (either as a direct requirement or condition or through an optional form of regulation) of superseding, terminating or diminishing any Signatory's obligations under this Settlement, any such Signatory may take advantage of such change in the law effective April 1, 2016, and thereafter be governed under the changed law.

#### Article XIV

##### Procedure Before the Commission

14.1 All of the Parties shall support this Settlement before the Commission and request that the Commission accept and approve the Settlement without any change or condition(s) unacceptable to any Signatory. The Parties shall submit this Settlement and the supporting evidence conditionally and, if the Commission fails to approve the Settlement in its entirety without any changes or condition(s) unacceptable to any Signatory, the Settlement and the supporting evidence shall be withdrawn.

14.2 All evidence supporting the Settlement, as well as a proposed order approving the Settlement and any and all further documents as may be necessary and appropriate to secure Commission approval, shall be reviewed and agreed upon by the Parties prior to filing. Provided the evidence is duly reviewed and approved, the Parties waive cross-examination of any witness offering evidence in support of the Settlement. Except as may be mutually agreed among the Parties, no other evidence may be offered by any Party.

14.3 The Parties will stipulate that the evidence in support of this Settlement constitutes substantial evidence that the Settlement is in the public interest and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Settlement, as filed.

14.4 The Signatories shall not appeal or seek rehearing, reconsideration or a stay of any final order by the Commission approving the Settlement in its entirety without change or condition(s) unacceptable to any Signatory (or related orders to the extent such orders are specifically implementing the provisions of this Settlement) and shall support this Settlement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a Signatory hereto.

## Article XV

### Effect and Use of Settlement

15.1 Neither the making of this Settlement nor any of its provisions shall constitute in any respect an admission by any Signatory in this or any other litigation or proceeding. Neither the making of this Settlement (nor the execution of any of the other documents or pleadings required to effectuate the provisions of this Settlement), nor the provisions thereof, nor the entry by the Commission of a final order approving this Settlement, shall establish any principles or precedent applicable to Commission proceedings other than those resolved herein or to utilities other than the Parties hereto.

15.2 This Settlement shall not constitute nor be cited as precedent by any person or deemed an admission by any Signatory on these particular issues in any other proceeding before the Commission or in any court of competent jurisdiction, except if necessary to enforce its terms. This Settlement 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 Signatories may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.*

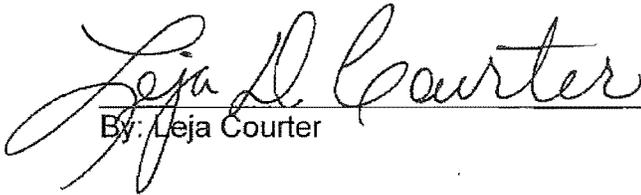
15.3 The communications and discussions during the negotiations and conferences which have produced this Settlement have been conducted on the explicit understanding that they are, or relate to, offers of settlement and shall be privileged and confidential, shall be without prejudice to the position of any Signatory, and are not to be used in any manner in connection with any other proceeding or otherwise.

15.4 The Signatories shall agree on the form, wording and timing of any public/media announcement of this Settlement and the terms thereof. All Signatories may respond individually without prior approval of the Signatories to questions from the public or media, provided that such responses are consistent with such announcement and do not disparage any of the Signatories.

15.5 The Signatories have represented and agreed that the individuals executing this Settlement are fully authorized to do so, on behalf of the Signatories who will be bound thereby.

**ACCEPTED and AGREED** this 8<sup>th</sup> day of October, 2010.

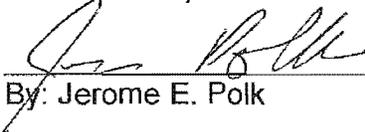
**INDIANA OFFICE OF UTILITY  
CONSUMER COUNSELOR**

  
By: Leja Courter

**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**

  
By: Michael E. Allen

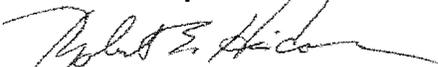
**CITIZENS ACTION COALITION  
OF INDIANA, INC.**

  
By: Jerome E. Polk

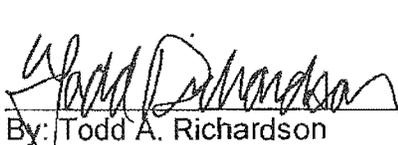
**PROLIANCE ENERGY, LLC**

  
By: Terrence F. Peak © 10/8/10

**VECTREN ENERGY DELIVERY  
OF INDIANA, INC.**

  
By: Robert E. Heidorn

**I.G.C.G. – INDUSTRIAL GROUP**

  
By: Todd A. Richardson

**GAS SALES AND PORTFOLIO ADMINISTRATION AGREEMENT**

This Gas Sales And Portfolio Administration Agreement ("Agreement") is entered into the \_\_\_\_ day of \_\_\_\_\_, 2011, for services to begin upon regulatory approval of this Agreement as referenced below, by and between the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, d/b/a CITIZENS GAS ("Buyer") and PROLIANCE ENERGY, LLC ("Seller") (collectively, the "Parties" or individually "Party"). Buyer and Seller agree as follows:

**RECITALS**

1. Seller is a limited liability company created and existing under the laws of the State of Indiana, with its registered office at 111 Monument Circle, Suite 2200, Indianapolis, Indiana.
2. Buyer is a municipal gas utility whose assets are subject to a public charitable trust existing under the laws of the State of Indiana with its principal place of business at 2020 North Meridian Street, Indianapolis, Indiana.
3. This Agreement contains the mutual promises and covenants pursuant to which Buyer as a purchaser of natural gas and portfolio administration services, and Seller as a merchant of natural gas and portfolio administration services, shall perform the transactions described herein.
4. Under this Agreement, Seller agrees to provide natural gas to Buyer consistent with the terms and conditions contained herein.
5. This Agreement contains terms that reflect the terms of a negotiated settlement agreement ("Settlement") entered into with non-parties to this Agreement. The Agreement, as part of the Settlement, will be reviewed by the Indiana Utility Regulatory Commission (the "Commission"), and will become effective on the later of April 1, 2011 or the first day of the month following issuance of a final order by the Commission in Cause No. \_\_\_\_ finding that the Agreement is in the public interest.
6. This Agreement shall be subject to, and interpreted consistent with, the Settlement.

**DEFINITIONS**

The following terms shall have the following definitions for this Agreement and its Appendices:

1. The term "Authority" shall mean Indiana Municipal Gas Purchasing Authority.
2. The term "Balancing Quantities" shall mean the quantity of Gas which satisfies the difference between the Gas quantities scheduled for delivery to Buyer's Delivery Points and the actual physical flow of Gas taken by Buyer at the Delivery Points.
3. The term "Btu" shall mean British thermal unit, as defined in Transporter's Tariff
4. The term "Contract Month" shall mean a calendar month during the effectiveness of this Agreement.
5. The term "Contract Rates" shall apply to the demand costs as well as the variable costs associated with delivery service as described in Appendix C.
6. The term "Day" shall be defined as it is defined in Transporter's Tariff, or as applied by Transporter.
7. The term "Delivery Points" shall mean the points of delivery of Gas from Seller to Buyer as specified in Appendix A.
8. The term "FERC" shall mean the Federal Energy Regulatory Commission.
9. The term "Gas" shall mean natural gas.
10. The term "GCIM" shall mean the gas cost incentive mechanism provided for in the Settlement.
11. The term "Heartland Gas" shall mean Heartland Gas Pipeline.
12. The term "Maximum Daily Quantities" or "MDQ" shall mean the maximum quantity of Gas which Seller shall be obligated to supply on a firm basis to Buyer's Delivery Points on a particular day.
13. The term "Maximum Portfolio Entitlement" shall mean the maximum deliverability that Buyer is entitled to under the Services identified on Appendix C.
14. The term "Maximum Seasonal Quantities" or "MSQ" shall mean the maximum quantity of Gas which Seller shall be obligated to supply on a firm basis to Buyer's Delivery Points in a Summer or Winter.

15. The terms "MMBtu", "Dekatherm" or "DTH" shall mean one million (1,000,000) BTUs.
16. The term "Nominated Daily Quantities" shall mean the quantity of Gas nominated on a particular day for delivery to Buyer's Delivery Points, including deliveries to storage for Buyer.
17. The term "PEPL" shall mean Panhandle Eastern Pipe Line Company.
18. The term "Portfolio Services" shall mean all of the Services that may be utilized to deliver Gas to Buyer, and which are identified on Appendix C.
19. The term "Summer" shall mean the summer season months of April through October, inclusive.
20. The term "Texas Gas" shall mean Texas Gas Transmission Corporation.
21. The term "Transporter" shall mean the transporting pipeline(s) interconnected with Buyer, including without limitation PEPL, Texas Gas, or Heartland Gas as applicable to the transaction involved.
22. The term "Transporter's Tariff" shall mean the tariff provisions of Transporter, as approved by the FERC, or any successor thereto, and Buyer's or Seller's contractual arrangements with Transporter, including changes to such tariff and arrangements made after this Agreement is effective.
23. The term "Winter" shall mean the winter season months of November through March, inclusive.

ARTICLE 1- GAS SALES

1.1. Seller represents and warrants that Seller can and shall stand ready to provide on a firm basis for Buyer's purchase at Buyer's Delivery Points the daily and seasonal quantities of Gas set forth herein. Seller's firm supply delivery obligation will be limited, however, to the supplies Buyer previously ordered and Supplier subsequently reserved on behalf of Buyer in accordance with Seller's responsibilities under the contract. Additional Buyer requests for Seller to purchase supplies above reserved supplies will be performed by Seller on a reasonable best efforts basis. Seller's marketing activities will not be conducted in a manner that compromises the provision of reliable and firm service to Buyer.

1.2. During the term of this Agreement, unless Seller is unable to meet Buyer's Gas requirements, Buyer agrees that Seller shall be its supplier of Gas. However, Buyer shall have and maintain the right to produce, utilize, purchase or sell (a) any and all Gas produced in Indiana which Buyer may be required to purchase under Ind. Code § 8-1-2-87.6 or any successor provision thereto of the Indiana Code; and (b) any and all Gas purchased from the Authority. Section 2.3 of the Agreement will not apply to Gas purchased by Buyer from the Authority, and any such purchases will not be included in the GCIM..

1.3. The Maximum Daily Quantities, which Seller shall be obligated to provide on a firm basis at Buyer's Delivery Points, are specified in Appendix B.

1.4. The Maximum Seasonal Quantities during Winter or Summer, which Seller shall be obligated to provide on a firm basis at the Delivery Points, are specified in Appendix B.

1.5. Under this Agreement, Seller may fulfill its obligation to provide Gas to Buyer by using contracts entered into by and between Seller and third parties, including suppliers, pipelines and other service providers. Seller shall not be obligated to enter into commitments with suppliers, pipelines, or other service providers, which extend beyond the term or scope of this Agreement. If Seller, in order to serve Buyer, makes any commitments with suppliers, pipelines, or other service providers that extend beyond the end of the term of this Agreement, to the maximum extent permitted by law Buyer shall indemnify Seller for all expenses and costs associated with the continued service or cause the replacement Portfolio Administration Service provider to indemnify Seller for such costs.

1.6. If FERC should determine that Transporter's Tariff shall cease to apply, in whole or in part, to transactions hereunder, the Parties will promptly meet to determine and negotiate mutually acceptable replacement guidelines and standards. In that event, until an agreement is reached, the most recently effective Transporter's Tariff shall continue to apply for all purposes under this Agreement. Upon acceptance of the replacement guidelines and standards, Buyer and Seller agree to apply the replacement guidelines and standards retroactively to the cessation date of Transporter's Tariff. Any resolution shall be implemented within thirty (30) days of the acceptance of the replacement guidelines and standards.

1.7 Buyer shall be solely responsible for meeting the creditworthiness standards of any third party providing service under agreements entered into by Seller on Buyer's behalf.

#### ARTICLE 2- GAS SALES CHARGES

2.1 For all Maximum Portfolio Entitlements, Buyer shall pay Seller each Contract Month demand charges consistent with Section 3.4 of the Settlement, as well as variable costs (including without limitation all volumetric charges, GRI, fuel or other variable costs) incurred and associated with the services listed in Appendix C.

2.2. Buyer shall pay Seller each Contract Month the applicable supplier reservation costs specified in Appendix D.

2.3. For all commodity quantities, Buyer shall pay Seller each Contract Month those amounts for Gas priced in accordance with Exhibit E of the Settlement ("GCIM agreement"), including volumes priced under the price volatility mitigation provisions thereof. All such purchases shall be reported on a monthly basis and shall include documentation necessary for review under the GCIM agreement and in Buyer's gas cost adjustment proceedings under Indiana Code Section 8-1-2-42 (g).

2.4. Buyer will pay any taxes which are imposed on or incurred by Seller due to this Agreement, or imposed on Buyer with respect to Gas delivered hereunder; provided, however, Buyer shall have no obligation to pay any sales or use taxes for which it delivers to Seller an appropriate exemption certificate.

2.5 All revenues Seller receives on Buyer's behalf as a result of auctioning unutilized pipeline entitlements consistent with the process set forth in Section 4.1 through 4.5 of the Settlement shall be reported in detail on a monthly basis to Buyer and shall be remitted to Buyer, net of reported expenses incurred by Seller in implementation of the auction.

#### ARTICLE 3- BALANCING

3.1. Seller shall provide Buyer with Balancing Quantities as part of its gas sales and portfolio administration services. Seller and Buyer shall be permitted reasonable balancing tolerances. Imbalances shall be made up in kind as agreed to by the Parties.

#### ARTICLE 4- PORTFOLIO ADMINISTRATION SERVICES

4.1. Seller's provision of portfolio administration services shall include without limitation Gas acquisition, scheduling receipt and delivery quantities with Gas suppliers and pipeline transporters, scheduling pipeline storage inventory quantities, providing delivered Gas supplies, supply planning assistance, posting and conducting the capacity auction on Transporters' EBBs, and periodic portfolio reporting. Buyer shall retain complete unilateral control of its physical Gas delivery, distribution, storage and transportation facilities.

4.2. The supply planning procedures set forth in Exhibit F to the Settlement will be followed by the Parties in preparing and implementing supply plans.

4.3 Seller and Buyer shall review periodically Buyer's supply requirements and determine the need for potential adjustments to MDQ, MSQ and to delivery service requirements. All adjustments are subject to Seller and Buyer's prior approval.

4.4 During the term of this Agreement, Seller shall review all FERC regulatory filings that could reasonably be expected to impact the Gas supply or portfolio administration services provided by Seller to Buyer. Seller shall inform Buyer on a timely basis of Seller's review and analysis. Buyer shall timely communicate its interests to Seller. Seller shall provide for representation to protect the Parties' interest in FERC proceedings and related appeals and notify Buyer promptly concerning any conflict of interest it may identify. In the event Seller's interests conflict with those of Buyer, Buyer and Seller shall be free to represent their interests directly. Seller shall provide Buyer with periodic written reports on the status of such proceedings in which Seller represents Buyer.

4.5. In the event this Agreement is terminated for any reason, Buyer shall meet with Seller within five (5) days of notice of termination to reach agreement on the timely return of capacity rights to Buyer. During such a wind-up period, Seller shall continue to provide Buyer with necessary supply services and portfolio administration services to fully meet Buyer's MDQ and MSQ. During the wind up period, the terms and effectiveness of this Agreement shall remain in effect. The wind up period for purposes hereof, may extend up to eighteen (18) months. Unless terminated pursuant to Commission order under IC 8-1-2.5-7, the termination of this Agreement shall not relieve Buyer of its executory obligations under Article VII of the Settlement.

#### ARTICLE 5- TERM

5.1 Unless modified by 5.2 below, the term of this Agreement shall commence on the later of April 1, 2011 or the first day of the month following issuance of a final order in Cause No. \_\_\_\_\_ and end on March 31, 2016. If for any reason this Agreement has not been extended after March 31, 2016, this Agreement shall continue on a month-to-month basis until arrangements are made by Buyer to acquire services by some other means.

5.2 Notwithstanding 5.1 above, this Agreement may be terminated prior to March 31, 2016 by either Party in the event of the failure by either Party to perform in any material respect any covenant or obligation set forth in this Agreement, and such failure is not excused by force majeure or cured within fifteen (15) business days after written notice thereof to the Party failing to perform; provided, however, if such failure is incapable of being cured within such fifteen (15) business day period and the Party failing to perform has commenced and is diligently pursuing a cure, such period shall be extended for such time as is reasonably necessary to cure such failure up to ninety (90) days.

5.3 This Agreement is conditioned on the continued solvency of Buyer and Seller. If one Party becomes

insolvent or seeks bankruptcy relief, the other Party may prospectively terminate this Agreement upon prior written notice without further obligation other than to pay for services or Gas previously provided. In such a circumstance, the Parties will implement wind-up provisions designed to continue reliable provision of service and delivery of Gas.

#### ARTICLE 6- CHANGES TO APPENDICES

6.1. The Parties agree to review Appendices attached to this Agreement annually and as necessary to make required adjustments to Buyer's supply services. Such changes shall be consistent with the Agreement terms. Such changes also will be consistent with Section 3.4 (2) of the Settlement, which provides for possible adjustments in delivery services on an annual basis for the term of the Settlement. The annual, monthly, and daily deliverability of Buyer's Appendix Services will be designed to most effectively match Buyer's overall sendout requirements.

6.2. Pursuant to the Commission's Policy Governing the Filing of Affiliate Contracts adopted by the Commission March 3, 2010 in GAO2010-1, adjustments to the Agreement are not effective until filed with the Commission. Therefore, the Parties agree to modify and execute Appendices 30 days prior to their effective date to be consistent with Section 3.1 of the Settlement and file with the Commission prior to the effective date, consistent with GAO2010-1.

6.3. Each year Buyer shall timely submit to Seller peak day and annual demand data for both a normal and severe season plan in a monthly baseload and usage per degree day format. The foregoing information is critical to Seller's role of optimizing Buyer's portfolio, assisting in the determination of the most efficient set of Appendix Services for Buyer, and meeting the requirements of GAO2010-1.

#### ARTICLE 7- OPERATIONS

7.1. Buyer and Seller agree to accept for purposes of this Agreement the applicable quality, delivery pressure, measurement and other applicable rules, procedures, guidelines, tariff provisions, contractual arrangements and policies of suppliers or Transporters, as the same may change from time to time.

#### ARTICLE 8- FORCE MAJEURE

8.1. All obligations of the Parties to this Agreement shall be suspended while and only for so long as compliance is prevented by a cause beyond the control of the Party claiming force majeure, such as an Act of God, war, civil disturbance, operational or performance failure or declaration of force majeure by a supplier, leased storage field operator, Transporter, or other service provider, operational flow order(s), federal or state or local law, or binding order of a court or governmental agency, provided the suspension shall be only to the extent performance was prevented by the event of force majeure. A Party claiming force majeure hereunder shall have the duty to make all reasonable efforts to remedy the force majeure condition as promptly as possible.

8.2. Notice of force majeure must be provided with reasonably full particulars to the other Party at or near

the time the Party becomes aware of the force majeure. Notice shall be provided to the designated representatives for Buyer or Seller designated in Appendix F.

#### ARTICLE 9- TRANSPORTATION PENALTIES

9.1. Seller shall be liable for all imbalance or other penalties, cash-outs, or other costs imposed on Buyer or Seller by any third party, including without limitation Seller's upstream or other transporters and Transporters, to the extent that such penalties, cash-outs or other costs are caused by Seller's actions or inaction. Buyer shall be liable for all imbalance or other penalties, cash-outs, or other costs imposed on Buyer or Seller by any third parties, including without limitation Seller's upstream or other transporters and Transporters, to the extent that such penalties, cash-outs or other costs are caused by Buyer's actions or inaction.

#### ARTICLE 10- BILLING AND PAYMENT

10.1. Following each Contract Month, Seller shall furnish, or have furnished, an itemized statement to Buyer stating the amounts due Seller pursuant to this Agreement (the "Statement"). Following the receipt of Seller's Statement, Buyer shall make Payment by the due date. Invoice date, due date, and payment method shall be as specified in Appendix G.

10.2. Interest shall accrue on all late payments commencing on the applicable due date at the then current prime rate of J.P. Morgan, Chase Bank, or its successor, or the maximum lawful rate, whichever is lower.

#### ARTICLE 11- REMEDIES

11.1. If Seller fails to deliver scheduled Gas and such failure to deliver is not excused under Article 8 of this Agreement, then Seller shall reimburse Buyer for the amount of increased cost to Buyer of acquiring replacement Gas, as well as additional fees or penalties incurred as a result of such failure to deliver. The amount owed by Seller to Buyer hereunder shall be calculated as the product of (a) the difference, if positive, between the price paid for replacement Gas including any additional penalties, transportation, fuel and other variable costs incurred to receive such replacement Gas, and the then applicable commodity charge, and (b) the difference between the scheduled Gas and the quantity of Gas actually delivered by Seller. Buyer and Seller agree to act in good faith with respect to purchases of such replacement Gas so as to minimize Seller's obligations to Buyer under this Section.

11.2. If Buyer fails to receive scheduled Gas and such failure to receive is not excused under Article 8 of this Agreement, then Buyer shall reimburse Seller in an amount calculated as the product of (a) the difference, if positive, between the then applicable commodity charge and the price received from a third party purchaser, including any additional penalties, transportation, fuel and other variable costs incurred to deliver Gas to a third party purchaser, and (b) the difference between the scheduled Gas and the quantity of Gas actually received by Buyer. Seller and Buyer agree to cooperate in good faith so as to minimize Buyer's obligations to Seller under this Section.

11.3. Should the Commission impose enforcement penalties on Buyer which were caused by Seller's intentional non-compliance with the Settlement, Seller shall indemnify and hold harmless Buyer for such penalties, and any costs, fees, or expenses associated with defending such action.

#### ARTICLE 12- CORRESPONDENCE

12.1. Except as provided in Section 8.2, any notice, statement or bill shall be in writing and shall be duly delivered when (a) mailed, postage prepaid, by registered, certified, or first-class mail, or (b) sent by prepaid overnight delivery to the applicable address, or (c) sent by hand delivery, or (d) sent by facsimile directed to the appropriate person and facsimile number with hard copy also delivered as in (a), (b), or (c) above. Addresses, telephone numbers, and facsimile numbers are specified in Appendix F.

#### ARTICLE 13- MISCELLANEOUS

13.1. This Agreement is subject to all applicable laws, orders, rules, and regulations of any state or federal governmental body or official having jurisdiction and both Seller and Buyer agree that the transactions agreed to hereunder shall be conditioned upon compliance with all such laws, orders, rules and regulations.

13.2. Seller and Buyer expressly agree that laws of the State of Indiana shall govern the validity, construction, interpretation, and effect of this Agreement.

13.3. Either Party may pledge, mortgage, or assign its rights hereunder as security for indebtedness. This Agreement is otherwise non-assignable except with the prior written consent of Buyer and Seller.

13.4. Notwithstanding any other provisions herein, the Parties hereto waive any and all rights, claims, or causes of action arising under this Agreement for incidental, consequential or punitive damages. Buyer shall have the right to enforce any and all terms of this Agreement against Seller. To the extent performance of this Agreement by either Party conflicts with the Settlement, the Parties will take corrective action in order to ensure that performance is in accordance with the Settlement. The Parties acknowledge that a failure to take timely and appropriate corrective action may subject Buyer to compliance measures by third parties pursuant to Article VII of the Settlement.

13.5. The Parties acknowledge that their respective business records and information are confidential in nature and may contain proprietary and trade secret information. Notwithstanding the foregoing, Seller agrees to provide Buyer access to those records required to verify Seller's statements to Buyer. To the extent access to information is necessary consistent with the Settlement, appropriate protection of proprietary and trade secret information will be afforded.

13.6. No waiver by either Party of one or more defaults or breaches by the other in performance of any of

the terms or provisions of this Agreement shall operate or be construed as a waiver of any future default or breach, whether of a like or of a different character.

13.7. The terms and conditions contained in this Agreement and its Appendices herein constitute the full and complete agreement between the Parties and any change to be made must be submitted in writing and executed by both Parties. The Parties acknowledge that this Agreement is effective and must be carried out and enforced in a manner consistent with the Settlement.

13.8. Each Party represents that it has all necessary power and authority to enter into and perform its obligations under this Agreement and that this Agreement constitutes a legal, valid and binding obligation of that Party enforceable against it in accordance with its terms, except as such enforceability may be affected by any bankruptcy law or the application of principles of equity.

13.9. In the event any of the terms, covenants or conditions of this Agreement, or any amendment hereto, or the application of any such terms, covenants or conditions shall be held invalid as to any Party or circumstance by any court having jurisdiction, all other terms, covenants, or conditions of this Agreement, or any amendment hereto, and their application, shall not be affected thereby and shall remain in full force and effect.

13.10. If any provision of this Agreement is declared or rendered unlawful by a court of law or regulatory authority with jurisdiction over either of the parties or deemed unlawful because of a statutory or other change in the law, or if either Party suffers a substantial economic detriment due either to a determination relating to this Agreement by such an authority, or as a result of fundamental changes in the marketplace or other substantial changes in existing circumstances, the Parties will promptly meet to determine and negotiate a mutually acceptable agreement on such replacement provisions necessary to maintain the benefits and obligations that arise under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in duplicate originals.

"SELLER"  
PROLIANCE ENERGY, LLC

By: \_\_\_\_\_  
John R. Talley,  
President

"BUYER"  
CITIZENS GAS

By: \_\_\_\_\_  
Lindsay C. Lindgren  
Vice President

## Gas Sales And Portfolio Administration Agreement

### APPENDICES INDEX

Appendices will be submitted to the Commission as a compliance filing following entry of an Order in Cause No. \_\_\_\_\_.

Title	Appendix	Description
Buyer's Primary Delivery Points	A	List Primary Delivery Points on appropriate pipelines
Buyer's Maximum Quantities Buyer's	B	Sets forth in Dth, by month and season, Maximum Daily Quantities
Portfolio Information	C	Lists current Delivery Services
Supplier Reservation Costs	D	Lists Monthly and Seasonal Supplier Reservation Costs
Commodity Purchases-Gas Cost Incentive Mechanism	E	Incorporates the GCIM that is part of the Settlement Agreement
Notices and	F	Addresses for purposes of notice to Seller Buyer
Invoice/Payment Data	G	Sets invoice date and payment terms
Demand Cost Credit Settlement	H	Sets Demand Cost Credit determined per Settlement
Diversion of Entitlements	I	Entitlements diverted from and to Buyer
Portfolio Services	J & K	Specifics on portfolio services

**GAS SALES AND PORTFOLIO ADMINISTRATION AGREEMENT**

This Gas Sales And Portfolio Administration Agreement ("Agreement") is entered into the \_\_\_\_ day of \_\_\_\_\_, 2011, for services to begin upon regulatory approval of this Agreement as referenced below, by and between INDIANA GAS COMPANY, INC. ("Buyer") and PROLIANCE ENERGY, LLC ("Seller") (collectively, the "Parties" or individually "Party"). Buyer and Seller agree as follows:

**RECITALS**

1. Seller is a limited liability company created and existing under the laws of the State of Indiana, with its registered office at 111 Monument Circle, Suite 2200, Indianapolis, Indiana.
2. Buyer is a corporation created and existing under the laws of the State of Indiana with its principal place of business at Evansville, Indiana.
3. This Agreement contains the mutual promises and covenants pursuant to which Buyer as a purchaser of natural gas and portfolio administration services, and Seller as a merchant of natural gas and portfolio administration services, shall perform the transactions described herein.
4. Under this Agreement, Seller agrees to provide natural gas to Buyer consistent with the terms and conditions contained herein.
5. This Agreement contains terms that reflect the terms of a negotiated settlement agreement ("Settlement") entered into with non-parties to this Agreement. The Agreement, as part of the Settlement, will be reviewed by the Indiana Utility Regulatory Commission (the "Commission"), and will become effective on the later of April 1, 2011 or the first day of the month following issuance of a final order by the Commission in Cause No. \_\_\_\_\_ finding that the Agreement is in the public interest.
6. This Agreement shall be subject to, and interpreted consistent with, the Settlement.

**DEFINITIONS**

The following terms shall have the following definitions for this Agreement and its Appendices:

1. The term "ANR" shall mean ANR Pipeline Company.

2. The term "Balancing Quantities" shall mean the quantity of Gas which satisfies the difference between the Gas quantities scheduled for delivery to Buyer's Delivery Points and the actual physical flow of Gas taken by Buyer at the Delivery Points.
3. The term "Btu" shall mean British thermal unit, as defined in Transporter's Tariff
4. The term "Contract Month" shall mean a calendar month during the effectiveness of this Agreement.
5. The term "Contract Rates" shall apply to the demand costs as well as the variable costs associated with delivery service as described in Appendix C.
6. The term "Day" shall be defined as it is defined in Transporter's Tariff, or as applied by Transporter.
7. The term "Delivery Points" shall mean the points of delivery of Gas from Seller to Buyer as specified in Appendix A.
8. The term "FERC" shall mean the Federal Energy Regulatory Commission.
9. The term "Gas" shall mean natural gas.
10. The term "GCIM" shall mean the gas cost incentive mechanism provided for in the Settlement.
11. The term "Maximum Daily Quantities" or "MDQ" shall mean the maximum quantity of Gas which Seller shall be obligated to supply on a firm basis to Buyer's Delivery Points on a particular day.
12. The term "Maximum Portfolio Entitlement" shall mean the maximum deliverability that Buyer is entitled to under the Services identified on Appendix C.
13. The term "Maximum Seasonal Quantities" or "MSQ" shall mean the maximum quantity of Gas which Seller shall be obligated to supply on a firm basis to Buyer's Delivery Points in a Summer or Winter.
14. The terms "MMBtu", "Dekatherm" or "DTH" shall mean one million (1,000,000) BTUs.
15. The term "Nominated Daily Quantities" shall mean the quantity of Gas nominated on a particular day for delivery to Buyer's Delivery Points, including deliveries to storage for Buyer.
16. The term "PEPL" shall mean Panhandle Eastern Pipe Line Company.

17. The term "Portfolio Services" shall mean all of the Services that may be utilized to deliver Gas to Buyer, and which are identified on Appendix C.
18. The term "Summer" shall mean the summer season months of April through October, inclusive.
19. The term "TETCO" shall mean Texas Eastern Transmission Corporation.
20. The term "Texas Gas" shall mean Texas Gas Transmission Corporation.
21. The term "Transporter" shall mean the transporting pipeline(s) interconnected with Buyer, including without limitation PEPL, TL, Texas Gas, or Heartland Gas as applicable to the transaction involved.
22. The term "Transporter's Tariff" shall mean the tariff provisions of Transporter, as approved by the FERC, or any successor thereto, and Buyer's or Seller's contractual arrangements with Transporter, including changes to such tariff and arrangements made after this Agreement is effective.
23. The term "Winter" shall mean the winter season months of November through March, inclusive.

ARTICLE 1- GAS SALES

1.1. Seller represents and warrants that Seller can and shall stand ready to provide on a firm basis for Buyer's purchase at Buyer's Delivery Points the daily and seasonal quantities of Gas set forth herein. Seller's firm supply delivery obligation will be limited, however, to the supplies Buyer previously ordered and Supplier subsequently reserved on behalf of Buyer in accordance with Seller's responsibilities under the contract. Additional Buyer requests for Seller to purchase supplies above reserved supplies will be performed by Seller on a reasonable best efforts basis. Seller's marketing activities will not be conducted in a manner that compromises the provision of reliable and firm service to Buyer.

1.2. During the term of this Agreement, unless Seller is unable to meet Buyer's Gas requirements, Buyer agrees that Seller shall be its supplier of Gas. However, Buyer shall have and maintain the right to produce, utilize, purchase or sell any and all Gas produced in Indiana which Buyer may be required to purchase under Ind. Code § 8-1-2-87.6 or any successor provision thereto of the Indiana Code.

1.3. The Maximum Daily Quantities, which Seller shall be obligated to provide on a firm basis at Buyer's Delivery Points, are specified in Appendix B.

1.4. The Maximum Seasonal Quantities during Winter or Summer, which Seller shall be obligated to provide on a firm basis at the Delivery Points, are specified in Appendix B.

1.5. Under this Agreement, Seller may fulfill its obligation to provide Gas to Buyer by using contracts entered into by and between Seller and third parties, including suppliers, pipelines and other service providers. Seller shall not be obligated to enter into commitments with suppliers, pipelines, or other service providers, which extend beyond the term or scope of this Agreement. If Seller, in order to serve Buyer, makes any commitments with suppliers, pipelines, or other service providers that extend beyond the end of the term of this Agreement, to the maximum extent permitted by law Buyer shall indemnify Seller for all expenses and costs associated with the continued service or cause the replacement Portfolio Administration Service provider to indemnify Seller for such costs.

1.6. If FERC should determine that Transporter's Tariff shall cease to apply, in whole or in part, to transactions hereunder, the Parties will promptly meet to determine and negotiate mutually acceptable replacement guidelines and standards. In that event, until an agreement is reached, the most recently effective Transporter's Tariff shall continue to apply for all purposes under this Agreement. Upon acceptance of the replacement guidelines and standards, Buyer and Seller agree to apply the replacement guidelines and standards retroactively to the cessation date of Transporter's Tariff. Any resolution shall be implemented within thirty (30) days of the acceptance of the replacement guidelines and standards.

1.7 Buyer shall be solely responsible for meeting the creditworthiness standards of any third party

providing service under agreements entered into by Seller on Buyer's behalf.

#### ARTICLE 2- GAS SALES CHARGES

2.1 For all Maximum Portfolio Entitlements, Buyer shall pay Seller each Contract Month demand charges consistent with Section 3.4 of the Settlement, as well as variable costs (including without limitation all volumetric charges, GRI, fuel or other variable costs) incurred and associated with the services listed in Appendix C.

2.2. Buyer shall pay Seller each Contract Month the applicable supplier reservation costs specified in Appendix D.

2.3. For all commodity quantities, Buyer shall pay Seller each Contract Month those amounts for Gas priced in accordance with Exhibit E of the Settlement ("GCIM agreement"), including volumes priced under the price volatility mitigation provisions thereof. All such purchases shall be reported on a monthly basis and shall include documentation necessary for review under the GCIM agreement and in Buyer's gas cost adjustment proceedings under Indiana Code Section 8-1-2-42 (g).

2.4. Buyer will pay any taxes which are imposed on or incurred by Seller due to this Agreement, or imposed on Buyer with respect to Gas delivered hereunder; provided, however, Buyer shall have no obligation to pay any sales or use taxes for which it delivers to Seller an appropriate exemption certificate.

2.5 All revenues Seller receives on Buyer's behalf as a result of auctioning unutilized pipeline entitlements consistent with the process set forth in Section 4.1 through 4.5 of the Settlement shall be reported in detail on a monthly basis to Buyer and shall be remitted to Buyer, net of reported expenses incurred by Seller in implementation of the auction.

#### ARTICLE 3- BALANCING

3.1. Seller shall provide Buyer with Balancing Quantities as part of its gas sales and portfolio administration services. Seller and Buyer shall be permitted reasonable balancing tolerances. Imbalances shall be made up in kind as agreed to by the Parties.

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4.1. Seller's provision of portfolio administration services shall include without limitation Gas acquisition, scheduling receipt and delivery quantities with Gas suppliers and pipeline transporters, scheduling pipeline storage inventory quantities, providing delivered Gas supplies, supply planning assistance, posting and conducting the capacity auction on Transporters' EBBs, and periodic portfolio reporting. Buyer shall retain complete unilateral control of its physical Gas delivery, distribution, storage and transportation facilities.

4.2. The supply planning procedures set forth in Exhibit F to the Settlement will be followed by the

Parties in preparing and implementing supply plans.

4.3 Seller and Buyer shall review periodically Buyer's supply requirements and determine the need for potential adjustments to MDQ, MSQ and to delivery service requirements. All adjustments are subject to Seller and Buyer's prior approval.

4.4 During the term of this Agreement, Seller shall review all FERC regulatory filings that could reasonably be expected to impact the Gas supply or portfolio administration services provided by Seller to Buyer. Seller shall inform Buyer on a timely basis of Seller's review and analysis. Buyer shall timely communicate its interests to Seller. Seller shall provide for representation to protect the Parties' interest in FERC proceedings and related appeals and notify Buyer promptly concerning any conflict of interest it may identify. In the event Seller's interests conflict with those of Buyer, Buyer and Seller shall be free to represent their interests directly. Seller shall provide Buyer with periodic written reports on the status of such proceedings in which Seller represents Buyer.

4.5. In the event this Agreement is terminated for any reason, Buyer shall meet with Seller within five (5) days of notice of termination to reach agreement on the timely return of capacity rights to Buyer. During such a wind-up period, Seller shall continue to provide Buyer with necessary supply services and portfolio administration services to fully meet Buyer's MDQ and MSQ. During the wind up period, the terms and effectiveness of this Agreement shall remain in effect. The wind up period for purposes hereof, may extend up to eighteen (18) months. Unless terminated pursuant to Commission order under IC 8-1-2.5-7, the termination of this Agreement shall not relieve Buyer of its executory obligations under Article VII of the Settlement.

#### ARTICLE 5- TERM

5.1 Unless modified by 5.2 below, the term of this Agreement shall commence on the later of April 1, 2011 or the first day of the month following issuance of a final order in Cause No. \_\_\_\_\_ and end on March 31, 2016. If for any reason this or a successor Agreement is not in effect after March 31, 2011, this Agreement shall continue on a month-to-month basis until arrangements are made by Buyer to acquire services by some other means.

5.2 Notwithstanding 5.1 above, this Agreement may be terminated prior to March 31, 2016 by either Party in the event of the failure by either Party to perform in any material respect any covenant or obligation set forth in this Agreement, and such failure is not excused by force majeure or cured within fifteen (15) business days after written notice thereof to the Party failing to perform; provided, however, if such failure is incapable of being cured within such fifteen (15) business day period and the Party failing to perform has commenced and is diligently pursuing a cure, such period shall be extended for such time as is reasonably necessary to cure such failure up to ninety (90) days.

5.3 This Agreement is conditioned on the continued solvency of Buyer and Seller. If one Party becomes insolvent or seeks bankruptcy relief, the other Party may prospectively terminate this Agreement upon prior written

notice without further obligation other than to pay for services or Gas previously provided. In such a circumstance, the Parties will implement wind-up provisions designed to continue reliable provision of service and delivery of Gas.

#### ARTICLE 6- CHANGES TO APPENDICES

6.1. The Parties agree to review Appendices attached to this Agreement annually and as necessary to make required adjustments to Buyer's supply services. Such changes shall be consistent with the Agreement terms. Such changes also will be consistent with Section 3.4 (2) of the Settlement, which provides for possible adjustments in delivery services on an annual basis for the term of the Settlement. The annual, monthly, and daily deliverability of Buyer's Appendix Services will be designed to most effectively match Buyer's overall sendout requirements.

6.2. Pursuant to the Commission's Policy Governing the Filing of Affiliate Contracts adopted by the Commission March 3, 2010 in GAO2010-1, adjustments to the Agreement are not effective until filed with the Commission. Therefore, the Parties agree to modify and execute Appendices 30 days prior to their effective date to be consistent with Section 3.1 of the Settlement and file with the Commission prior to the effective date, consistent with GAO2010-1.

6.3. Each year Buyer shall timely submit to Seller peak day and annual demand data for both a normal and severe season plan in a monthly baseload and usage per degree day format. The foregoing information is critical to Seller's role of optimizing Buyer's portfolio, assisting in the determination of the most efficient set of Appendix Services for Buyer, and meeting the requirements of GAO2010-1.

#### ARTICLE 7- OPERATIONS

7.1. Buyer and Seller agree to accept for purposes of this Agreement the applicable quality, delivery pressure, measurement and other applicable rules, procedures, guidelines, tariff provisions, contractual arrangements and policies of suppliers or Transporters, as the same may change from time to time.

#### ARTICLE 8- FORCE MAJEURE

8.1. All obligations of the Parties to this Agreement shall be suspended while and only for so long as compliance is prevented by a cause beyond the control of the Party claiming force majeure, such as an Act of God, war, civil disturbance, operational or performance failure or declaration of force majeure by a supplier, leased storage field operator, Transporter, or other service provider, operational flow order(s), federal or state or local law, or binding order of a court or governmental agency, provided the suspension shall be only to the extent performance was prevented by the event of force majeure. A Party claiming force majeure hereunder shall have the duty to make all reasonable efforts to remedy the force majeure condition as promptly as possible.

8.2. Notice of force majeure must be provided with reasonably full particulars to the other Party at or near the time the Party becomes aware of the force majeure. Notice shall be provided to the designated representatives

for Buyer or Seller designated in Appendix F.

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9.1. Seller shall be liable for all imbalance or other penalties, cash-outs, or other costs imposed on Buyer or Seller by any third party, including without limitation Seller's upstream or other transporters and Transporters, to the extent that such penalties, cash-outs or other costs are caused by Seller's actions or inaction. Buyer shall be liable for all imbalance or other penalties, cash-outs, or other costs imposed on Buyer or Seller by any third parties, including without limitation Seller's upstream or other transporters and Transporters, to the extent that such penalties, cash-outs or other costs are caused by Buyer's actions or inaction.

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10.1. Following each Contract Month, Seller shall furnish, or have furnished, an itemized statement to Buyer stating the amounts due Seller pursuant to this Agreement (the "Statement"). Following the receipt of Seller's Statement, Buyer shall make Payment by the due date. Invoice date, due date, and payment method shall be as specified in Appendix G.

10.2. Interest shall accrue on all late payments commencing on the applicable due date at the then current prime rate of J.P. Morgan, Chase Bank, or its successor, or the maximum lawful rate, whichever is lower.

#### ARTICLE 11- REMEDIES

11.1. If Seller fails to deliver scheduled Gas and such failure to deliver is not excused under Article 8 of this Agreement, then Seller shall reimburse Buyer for the amount of increased cost to Buyer of acquiring replacement Gas, as well as additional fees or penalties incurred as a result of such failure to deliver. The amount owed by Seller to Buyer hereunder shall be calculated as the product of (a) the difference, if positive, between the price paid for replacement Gas including any additional penalties, transportation, fuel and other variable costs incurred to receive such replacement Gas, and the then applicable commodity charge, and (b) the difference between the scheduled Gas and the quantity of Gas actually delivered by Seller. Buyer and Seller agree to act in good faith with respect to purchases of such replacement Gas so as to minimize Seller's obligations to Buyer under this Section.

11.2. If Buyer fails to receive scheduled Gas and such failure to receive is not excused under Article 8 of this Agreement, then Buyer shall reimburse Seller in an amount calculated as the product of (a) the difference, if positive, between the then applicable commodity charge and the price received from a third party purchaser, including any additional penalties, transportation, fuel and other variable costs incurred to deliver Gas to a third party purchaser, and (b) the difference between the scheduled Gas and the quantity of Gas actually received by Buyer. Seller and Buyer agree to cooperate in good faith so as to minimize Buyer's obligations to Seller under this Section.

11.3. Should the Commission impose enforcement penalties on Buyer which were caused by Seller's

intentional non-compliance with the Settlement, Seller shall indemnify and hold harmless Buyer for such penalties, and any costs, fees, or expenses associated with defending such action.

#### ARTICLE 12- CORRESPONDENCE

12.1. Except as provided in Section 8.2, any notice, statement or bill shall be in writing and shall be duly delivered when (a) mailed, postage prepaid, by registered, certified, or first-class mail, or (b) sent by prepaid overnight delivery to the applicable address, or (c) sent by hand delivery, or (d) sent by facsimile directed to the appropriate person and facsimile number with hard copy also delivered as in (a), (b), or (c) above. Addresses, telephone numbers, and facsimile numbers are specified in Appendix F.

#### ARTICLE 13- MISCELLANEOUS

13.1. This Agreement is subject to all applicable laws, orders, rules, and regulations of any state or federal governmental body or official having jurisdiction and both Seller and Buyer agree that the transactions agreed to hereunder shall be conditioned upon compliance with all such laws, orders, rules and regulations.

13.2. Seller and Buyer expressly agree that laws of the State of Indiana shall govern the validity, construction, interpretation, and effect of this Agreement.

13.3. Either Party may pledge, mortgage, or assign its rights hereunder as security for indebtedness. This Agreement is otherwise non-assignable except with the prior written consent of Buyer and Seller.

13.4. Notwithstanding any other provisions herein, the Parties hereto waive any and all rights, claims, or causes of action arising under this Agreement for incidental, consequential or punitive damages. Buyer shall have the right to enforce any and all terms of this Agreement against Seller. To the extent performance of this Agreement by either Party conflicts with the Settlement, the Parties will take corrective action in order to ensure that performance is in accordance with the Settlement. The Parties acknowledge that a failure to take timely and appropriate corrective action may subject Buyer to compliance measures by third parties pursuant to Article VII of the Settlement.

13.5. The Parties acknowledge that their respective business records and information are confidential in nature and may contain proprietary and trade secret information. Notwithstanding the foregoing, Seller agrees to provide Buyer access to those records required to verify Seller's statements to Buyer. To the extent access to information is necessary consistent with the Settlement, appropriate protection of proprietary and trade secret information will be afforded.

13.6. No waiver by either Party of one or more defaults or breaches by the other in performance of any of the terms or provisions of this Agreement shall operate or be construed as a waiver of any future default or breach, whether of a like or of a different character.

13.7. The terms and conditions contained in this Agreement and its Appendices herein constitute the full and complete agreement between the Parties and any change to be made must be submitted in writing and executed by both Parties. The Parties acknowledge that this Agreement is effective and must be carried out and enforced in a manner consistent with the Settlement.

13.8. Each Party represents that it has all necessary power and authority to enter into and perform its obligations under this Agreement and that this Agreement constitutes a legal, valid and binding obligation of that Party enforceable against it in accordance with its terms, except as such enforceability may be affected by any bankruptcy law or the application of principles of equity.

13.9. In the event any of the terms, covenants or conditions of this Agreement, or any amendment hereto, or the application of any such terms, covenants or conditions shall be held invalid as to any Party or circumstance by any court having jurisdiction, all other terms, covenants, or conditions of this Agreement, or any amendment hereto, and their application, shall not be affected thereby and shall remain in full force and effect.

13.10. If any provision of this Agreement is declared or rendered unlawful by a court of law or regulatory authority with jurisdiction over either of the parties or deemed unlawful because of a statutory or other change in the law, or if either Party suffers a substantial economic detriment due either to a determination relating to this Agreement by such an authority, or as a result of fundamental changes in the marketplace or other substantial changes in existing circumstances, the Parties will promptly meet to determine and negotiate a mutually acceptable agreement on such replacement provisions necessary to maintain the benefits and obligations that arise under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in duplicate originals.

"SELLER"  
PROLIANCE ENERGY, LLC

By: \_\_\_\_\_  
John R. Talley,  
President

"BUYER"  
INDIANA GAS COMPANY, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

## Gas Sales And Portfolio Administration Agreement

### APPENDICES INDEX

Appendices will be submitted to the Commission as a compliance filing following entry of an Order in Cause No. \_\_\_\_\_.

Title	Appendix	Description
Buyer's Primary Delivery Points	A	List Primary Delivery Points on appropriate pipelines
Buyer's Maximum Quantities Buyer's	B	Sets forth in Dth, by month and season, Maximum Daily Quantities
Portfolio Information	C	Lists current Delivery Services
Supplier Reservation Costs	D	Lists Monthly and Seasonal Supplier Reservation Costs
Commodity Purchases-Gas Cost Incentive Mechanism	E	Incorporates the GCIM that is part of the Settlement Agreement
Notices and	F	Addresses for purposes of notice to Seller Buyer
Invoice/Payment Data	G	Sets invoice date and payment terms
Demand Cost Credit Settlement	H	Sets Demand Cost Credit determined per Settlement
Diversion of Entitlements	I	Entitlements diverted from and to Buyer
Portfolio Services	J	Specifics on portfolio services

**GAS SALES AND PORTFOLIO ADMINISTRATION AGREEMENT**

This Gas Sales And Portfolio Administration Agreement ("Agreement") is entered into the \_\_\_\_ day of \_\_\_\_\_, 2011, for services to begin upon regulatory approval of this Agreement as referenced below, by and between SOUTHERN INDIANA GAS AND ELECTRIC COMPANY, INC. ("Buyer") and PROLIANCE ENERGY, LLC ("Seller") (collectively, the "Parties" or individually "Party"). Buyer and Seller agree as follows:

**RECITALS**

1. Seller is a limited liability company created and existing under the laws of the State of Indiana, with its registered office at 111 Monument Circle, Suite 2200, Indianapolis, Indiana.
2. Buyer is a corporation created and existing under the laws of the State of Indiana with its principal place of business at Evansville, Indiana.
3. This Agreement contains the mutual promises and covenants pursuant to which Buyer as a purchaser of natural gas and portfolio administration services, and Seller as a merchant of natural gas and portfolio administration services, shall perform the transactions described herein.
4. Under this Agreement, Seller agrees to provide natural gas to Buyer consistent with the terms and conditions contained herein.
5. This Agreement contains terms that reflect the terms of a negotiated settlement agreement ("Settlement") entered into with non-parties to this Agreement. The Agreement, as part of the Settlement, will be reviewed by the Indiana Utility Regulatory Commission (the "Commission"), and will become effective on the later of April 1, 2011 or the first day of the month following issuance of a final order by the Commission in Cause No. \_\_\_\_\_ finding that the Agreement is in the public interest.
6. This Agreement shall be subject to, and interpreted consistent with, the Settlement.

**DEFINITIONS**

The following terms shall have the following definitions for this Agreement and its Appendices:

1. The term "Balancing Quantities" shall mean the quantity of Gas which satisfies the difference between the Gas quantities scheduled for delivery to Buyer's Delivery Points and the actual physical flow of Gas taken by Buyer at the Delivery Points.

2. The term "Btu" shall mean British thermal unit, as defined in Transporter's Tariff
3. The term "Contract Month" shall mean a calendar month during the effectiveness of this Agreement.
4. The term "Contract Rates" shall apply to the demand costs as well as the variable costs associated with delivery service as described in Appendix C.
5. The term "Day" shall be defined as it is defined in Transporter's Tariff, or as applied by Transporter.
6. The term "Delivery Points" shall mean the points of delivery of Gas from Seller to Buyer as specified in Appendix A.
7. The term "FERC" shall mean the Federal Energy Regulatory Commission.
8. The term "Gas" shall mean natural gas.
9. The term "GCIM" shall mean the gas cost incentive mechanism provided for in the Settlement.
10. The term "Maximum Daily Quantities" or "MDQ" shall mean the maximum quantity of Gas which Seller shall be obligated to supply on a firm basis to Buyer's Delivery Points on a particular day.
11. The term "Maximum Portfolio Entitlement" shall mean the maximum deliverability that Buyer is entitled to under the Services identified on Appendix C.
12. The term "Maximum Seasonal Quantities" or "MSQ" shall mean the maximum quantity of Gas which Seller shall be obligated to supply on a firm basis to Buyer's Delivery Points in a Summer or Winter.
13. The term "MGT" shall mean Midwestern Gas Transmission Company.
14. The terms "MMBtu", "Dekatherm" or "DTH" shall mean one million (1,000,000) BTUs.
15. The term "Nominated Daily Quantities" shall mean the quantity of Gas nominated on a particular day for delivery to Buyer's Delivery Points, including deliveries to storage for Buyer.
16. The term "OVH" shall mean Ohio Valley Hub, LLC.
17. The term "PEPL" shall mean Panhandle Eastern Pipe Line Company.
18. The term "Portfolio Services" shall mean all of the Services that may be utilized to deliver Gas to Buyer, and which are identified on Appendix C.
19. The term "Summer" shall mean the summer season months of April through October, inclusive.

20. The term TETCO shall mean Texas Eastern Transmission Corporation.
21. The term "Texas Gas" shall mean Texas Gas Transmission Corporation.
22. The term "Transporter" shall mean the transporting pipeline(s) interconnected with Buyer, including without limitation PEPL, TL, Texas Gas, or Heartland Gas as applicable to the transaction involved.
23. The term "Transporter's Tariff" shall mean the tariff provisions of Transporter, as approved by the FERC, or any successor thereto, and Buyer's or Seller's contractual arrangements with Transporter, including changes to such tariff and arrangements made after this Agreement is effective.
24. The term "Winter" shall mean the winter season months of November through March, inclusive.

ARTICLE 1- GAS SALES

1.1. Seller represents and warrants that Seller can and shall stand ready to provide on a firm basis for Buyer's purchase at Buyer's Delivery Points the daily and seasonal quantities of Gas set forth herein. Seller's firm supply delivery obligation will be limited, however, to the supplies Buyer previously ordered and Supplier subsequently reserved on behalf of Buyer in accordance with Seller's responsibilities under the contract. Additional Buyer requests for Seller to purchase supplies above reserved supplies will be performed by Seller on a reasonable best efforts basis. Seller's marketing activities will not be conducted in a manner that compromises the provision of reliable and firm service to Buyer.

1.2. During the term of this Agreement, unless Seller is unable to meet Buyer's Gas requirements, Buyer agrees that Seller shall be its supplier of Gas. However, Buyer shall have and maintain the right to produce, utilize, purchase or sell any and all Gas produced in Indiana which Buyer may be required to purchase under Ind. Code § 8-1-2-87.6 or any successor provision thereto of the Indiana Code.

1.3. The Maximum Daily Quantities, which Seller shall be obligated to provide on a firm basis at Buyer's Delivery Points, are specified in Appendix B.

1.4. The Maximum Seasonal Quantities during Winter or Summer, which Seller shall be obligated to provide on a firm basis at the Delivery Points, are specified in Appendix B.

1.5. Under this Agreement, Seller may fulfill its obligation to provide Gas to Buyer by using contracts entered into by and between Seller and third parties, including suppliers, pipelines and other service providers. Seller shall not be obligated to enter into commitments with suppliers, pipelines, or other service providers, which extend beyond the term or scope of this Agreement. If Seller, in order to serve Buyer, makes any commitments with suppliers, pipelines, or other service providers that extend beyond the end of the term of this Agreement, to the maximum extent permitted by law Buyer shall indemnify Seller for all expenses and costs associated with the continued service or cause the replacement Portfolio Administration Service provider to indemnify Seller for such costs.

1.6. If FERC should determine that Transporter's Tariff shall cease to apply, in whole or in part, to transactions hereunder, the Parties will promptly meet to determine and negotiate mutually acceptable replacement guidelines and standards. In that event, until an agreement is reached, the most recently effective Transporter's Tariff shall continue to apply for all purposes under this Agreement. Upon acceptance of the replacement guidelines and standards, Buyer and Seller agree to apply the replacement guidelines and standards retroactively to the cessation date of Transporter's Tariff. Any resolution shall be implemented within thirty (30) days of the acceptance of the replacement guidelines and standards.

1.7. Buyer shall be solely responsible for meeting the creditworthiness standards of any third party providing service under agreements entered into by Seller on Buyer's behalf.

ARTICLE 2- GAS SALES CHARGES

2.1 For all Maximum Portfolio Entitlements, Buyer shall pay Seller each Contract Month demand charges consistent with Section 3.4 of the Settlement, as well as variable costs (including without limitation all volumetric charges, GRI, fuel or other variable costs) incurred and associated with the services listed in Appendix C.

2.2 Buyer shall pay Seller each Contract Month the applicable supplier reservation costs specified in Appendix D.

2.3 For all commodity quantities, Buyer shall pay Seller each Contract Month those amounts for Gas priced in accordance with Exhibit E of the Settlement ("GCIM agreement"), including volumes priced under the price volatility mitigation provisions thereof. All such purchases shall be reported on a monthly basis and shall include documentation necessary for review under the GCIM agreement and in Buyer's gas cost adjustment proceedings under Indiana Code Section 8-1-2-42 (g).

2.4 Buyer will pay any taxes which are imposed on or incurred by Seller due to this Agreement, or imposed on Buyer with respect to Gas delivered hereunder; provided, however, Buyer shall have no obligation to pay any sales or use taxes for which it delivers to Seller an appropriate exemption certificate.

2.5 All revenues Seller receives on Buyer's behalf as a result of auctioning unutilized pipeline entitlements consistent with the process set forth in Section 4.1 through 4.5 of the Settlement shall be reported in detail on a monthly basis to Buyer and shall be remitted to Buyer, net of reported expenses incurred by Seller in implementation of the auction.

ARTICLE 3- BALANCING

3.1 Seller shall provide Buyer with Balancing Quantities as part of its gas sales and portfolio administration services. Seller and Buyer shall be permitted reasonable balancing tolerances. Imbalances shall be made up in kind as agreed to by the Parties.

ARTICLE 4- PORTFOLIO ADMINISTRATION SERVICES

4.1 Seller's provision of portfolio administration services shall include without limitation Gas acquisition, scheduling receipt and delivery quantities with Gas suppliers and pipeline transporters, scheduling pipeline storage inventory quantities, providing delivered Gas supplies, supply planning assistance, posting and conducting the capacity auction on Transporters' EBBs, and periodic portfolio reporting. Buyer shall retain complete unilateral control of its physical Gas delivery, distribution, storage and transportation facilities.

4.2. The supply planning procedures set forth in Exhibit F to the Settlement will be followed by the Parties in preparing and implementing supply plans.

4.3 Seller and Buyer shall review periodically Buyer's supply requirements and determine the need for potential adjustments to MDQ, MSQ and to delivery service requirements. All adjustments are subject to Seller and Buyer's prior approval.

4.4 During the term of this Agreement, Seller shall review all FERC regulatory filings that could reasonably be expected to impact the Gas supply or portfolio administration services provided by Seller to Buyer. Seller shall inform Buyer on a timely basis of Seller's review and analysis. Buyer shall timely communicate its interests to Seller. Seller shall provide for representation to protect the Parties' interest in FERC proceedings and related appeals and notify Buyer promptly concerning any conflict of interest it may identify. In the event Seller's interests conflict with those of Buyer, Buyer and Seller shall be free to represent their interests directly. Seller shall provide Buyer with periodic written reports on the status of such proceedings in which Seller represents Buyer.

4.5. In the event this Agreement is terminated for any reason, Buyer shall meet with Seller within five (5) days of notice of termination to reach agreement on the timely return of capacity rights to Buyer. During such a wind-up period, Seller shall continue to provide Buyer with necessary supply services and portfolio administration services to fully meet Buyer's MDQ and MSQ. During the wind up period, the terms and effectiveness of this Agreement shall remain in effect. The wind up period for purposes hereof, may extend up to eighteen (18) months. Unless terminated pursuant to Commission order under IC 8-1-2.5-7, the termination of this Agreement shall not relieve Buyer of its executory obligations under Article VII of the Settlement.

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5.1 Unless modified by 5.2 below, the term of this Agreement shall commence on the later of April 1, 2011 or the first day of the month following issuance of a final order in Cause No. \_\_\_\_\_ and end on March 31, 2016. If for any reason this or a successor Agreement is not in effect after March 31, 2011, this Agreement shall continue on a month-to-month basis until arrangements are made by Buyer to acquire services by some other means.

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11.2. If Buyer fails to receive scheduled Gas and such failure to receive is not excused under Article 8 of this Agreement, then Buyer shall reimburse Seller in an amount calculated as the product of (a) the difference, if positive, between the then applicable commodity charge and the price received from a third party purchaser, including any additional penalties, transportation, fuel and other variable costs incurred to deliver Gas to a third party purchaser, and (b) the difference between the scheduled Gas and the quantity of Gas actually received by Buyer. Seller and Buyer agree to cooperate in good faith so as to minimize Buyer's obligations to Seller under this Section.

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12.1. Except as provided in Section 8.2, any notice, statement or bill shall be in writing and shall be duly delivered when (a) mailed, postage prepaid, by registered, certified, or first-class mail, or (b) sent by prepaid overnight delivery to the applicable address, or (c) sent by hand delivery, or (d) sent by facsimile directed to the appropriate person and facsimile number with hard copy also delivered as in (a), (b), or (c) above. Addresses, telephone numbers, and facsimile numbers are specified in Appendix F.

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13.7. The terms and conditions contained in this Agreement and its Appendices herein constitute the full and complete agreement between the Parties and any change to be made must be submitted in writing and executed by

both Parties. The Parties acknowledge that this Agreement is effective and must be carried out and enforced in a manner consistent with the Settlement.

13.8. Each Party represents that it has all necessary power and authority to enter into and perform its obligations under this Agreement and that this Agreement constitutes a legal, valid and binding obligation of that Party enforceable against it in accordance with its terms, except as such enforceability may be affected by any bankruptcy law or the application of principles of equity.

13.9. In the event any of the terms, covenants or conditions of this Agreement, or any amendment hereto, or the application of any such terms, covenants or conditions shall be held invalid as to any Party or circumstance by any court having jurisdiction, all other terms, covenants, or conditions of this Agreement, or any amendment hereto, and their application, shall not be affected thereby and shall remain in full force and effect.

13.10. If any provision of this Agreement is declared or rendered unlawful by a court of law or regulatory authority with jurisdiction over either of the parties or deemed unlawful because of a statutory or other change in the law, or if either Party suffers a substantial economic detriment due either to a determination relating to this Agreement by such an authority, or as a result of fundamental changes in the marketplace or other substantial changes in existing circumstances, the Parties will promptly meet to determine and negotiate a mutually acceptable agreement on such replacement provisions necessary to maintain the benefits and obligations that arise under this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in duplicate originals.

"SELLER"  
PROLIANCE ENERGY, LLC

By: \_\_\_\_\_  
John R. Talley,  
President

"BUYER"  
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Gas Sales And Portfolio Administration Agreement**

**APPENDICES INDEX**

Appendices will be submitted to the Commission as a compliance filing following entry of an Order in Cause No.

Title	Appendix	Description
Buyer's Primary Delivery Points	A	List Primary Delivery Points on appropriate pipelines
Buyer's Maximum Quantities	B	Sets forth in Dth, by month and season, Buyer's Maximum Daily Quantities
Portfolio Information	C	Lists current Delivery Services
Supplier Reservation Costs	D	Lists Monthly and Seasonal Supplier Reservation Costs
Commodity Purchases-Gas Cost Incentive Mechanism	E	Incorporates the GCIM that is part of the Settlement Agreement
Notices	F	Addresses for purposes of notice to Seller and Buyer
Invoice/Payment Data	G	Sets invoice date and payment terms
Demand Cost Credit	H	Sets Demand Cost Credit determined per Settlement
Diversion of Entitlements	I	Entitlements diverted from and to Buyer
Portfolio Services	J	Specifics on portfolio services

## Release of Anticipated Unused Entitlements

### Introduction

Consistent with the obligations of the Settlement Agreement, the Utilities and ProLiance will implement a release process for one half (50%) of the anticipated unused transportation entitlements.

The goals of the following processes to release one half (50%) of anticipated unused entitlements are to: 1) promote competition, 2) provide nondiscriminatory open access, 3) generate the highest economic value consistent with reliable supply and 4) provide process transparency.

For all releases made pursuant to the processes described below, the Utility will determine whether entitlement packages are subject to recall or not, whether intraday recall will apply, and the availability of multi-month packages. In determining the need to make packages to be released subject to recall provisions, the Utility will consider the forecasted amount of available entitlements calculated under the Severe Season Annual Supply Plan and Design Day supply requirements. Recall provisions shall be designed to protect the reliability of system supply. As to the term of packages and the duration of any single release, apart from complying with all FERC requirements, the Utilities shall attempt to design entitlement packages in a manner that promotes bidding. In any event, bid package size of entitlements offered will not exceed 10,000 Dth per day.

### Semi-Annual Release Process

This process applies to releases to be effective from November 1 through March 31 and releases to be effective from April 1 through October 31 of each annual period. Consistent with the Utilities' Gas Supply Planning Procedures, the annual supply plans will clearly identify the Available Entitlements.

Available Entitlements is equal to Total Transport Entitlements minus Normal Demand.

Total Transport Entitlements is the sum of the quantities of long haul pipeline transportation entitlements paid for by the Utilities and reserved for the Utility's delivery services, excluding the net of planned transfers to and from the other Utility, as reflected in the Utility supply plans, and excluding entitlements that are not available because of a portfolio efficiency that has been documented and identified for sharing through the demand cost allocation procedure provided for in the Settlement, but including capacity reserved on Heartland Gas Pipeline and the upstream entitlements on Midwestern Gas Transmission pipeline to the extent it is associated with Heartland delivery entitlements and necessary for providing service to Citizens under the Heartland Appendix Service.

Normal Demand is the projected quantity of firm long haul entitlement deliveries necessary to meet the normal weather consumption requirements of the Utility's firm customers.

The semi-annual entitlements release process will contain the following elements:

1. Entitlements available to be released under this process will be one half (50%) of the Available Entitlements.

2. By October 5<sup>th</sup> and March 5<sup>th</sup> of each annual period, the Utility will determine entitlement packages to make available for capacity release.
3. The process to identify pre-arranged bidders will begin no later than the tenth business day before the end of October and March. The Utility will provide notice of the process start date and time on its EBB no later than October 10<sup>th</sup> and March 10<sup>th</sup>. The notice shall identify available entitlement packages and specify the start date and time for the identification of pre-arranged bidders. The Utility will also email all known marketers behind their city gate and all prior release participants at least 48 hours prior to October 10<sup>th</sup> and March 10<sup>th</sup>. The start time will begin no later than 1:00 pm EST.
4. The process to identify pre-arranged bidders, including posting of available packages, submissions by potential shippers, and process results will be conducted using email or a web based platform. All other communications between the Utility and bidders will be via email.
5. Bids will be public, meaning, on a real time basis during the bidding process, all bidders can view details of all bids, including pipeline, volume, bid rate, and identity of submitting bidder.
6. The bidding period will last at least 48 hours. If a max rate bid or bids for the full entitlements in a given bid package are submitted within the first 2 hours of the bidding period, then the bidding period will terminate one hour after any such bid is posted. If more than one max rate bid is submitted for the same entitlement package, regardless of timing, the package volume will be allocated to the winning bidders on a pro-rated basis. For purposes of any such pro-rated allocation, bidders sharing any common parent shall be treated as a single bidder.
7. No later than the eighth business day before the end of October and March, the Utility will post the details of the winning bid(s) on the Utility EBB, which can be viewed by all bidders.
8. The Utility will notify administrator (ProLiance) no later than the eighth business day before the end of October and March so that ProLiance can post the entitlement packages to be released on the pipeline EBB(s).
9. Entitlement packages will be posted on the appropriate pipeline EBB no later than the fifth business day before the end of October and March and will be subject to open bidding over two business days.
10. All postings and awards will fully comply with the respective pipeline tariffs and FERC regulation.
11. Once ProLiance has completed the release process on the EBBs, it will report back to the Utility.

Unawarded volumes will, as determined by the monthly supply plans, become part of the monthly entitlement release process.

#### **Monthly Release Process**

No later than the eleventh business day before the end of each month, for releases to begin the first day of the upcoming month, and in conjunction with the monthly supply plans of each Utility, the Projected Available Monthly Entitlements will be determined. The Projected

Available Monthly Entitlements will be computed as described above in the Semi-Annual Process. Consistent with the Utilities' Gas Supply Planning Procedures, the monthly supply plans will clearly identify: 1) the Projected Available Monthly Entitlements, 2) the entitlements previously awarded for the month pursuant to the Semi-Annual Release Process, and 3) the previously released entitlements for the month to be recalled to meet the projected consumption requirements of the Utilities' sales customers.

The Utility will conduct a monthly pre-arranged entitlement release process containing the following elements:

1. No later than the eleventh business day before the end of each month, the Utility will determine entitlement packages to make available for posting on the Utility's website.
2. The process to identify pre-arranged bidders will begin no later than the ninth business day before the end of each month. The Utility will provide notice of the process start date and time on its web based platform no later than the 10<sup>th</sup> of each month. The notice shall identify available entitlement packages and specify the start date and time for the identification of pre-arranged bidders. The Utility will also email all known marketers behind their city gate and all prior release participants prior to the 10<sup>th</sup> of each month. The start time will begin no later than 1:00 pm EST.
3. The process to identify pre-arranged bidders, including posting of available packages, submissions by potential shippers, and process results will be conducted using email or a web based platform. All other communications between the Utility and bidders will be via email.
4. Bids will be public, meaning, on a real time basis during the bidding process, all bidders can view details of all bids, including pipeline, volume, bid rate, and identity of submitting bidder.
5. The bidding period will last 24 hours. If a max rate bid or bids for the full entitlements in a given package are submitted, then the bidding period will terminate one hour after any such bid is posted. If more than one max rate bid is submitted for the same entitlement package, regardless of timing, the package volume will be allocated to the winning bidders on a pro-rated basis. For purposes of any such pro-rated allocation, bidders sharing any common parent shall be treated as a single bidder.
6. No later than the seventh business day before the end of each month, the Utility will post the details of the winning bid(s) on the Utility web based platform, which can be viewed by all bidders.
7. The Utility will notify administrator (ProLiance) no later than the seventh business day before the end of each month so that ProLiance can post the entitlement packages on the pipeline EBB(s).
8. Entitlement packages will be posted on the appropriate pipeline EBB no later than the fifth business day before the end of each month and will be subject to open bidding over two business days.
9. All postings and awards will fully comply with the respective pipeline tariffs and FERC regulation.

10. Once ProLiance has completed the release process on the EBBs, it will report back to the Utility.

#### **Recall of Released Capacity**

If it is determined that the Available Entitlements, net of capacity already released, are insufficient to meet the Normal Demand requirements of the Utilities, then any recallable capacity awarded through the above processes necessary to meet the Normal Demand will be recalled. To the extent it is necessary for capacity to be recalled to serve the Utility, the recalled capacity will consist approximately 50% of unused transportation entitlements retained by ProLiance and 50% of unused transportation entitlements not retained by ProLiance, as described in Section 4.4 of the Settlement. The determination of specific previously released volumes to be recalled will be made based upon the Utility's operational requirements and the economic value of the released capacity to the Utility, consistent with least cost supply planning. ProLiance, as administrator, will utilize the pipeline default evaluation method (NPV). Released capacity will be recalled only for Utility service requirements. No release shall be subject to an intraday recall.

#### **Reporting**

The Utility's release activity, including postings, sales, recalls and revenues will be summarized each month by ProLiance. Underlying documentation received from the pipelines will be retained for three years and will be made available for review, at any reasonable time, by authorized representatives of the Utilities, the OUCC, or the IURC pursuant to the Settlement, at any time and on such terms as may be determined by agreement or order, and by authorized representatives of any person or entity pursuant to applicable discovery procedures in any regulatory or judicial proceeding.

#### **Process Information and Review**

The new release process will be established no later than April 1, 2011, provided the Settlement has been approved, but will not supersede release activity that has already occurred. Prior to implementation, the Utilities shall provide written notice to transportation customers and marketers that the new process will be implemented, including notification of the commencement date and an explanation of the process including a copy of this Exhibit. Information regarding the process shall be posted on the Utilities' websites. Any subsequent changes to the process will be similarly posted on the websites. Each Utility shall designate a representative who will handle all inquiries regarding the process. Within 90 days of implementation, the Settlement Parties may meet to review results and any issues that have arisen, and to the extent necessary, discuss process improvements. The Utilities will consider the input of the Parties, and may propose process modifications. Any material change must be agreed upon by the Parties or must be approved by the Commission.

Agreement On Gas Cost Incentive Mechanism (GCIM)

The Parties agree to a Gas Cost Incentive Mechanism ("GCIM") that provides risks and rewards for Gas supply acquisition performance compared to a market standard ("Benchmark"). The GCIM shall be effective upon IURC approval of the Settlement Agreement. To provide uninterrupted GCIM application, the currently effective GCIM terms shall remain in effect up to the date of IURC approval.

The Parties agree that the goals of the GCIM are: (1) reduce customer gas costs, (2) fairly measure costs of supply against market, (3) employ a measurement that recognizes the Utilities' specific portfolio characteristics, and (4) reward performance which beats the market and penalize performance that does not beat the market. The Parties recognize that these goals apply to the GCIM as a whole and that the benefits/costs accruing to the GCIM should be viewed in this context. Measurement models such as the benchmarking model are refinements to the GCIM process designed to measure the Utilities' success in meeting these goals. The Parties recognize that due to the evolving nature of natural gas markets, the model(s) used to measure the Utilities' performance relative to the above goals may need to be modified from time to time. *The Utilities' agree that they shall not solely rely on agreed to measurements when such measurements fail to meet the goals stated above and recognize that this issue is particularly important when new hedging and financial tools are implemented.* The Parties agree that in any future dispute regarding GCIM measurement calculations they will make every reasonable effort to resolve such disputes through good faith negotiations aimed at achieving a result consistent with the above stated GCIM goals.

Subject to section III(A) below, the GCIM shall be effective through March 31, 2016, unless terminated earlier by the Commission or by agreement of the Parties. The Customers' share of GCIM dollars (described in Section I below) will promptly flow through to customers in the GCA. By separate agreement, the Utility (Citizens Gas, IGC and/or SIGECO) may pass its share of risks and rewards on to ProLiance Energy (its agent). The Utility may make reasonable use of financial tools for hedging purposes in its gas procurement efforts, and may recover such costs consistent with the GCIM and Section 3.4(1) of the Settlement. This GCIM Exhibit consists of three sections: (I) GCIM Commodity Purchases, (II) Price Volatility Mitigation Program (PVMP) and (III) Additional Provisions.

## I. GCIM COMMODITY PURCHASES

This section applies to and is intended to accommodate the types of monthly and daily commodity purchases frequently made by the Utility. This section does not apply to volumes purchased under the PVMP (see Section II).

A. **Benchmark Prices.** Benchmark Prices shall reflect the natural gas commodity prices for geographic locations representative of the supply basin/location where the gas was purchased and delivered to primary and secondary receipt points of the Utility's transportation capacity, and shall be separately calculated for each month of the year. In the event that the gas price indices cited below are changed or eliminated by any of the below listed publications, and the substitute indices are similarly not available, then the Utility and the OUCC agree to negotiate in good faith to restore pricing terms that are economically equivalent.

(1) **First of the month (“FOM”) purchases.** The applicable Benchmark Price(s) shall be the first of the month spot market natural gas commodity prices published in Platt’s Inside FERC Gas Market Report (“IFGMR”) as the “Prices of Spot Gas Delivered to Pipelines, [Applicable Month].” In the event the IFGMR is discontinued or unpublished, then the substitute reference for applicable FOM prices shall be Platt’s Gas Daily Price Guide - “Monthly Contract Index.”

(2) **Other purchases.** For purchases not based upon first of the month pricing and not covered by the PVMP program in Section II, the applicable benchmark prices shall be based upon “Daily” indices. The applicable Daily Benchmark Price(s) shall be the spot market natural gas commodity prices published in Platt’s Gas Daily “Daily Price Survey, Midpoint.” If the Gas Daily Daily Price Survey is discontinued or unpublished, then the substitute reference for applicable daily purchases shall be NGI’s Daily Gas Price Index “Cash Market Prices.”

**B. Performance Evaluation.** The Utility’s performance under this Section I of the GCIM Exhibit shall be evaluated by multiplying the applicable Benchmark Price by the actual units purchased for each geographic location on a monthly basis to determine the Benchmark dollars for each geographic location. If the Utility’s actual natural gas commodity purchase dollars are less than the sum of the Benchmark dollars from all geographic locations, a positive differential exists. If the Utility’s actual natural gas commodity purchase dollars are greater than the sum of the benchmark dollars from all geographic locations, a negative differential exists. Positive and negative differentials shall be shared between the utility and its customers as follows:

**Negative Differential (Actual cost>Benchmark Price)**

<u>% of Price Above Benchmark Price</u>	<u>% of Sharing Customer</u>	<u>% of Sharing Utility</u>
>4%	30	70
>2% to 4%	50	50
0% to 2%	70	30

**Positive Differential (Actual cost<Benchmark Price)**

<u>% of Price Under Benchmark Price</u>	<u>% of Sharing Customer</u>	<u>% of Sharing Utility</u>
0% to 2%	70	30
>2% to 4%	50	50
>4%	30	70

The calculation of the actual commodity costs shall include all relevant commodity costs and provide for a fair and reasonable comparison to published benchmarks. For example, to the extent the published benchmarks do not reflect commodity supply reservation fees, then such fees would not be included in the calculation of the actual commodity costs that are compared to the published benchmarks. Such reasonable costs may be recovered outside the GCIM in the Utility's GCA consistent with Section 3.4 (1) of the Settlement. The GCIM applies only to gas commodity and, therefore, pipeline fixed or variable charges shall not be included in the GCIM. The Utility shall fully and properly account for its gas commodity costs and GCIM sharing dollars "above the line" on its books.

**II. PRICE VOLATILITY MITIGATION PROGRAM (PVMP)**

This section is intended to address commodity purchases and transactions made to mitigate gas price volatility (i.e., to help stabilize the Utility's retail natural gas

prices), and is not necessarily intended to attain a price at or below index prices. The Utility may recover all reasonably incurred costs (such as reasonable brokerage fees and margin costs) associated with the PVMP, including the reasonable costs of financial tools used for hedging consistent with the Section 3.4 (1) of the Settlement. Some or all of the following types of purchases and transactions are specifically contemplated to mitigate price volatility.

**A. Pipeline Storage Refill.** Consistent with the past practices of Citizens Gas and Indiana Gas, the Utility will direct ProLiance to achieve a measure of price volatility mitigation in the refill of pipeline storage service quantities. The annual target volumes (the storage capacity to be filled) under this component are determined as of April 1 for every year by subtracting the volumes in inventory at April 1 from the target-ending inventory (after injections) per the Utility supply plans. The monthly gas cost (April through October of each year) is determined by dividing the total volume to be injected by seven (7) and multiplying the result by the applicable FOM indices each month for the applicable receipt point(s) for each storage service. In the event that pipeline storage inventory is required by the Utilities to be withdrawn after April 1<sup>st</sup> for any month, of any program year, then the calculations will be adjusted as appropriate. ProLiance will invoice the total monthly cost for all applicable pipeline storage services to the Utilities each month, April through October for each year. The Utilities will retain their full rights to withdraw inventory volumes at deliverability rates corresponding to the applicable pipeline storage service tariffs and contracts. ProLiance will provide these volumes as agreed based on first of month pricing during the seven injection months as described above. ProLiance may pay more or less than the amounts billed the Utilities

to refill pipeline storage; this risk and reward will be borne by ProLiance. ProLiance will, however, maintain detailed records of its actual and/or reasonably allocated costs to fill the Utility's pipeline storage capacity and shall make all arguably relevant records available to the OUCC or IURC upon request.

**B. Fixed Price Volumes (FPV).** This component is modeled upon the current fixed price purchase program of the Utility. Generally, the Utility will decide on an on-going basis, whether prior to any year or during the then current year, to "lock in" or otherwise hedge the price of future gas purchases. Fixed prices will reflect the then current price represented by the NYMEX Gas Futures Exchange for the future month(s), plus location basis. The Utilities will lock in or hedge prices with ProLiance. ProLiance will correspondingly fix the price, at its sole option, by using either physical purchases with suppliers and marketers, which will reflect the location of the purchase, or using NYMEX futures contracts that reflect the Louisiana Henry Hub location. When NYMEX futures are used the appropriate location basis differential may also be fixed using *bona fide*, documented, competitive basis quotes from reliable competitive market sources. The purchased NYMEX futures contracts later will be exchanged for physical gas commitments from suppliers prior to the month of gas delivery.

**C. Other PVMP Transactions.** The Utility may also request to recover costs for other reasonable transactions that are not specifically addressed directly above in II (B). This would include, but not necessarily be limited to, reasonable costs of "out-of-the-money" price caps (i.e., call options) that require an inexpensive premium but provide protection against very extreme market conditions. This would also include reasonable

costs of “collared” contracts that provide commodity priced beneath a ceiling and above a floor price.

### III. ADDITIONAL PROVISIONS

**A. Periodic Review.** The Utility and the OUCC may conclude a joint review of the GCIM during the term of this Exhibit E. Such review may include review of GCIM related provisions and issues, including, but not limited to, sharing ranges, price volatility mitigation components and the use of financial instruments. If disputes arise and good faith negotiations do not result in an agreement, then the Utilities will put forth their position before the Commission one-month after the conclusion of the joint review. The OUCC will then have one month to respond and put forth its position before the Commission. All reasonable efforts will be made to expedite Commission review and resolution of any disputes. During a review or any proceeding commenced under this paragraph, the then currently effective GCIM terms shall remain in effect until modifications to the GCIM are approved by the Commission. Also, nothing in this paragraph is intended to limit the ability of the Parties from proposing *mutually agreeable* changes/improvements to the GCIM outside of the possible GCIM review established by this paragraph.

**B. Transparency, Separations and Auditing.** The GCIM reviews described directly above do not mitigate the need for appropriate and transparent record keeping by the Utilities and ProLiance (separate from other purchases for ProLiance's other business activities) and effective auditing and review by the OUCC, and its outside consultants, to assure GCIM and GCA compliance.

C. GCA Review. The reasonableness of terms for all purchase transactions will be reviewable in the utilities' respective GCAs consistent with Section 3.4(1) of the Settlement.

D. Extraordinary Relief. In extraordinary circumstances where the Utility to avoid pipeline penalties, requires intra-day gas, such purchases, if properly documented and demonstrated to be prudent, would be recovered outside the GCIM.

# **GAS SUPPLY PLANNING PROCEDURES**

**FOR CITIZENS GAS,  
INDIANA GAS, AND SIGECO**

**EFFECTIVE April 1, 2011**

GAS SUPPLY PLANNING  
For CITIZENS GAS, INDIANA GAS, and SIGECO

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**A. DEFINITIONS**

"Agreement" shall mean the Settlement Agreement in Cause No. 42973.

"Procedures" shall mean the detailed procedures contained in this document, Gas Supply Planning Procedures.

"GCIM" shall mean Gas Cost Incentive Mechanism.

"Utility" and "Utilities" shall mean Citizens Gas, Indiana Gas, and/or SIGECO, each individually or collectively as the context may indicate.

"Portfolio Administrator" shall mean and refer to ProLiance Energy, LLC.

"IURC" shall mean the Indiana Utility Regulatory Commission.

"OUCC" shall mean the Indiana Office of Utility Consumer Counselor.

**B. GENERAL RESPONSIBILITIES**

1. The Utilities will determine long term, annual, seasonal, monthly and daily supply plans, and in doing so may request and consider input from the Portfolio Administrator. The Utility shall have access to all information necessary to prepare and evaluate its supply plans. The Utility's Vice President of Gas Operations (or another designated Utility officer) shall have overall responsibility and control of the supply planning process.
2. At least annually, the Utilities shall meet with each other and with the Portfolio Administrator to determine whether and to what extent individual capacity additions required in their respective supply plans can be minimized prior to actual purchases of incremental capacities.
3. The Portfolio Administrator will manage the pipeline contract scheduling and gas procurement activities for the Utilities, in accordance with the Agreement.
4. The Utilities will communicate system demands, forecasts, capabilities, and limitations to the Portfolio Administrator on a long-term, annual, monthly and daily basis. Annual and monthly demand forecasts

provided by the Utility will be based on both normal and severe season planning assumptions.

5. Portfolio Administrator will provide supply at prices consistent with Utility's policy of obtaining long-term, firm, reliable supply at the lowest gas cost reasonably possible, consistent with the applicable terms of the Agreement, GCIM and operational requirements and limitations.
6. Each Utility shall have regularly scheduled meetings and other communications with Portfolio Administrator as necessary to convey the Utility's periodic requirements and to ensure Utility's gas supply plans and needs are being properly met.
7. Utilities will work collaboratively to optimize the Utilities' supply resources in order to create synergies where possible to reduce costs. The Utilities may include Portfolio Administrator in such efforts.

### **C. COMBINED PORTFOLIO ANALYSIS AND PLANNING**

Delivery services provided to the Utilities by the Portfolio Administrator are dependent, in part, on synergies created by the management of the combined portfolio by the Portfolio Administrator. Maintaining Utility resource capabilities to meet the delivery obligations efficiently, reliably and at the least cost reasonably possible will be incorporated in the supply planning process and resulting supply plans.

With respect to annual and other long-term supply plans, the Utilities shall determine their own supply requirements and independently prepare their own plans for the level and type of supply resources required for system supply. In connection with the preparation of annual and other long-term supply plans, the Utilities will communicate with each other and the Portfolio Administrator to share data relevant to the identification of potential synergies and portfolio efficiencies. Data to be provided by the Utilities will include firm demand forecasts, for both normal and severe season, by pipe, including forecasted transportation customer deliveries.

The Utilities will provide the required data to the Portfolio Administrator on a timely basis each year. Following review and analysis, the Utilities will then meet with each other and work collaboratively and with the Portfolio Administrator in an effort to identify and assess potential synergies arising from the use of a joint portfolio administrator.

In connection with the annual and other long-term supply planning process, the Utilities may share data with Portfolio Administrator and consult with Portfolio Administrator in an effort to identify and assess potential synergies. In no event, however, shall supply planning responsibility be delegated to Portfolio Administrator. The Utilities will work collaboratively, and may include the Portfolio Administrator, to optimize the Utilities' supply resources in order to create synergies and reduce costs.

#### **D. SPECIFIC RESPONSIBILITIES - UTILITY**

Each Utility shall be responsible for the following:

1. Determining long-term, annual, seasonal (as required), monthly, and daily supply plans. Each year, Utility will analyze and adjust annual supply plans based on yearly updated demand forecasts that include base load and usage per degree day factors.
2. Selection of the design peak day and severe winter planning criteria and determining the appropriateness of any capacity reserve margin.
3. Providing to Portfolio Administrator annual supply plans (normal and severe season cases) on a timely basis each year.
4. Determining available entitlement release volumes for each pipeline supplier included in the annual, seasonal, and monthly supply plans.
5. Determining a Daily Gas Supply Plan specifying deliveries to Utility's city gate by pipeline.
6. Determining the storage entitlements to use in its supply plans.
7. *Being available daily to discuss daily supply plans by 7:45 a.m. Central Clock Time.*
8. Maintaining a record of all Utility-approved long-term, annual, seasonal, monthly, and daily supply plans for three years. The Utility will make all plans available for review by the OUCC.
9. Operating the Utility system to meet the agreed-upon supply plans, subject to safe operation of all Utility pipeline systems and facilities.

10. Making all decisions regarding customer curtailment or interruption on the Utility system, and making all decisions regarding the need for, timing and extent of any Utility-called operational flow orders.
11. Planning for and utilizing resource capabilities such that synergy-related obligations can be met.
12. Maintaining relationships with operating personnel concerning operation and maintenance of facilities between Utility and the interstate pipeline companies and third parties serving the Utility system.
13. Presenting and supporting the prudence of Utility's pipeline transportation and leased storage portfolios, as well as gas supply purchases in proceedings before the IURC.
14. Presenting and supporting the prudence of the long-term, annual, monthly and daily supply plans in proceedings before the IURC.
15. Determining the need for, timing and extent of any recall of released entitlements, communicating as appropriate, and monitoring to ensure system supply and integrity requirements are maintained.
16. Providing timely, detailed demand forecast data and analysis to the other Utilities and Portfolio Administrator in order to investigate, develop, and implement cost savings strategies in connection with developing annual and other long-term supply plans.
17. Maintaining sole, final decision-making authority with respect to all supply plans.

#### **E. SPECIFIC RESPONSIBILITIES – PORTFOLIO ADMINISTRATOR**

Portfolio Administrator shall be responsible for the following:

1. Promptly reviewing and evaluating each long-term, annual, monthly or daily supply plan (including the projected available entitlement release volumes for each delivery point) as necessary to comply with the Agreement and these Procedures.
2. Scheduling (including nominations) of gas supplies, pipeline transportation and leased storage deliveries for the Utility each day.

3. Posting available entitlement release volumes on pipeline electronic bulletin boards according to the Agreement and pipeline tariff.
4. Providing timely and accurate reporting of Portfolio Administrator's gas deliveries to the Utility pipeline delivery points, including pipeline storage delivery points.
5. Providing timely notice of the applicable pipeline contract imbalance tolerances to allow Utility to make any necessary arrangements to balance each day.
6. Providing data and support necessary for Utility to present and support the prudence of its supply planning portfolio and long-term, annual, monthly, and daily supply plans in proceedings before the IURC. This data and support will be in the form of supply reports and will include daily system supply quantities, base and swing gas supply purchase quantities, contract storage quantities, and other data related to supply planning and balancing.
7. Providing support and data necessary for Utility to verify monthly invoices. This support will include information contained in the daily supply reports.
8. Providing support and detailed data necessary to accommodate Utility departments in meeting internal and external reporting deadlines.
9. Providing a monthly summary of the actual daily gas purchase prices by day to Utility no later than the first business day of the following month.
10. Providing a monthly contract storage activity report by the third business day of the following month.
11. Providing monthly invoice data to Utility by the third business day of the following month.
12. Providing data, records and information to the OUCC and/or to an outside auditor selected by the OUCC in accordance with the Agreement, as may be necessary and appropriate to assist the OUCC in monitoring the supply planning process and all support and assistance provided by Portfolio Administrator with respect to supply planning, subject to agreed confidentiality protections.

**F. LONG-TERM SUPPLY PLAN**

1. The long-term supply plan shall consist of the current year's annual supply plan and the following four years' annual supply plans.
2. The long-term supply plan shall consider, but not necessarily be limited to Utility's projected long-term demands, its storage injection and withdrawal requirements, peaking facility changes, customer growth, supply portfolio changes, supply contract changes, major system enhancements, and any relevant operational factors.
3. In connection with the long-term planning process, the Utilities shall determine their own supply requirements and independently prepare their own plans for the level and type of supply resources required for system supply.
4. In connection with the long-term planning process, the Utilities will communicate directly with each other and will work collaboratively and with the Portfolio Administrator to optimize the jointly administered supply portfolio in order to create synergies and reduce costs where possible. The Utilities will share with each other and the Portfolio Administrator data including demand forecasts and analyses of supply options in an effort to investigate, develop and implement demand cost savings strategies.
5. There will be no delegation of supply planning responsibility to Portfolio Administrator.

#### **G. ANNUAL SUPPLY PLAN**

1. The procedures applicable to long-term supply planning will be followed in connection with the preparation of annual supply plans.
2. The annual supply plan shall be used as the guide for the upcoming season's monthly supply plans.
3. The annual supply plan shall clearly identify the projected available annual entitlement release volumes.

#### **H. MONTHLY SUPPLY PLAN**

1. Each month Utility and Portfolio Administrator personnel shall meet for the purpose of reviewing the gas supply plan for the upcoming month.

2. Based upon criteria established in the annual supply plan, with modifications for actual weather and storage levels, Utility shall specify the anticipated quantities of gas that shall be purchased on a base load basis for the upcoming month for the Utility system.
3. Utility shall specify the initial pipelines which will be delivering monthly base load gas to Utility's system and the amounts of base load gas to be delivered at each pipeline delivery point within system limitations.
4. Base load quantities scheduled at the first of the month shall not change unless mutually agreed to by Portfolio Administrator and Utility.
5. Base load nomination quantities will be provided at prices and terms in accordance with the provisions of the Agreement.
6. Monthly supply plan utilization of company storage will be consistent with preserving deliverability specified in the annual supply plan or changes directed by Utility.
7. The monthly supply plan shall clearly identify the projected available monthly entitlement release volumes, entitlement release volumes previously posted pursuant to the annual supply plan, previously released entitlements to be recalled to meet the requirements of Utility, and any previously released entitlements that were recalled, detailed by delivery point. Decisions with respect to entitlement availability and recall will be made by Utility.
8. Utility will provide timely, detailed forecast data and analysis to Portfolio Administrator to assist in investigating, developing and implementing cost saving strategies. Utility will independently analyze, approve and maintain responsibility for its monthly supply plans.

#### **I. DAILY SUPPLY PLAN**

1. Utility and Portfolio Administrator personnel shall communicate daily by 7:45 a.m. Central Clock Time for the purpose of discussing the current day and establishing a proposed supply plan for the next day and following three days.
2. Utility shall notify Portfolio Administrator of any requested changes to its expected current daily demand as soon as they are known. Portfolio Administrator will make all reasonable efforts to accomplish current day scheduling changes as necessary.

3. Utility shall specify the daily swing quantities above the baseload quantities nominated at the beginning of the month, and the utilization of company and contract storage.
4. Portfolio Administrator shall schedule the gas supply and transportation and storage contracts necessary to meet the daily supply plan requirements.
5. Utility shall establish a daily sendout pattern in order to achieve the approved daily supply plan. Utility shall use, as necessary, the daily swing tolerances specified in the approved daily supply plan to balance system supply and demand.
6. Utility may request intra-day scheduling changes consistent with pipeline allowances and Utility operational capabilities.
7. Utility may request intra-day supply changes due to weather changes, or operational or economic considerations. Any such changes to the confirmed supply deliveries will be reported verbally to Gas Control at Utility by Portfolio Administrator and followed up on paper later that day.
8. The daily supply plan shall clearly identify the entitlement release volumes previously posted pursuant to the annual (and/or seasonal) and monthly supply plans, previously released entitlements to be recalled to meet the requirements of Utility, and any previously released entitlements that were recalled. Portfolio administrator will identify entitlement release amounts detailed by delivery point. Decisions with respect to recall will be made by Utility.
9. In connection with daily supply planning, Utility may request that Portfolio Administrator run planning models or otherwise assist in determining supply requirements, but Utility will independently analyze, approve and maintain responsibility for its supply plans.

## AFFILIATE GUIDELINES FOR CITIZENS GAS

### **INTRODUCTION**

The Indiana Office of the Utility Consumer Counselor ("OUCC") 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, dba Citizens Gas ("Utility") and others (collectively "Parties") have negotiated in connection with Cause No. 42233 and Cause Nos 37394GCA50S1 and 37399GCA50S1 ("GCA50S1") the following Affiliate Guidelines to govern the relationships between the Utility and its Affiliates. The Parties agree that these guidelines will be submitted to the Indiana Utility Regulatory Commission ("IURC") for its review and approval in GCA50S1. The Parties intend for the guidelines to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may, through negotiation and agreement, jointly petition the IURC for modifications to these Affiliate Guidelines, in which case they shall have the burden of jointly proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Affiliate Guidelines and is unable to obtain agreement from the other party for such changes, then that party may petition the IURC for the desired changes and individually bear the burden of proving that such changes are in the public interest; however, any such petition shall not be filed without the petitioner first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Affiliate Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filed without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Affiliate Guidelines on its own motion, after notice and a hearing.

Subject only to the Settlement Agreement and ARP approved in GCA50S1 and Cause No. 42233, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates. The Commission may approve an Affiliate contract that differs from these Affiliate Guidelines if the Utility files a petition requesting an exception from these Affiliate Guidelines and satisfies its burden in establishing such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the contract's impact on competition.

### **DEFINITIONS**

The definitions below apply to terms used in the Affiliate Guidelines and the Cost Allocation Guidelines.

**“Affiliate”** “Affiliate” means a Person that is an affiliated interest for purposes of I.C. 8-1-2-49 or that is otherwise found to be an “Affiliate” by the Commission or otherwise is an “Affiliate” under Indiana Law.

**“Person”** “Person” includes the following: (a) individual, (b) corporation, regardless of type or state or country of incorporation, (c) unincorporated association, (d) company, whether limited liability or otherwise, and (e) business trust, estate, partnership, trust, two (2) or more Persons having a joint or common economic interest, and any other entity.

**“Commission”** “Commission” means the Indiana Utility Regulatory Commission.

**“IURC”** “IURC” means the Indiana Utility Regulatory Commission.

**“OUCC”** “OUCC” means the Indiana Office of Utility Consumer Counselor.

**“Competitive Terms”** “Competitive Terms” means the best terms reasonably available in the competitive marketplace at that time (including the terms available from the Utility itself under efficient operation), giving due consideration to both price and non-price terms such as quality and reliability. If the Utility can provide the services at the lowest cost with comparable quality and reliability, then that cost shall be considered the “Competitive Terms.”

**“Capital Costs”** “Capital Costs” means the costs associated with obtaining the financial capital required to provide physical assets such as office buildings, computers or office equipment.

**“Non-Regulated”** “Non-Regulated” means not regulated by the IURC. “Non-Regulated” also applies to products or services over which the IURC has declined its jurisdiction.

**“Shared Corporate Support Services”** “Shared Corporate Support Services” means the following types of functions/services that the Utility may share with its own and its Affiliates’ non-regulated operations: (1) accounting and corporate treasury services; (2) human resources; (3) information technology and communications services; (4) directors and officers services; (5) legal services; (6) insurance and claims; (7) billing; (8) customer call center services; (9) facility and fleet management; and (10) environmental services.

**“Similarly-Situated”** “Similarly-Situated” means having general characteristics in common such as belonging to the same rate class or operating in the same or similar industries. A Utility-affiliated gas or power marketer would, for example, be considered similarly-situated to non-affiliated gas or power marketers.

## **GENERAL AFFILIATE GUIDELINES**

- A. No Cross-Subsidies.** The Utility shall not subsidize its Affiliates or its non-regulated operations.
- B. Separation of Regulated and Non-Regulated Operations.** The separation of the Utility's regulated operations from its own and its Affiliates non-regulated operations is necessary to prevent potential cross-subsidies. To the maximum extent practicable, the Utility shall separate its regulated operations from its own, and its Affiliates non-regulated operations. Instances where such separation does not exist must otherwise be in compliance with these Affiliate Guidelines and the Cost Allocation Guidelines.
- C. No Discrimination.** The Utility shall not discriminate in favor of or otherwise give preferential treatment to its Affiliates, its Affiliates' customers or the Utility's own non-regulated operations.
- D. Comparability of Service.** The Utility shall provide comparable service to all Similarly-Situated marketers, customers or other entities, regardless of affiliation.
- E. Procurement on Competitive Terms.** The procurement of goods, services, assets and other resources by the Utility shall be on Competitive Terms, consistent with the public interest and in compliance with these Affiliate Guidelines and the Cost Allocation Guidelines. The Utility may procure services from an Affiliate but such procurement must be done on Competitive Terms.

## **SPECIFIC AFFILIATE GUIDELINES**

- 1. The Utility's Affiliates and its non-regulated operations shall be charged for all costs incurred on their behalf. These costs shall be appropriately and reasonably allocated by the Utility and shall include, but not be limited to, costs associated with shared facilities, general and administrative support services and other corporate overheads.
- 2. The Utility shall process all similar requests for service in the same manner and within the same reasonable time period for all Similarly-Situated customers, marketers, and other entities, regardless of affiliation.
- 3. The Utility shall not give preference to or discriminate in favor of its Affiliates, its Affiliates' customers or its own non-regulated operations in matters including, but not limited to, the allocation, assignment, release, or transfer of rights to intrastate or interstate capacity, use of

Utility distribution facilities, storage on system, rights to storage off system, or in the sale of gas.

4. The Utility shall not condition or tie any agreement to provide Utility service to any agreement relating to a service to be provided by an Affiliate.
5. To the maximum extent practicable, Utility employees shall function separately and independently from employees of Affiliates and those engaged in non-regulated operations including, but not limited to, gas marketers, power marketers and other service providers.
6. The Utility may not, through tariff or otherwise, give any Affiliate or an Affiliate's customer or any non-regulated operation a preference or an advantage with respect to the transportation of gas including, but not limited to, the movement or delivery of gas on its distribution system, the administration of customer contracts, scheduling, nomination, balancing, metering, storage, backup service, curtailment priority, or billing/invoice disputes.
7. The Utility shall apply tariffs and their provisions and all other aspects of utility service on a consistent and non-discriminatory basis to all Similarly-Situated marketers, customers, and other entities regardless of affiliation.
8. Any discount or rebate for utility service offered by the Utility to an Affiliate or an Affiliate's customer shall be offered on a non-discriminatory basis to all Similarly-Situated marketers, customers or other entities, regardless of affiliation. If the Utility waives a penalty or fee related to utility service for an Affiliate or an Affiliate's customer, it shall waive such penalty or fee for Similarly-Situated Persons on a non-discriminatory basis.
9. The Utility shall not give preference to or discriminate in favor of its Affiliates or its Affiliate's customers in its provision of information. This includes, without limitation, information related to the sale or marketing of energy or energy services to existing or potential new customers and information related to the availability of transmission, distribution or storage capacity. Specific customer information shall be made available to affiliated or unaffiliated entities only upon consent of the customer or as otherwise provided by law or Commission rules or orders, except that customer name and address information may be provided to energy marketers or energy service providers.
10. The Utility's Affiliates and its non-regulated operations may share information technology and communications services with each other and the Utility. However, such sharing of information technology and

communications services shall not be done in a manner that violates Specific Guideline 9 above regarding the non-discriminatory provision of information. The Utility shall take whatever steps are necessary to fulfill this requirement such as, for example, the implementation of electronic "firewalls" or other measures to control access to Utility information.

11. The Utility shall not speak on behalf of its Affiliates or give the appearance that it speaks on behalf of its Affiliates. The Utility's Affiliates shall not speak on behalf of the Utility or give the appearance that they speak on behalf of the Utility.
12. Customer call handling shall be performed on a non-discriminatory basis without respect to affiliations of the customer or affiliations of the customer's marketer or energy service provider. If a customer requests information about alternative sources of supply, the customer service representatives shall offer to provide a list of all alternative suppliers known to be serving customers in the same rate class as the customer making the inquiry, except those suppliers excluded by mutual agreement of the Utility and the OUCC. Such a list may include Utility Affiliates, but the Utility customer service representatives shall not promote or endorse services offered by an Affiliate. The IURC and OUCC will be able to monitor compliance with the Guidelines through the provisions of access to customer calls.
13. The Utility's Affiliates shall not trade upon, promote, or suggest that they receive preferential treatment as a result of affiliation with the Utility.
14. The Utility and its Affiliates shall not participate in joint advertising. An Affiliate may, however, reference the fact of its affiliation with the Utility. Any such public references by the Affiliate shall not: (a) make the Affiliate appear to be the same as the Utility, or (b) suggest that the Affiliate or the Affiliate's customers will have any advantage as a result of the affiliation.
15. If the Utility combines charges for regulated energy services with charges for non-regulated energy services into a single bill, such a combined bill format will be made available on a non-discriminatory basis to non-affiliated entities that provide energy services in the Utility's service territory.
16. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana law.

17. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as reasonably necessary to ensure compliance with these Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, the OUCC shall bear the burden of demonstrating why it needs certain books and records and the Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the Parties agree that time is of the essence, and the intent of the Parties is that the Commission's review of such disputes will be facilitated by the Parties so that the review can be as expeditious as possible.
18. All complaints relating to these Affiliate Guidelines and the Cost Allocation Guidelines, whether written or verbal, shall be submitted to the Utility, attention: Director Budget and Rates or designated Utility counsel, who shall acknowledge to complainant by first class mail receipt of such complaint within five (5) working days of receipt. The Utility shall conduct a preliminary investigation of the complaint and prepare a written statement which shall contain the name of the complainant and a detailed factual report of the incident or incidents underlying the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. A copy of the written statement shall be provided to the complainant. The Utility shall communicate the results of the preliminary investigation to the complainant in writing within twenty (20) days after the complaint was received, including a description of any course of action to be taken. In the event the Utility and the complainant are unable to resolve the complaint, the complainant may file a complaint with the Commission. Any complaint that is filed with the Commission before it has been submitted to the Utility under this section shall be held in abeyance while the procedures outlined here are followed. The Utility shall keep a log of all complaints for a period of not less than three (3) years and shall keep such log available for inspection by the IURC, OUCC and complainant.
19. All transactions between the Utility and its Affiliates shall be in accordance with a written contract filed with the IURC. The Utility shall maintain sufficient records of all such transactions for at least three (3) years so as to allow for a complete and thorough audit.
20. The Utility maintains that Ind. Code § 8-1-2-49 does not apply to it

because it is a municipally owned utility; however, without waiving its jurisdictional position, the Utility will file affiliate contracts of the types covered by Ind. Code §8-1-2-49 with the Commission. The Utility also agrees to meet with the OUCC to review proposed new Affiliate contracts. Upon filing of Affiliate contracts with the IURC, copies of such contracts will be delivered to the OUCC. Affiliate contracts shall be governed by Indiana law and these Affiliate Guidelines and the Cost Allocation Guidelines. To the extent the Affiliate Guidelines contain provisions or commitments that go beyond what would otherwise be required of the Utility under Indiana law, the Guidelines shall control. The OUCC may challenge such contracts, but if the OUCC makes such a challenge it shall have the burden of establishing that the contract or any provision thereof is not in the public interest.

#### **PROCEDURES FOR FILING AFFILIATE CONTRACTS**

All Affiliate contracts shall be filed with the IURC and be in conformance with the Affiliate Guidelines, the Cost Allocation Guidelines and Indiana law. Such contracts shall be available for public inspection, except to the extent that information is protected from public disclosure under Indiana law. Except to the extent set forth herein, these Affiliate Guidelines in no way affect, or expand, the IURC's duties and/or authority under Indiana law to *inter alia* investigate such contracts, hold public hearings related to such contracts and/or approve or disapprove such contracts.

#### **ANNUAL INFORMATIONAL FILING**

The Utility shall file annually with the Commission, and provide a copy to the OUCC, the following information concerning the Utility's Affiliates and its non-regulated operations.

1. The names and business addresses of the officers and directors of each Affiliate that has transacted any business with the Utility during the previous twelve (12) months. For each such Affiliate, the Utility shall also provide the following in its annual informational filing:
  - a. The Affiliate's name and a description of the Affiliate's primary line(s) of business and a description of the nature of the Affiliate's business with other non-affiliated entities.
  - b. A schedule detailing and summarizing the nature and dollar amounts of the transfers of assets, goods and services between the Utility and the Affiliate that took place during the applicable twelve-month period.
2. A listing of all contracts currently in effect between the Utility and Affiliate(s) indicating the subject matter of the contract, the date the

contract became effective and the contract's expiration date.

3. A corporate organization chart, which shows the Utility, its Affiliates, and their relationships to one another.
4. A description of the method(s) used to identify, value, and record transfers of assets, goods and services between the Utility and its Affiliates.
5. A description of sharing of personnel between the Utility and its Affiliates during the twelve-month period.
6. A log of complaints maintained by the Utility under Specific Guideline 18.
7. A listing and description of all non-regulated operations engaged in by the Utility, including the amount of revenues and expenses generated by each such non-regulated operation.

These annual informational filings shall commence ninety (90) days after entry of the Commission's Order approving these Affiliate Guidelines, and shall repeat thereafter on or before April 30 of each year, as part of the Utility's Annual Report filing with the Commission. These annual informational filings shall not serve, or be interpreted, as a pre-approval process.

## COST ALLOCATION GUIDELINES FOR CITIZENS GAS

### INTRODUCTION

The OUCC and Citizens Gas ("Utility") and others (collectively "Parties") have negotiated in connection with Cause No. 42233 and GCA50S1 the following Cost Allocation Guidelines to govern the allocation of costs between the Utility and its Affiliates. The OUCC retains all of its rights and authority to dispute the reasonableness of and/or recovery of all Utility costs, including those to which these Cost Allocation Guidelines may be applicable. Mere allocation of costs under these guidelines does not predetermine the reasonableness of rate recovery of such costs. The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may, through negotiation and agreement, jointly petition the IURC for modifications to these Cost Allocation Guidelines, in which case they shall have the burden of jointly proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Cost Allocation Guidelines and is unable to obtain agreement from the other party for such changes, then that party may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest; however, any such petition shall not be filed without the petitioner first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Cost Allocation Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filed without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Cost Allocation Guidelines on its own motion, after notice and hearing.

These Cost Allocation Guidelines should be read in conjunction with the "Affiliate Guidelines" developed by the OUCC and Utility and also approved by the Commission in Cause No. 42233 and GCA50S1. Subject only to the Settlement Agreement and ARP approved in GCA50 and Cause No. 42233, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates, with the limited exception that the Commission may approve an Affiliate contract that differs from these Affiliate Guidelines if the Utility files a petition requesting an exception from the Affiliate Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

### DEFINITIONS

See the definitions section of the Affiliate Guidelines for the definitions of certain

terms used in the Affiliate Guidelines and the Cost Allocation Guidelines.

## **GUIDELINES**

1. No Cross-Subsidies. The Utility shall not subsidize its Affiliates or its non-regulated operations.
2. The Utility shall maintain and utilize an accounting system and records that identify and appropriately allocate costs between the Utility and its Affiliates.
3. The Utility's costs for rate purposes shall reflect only those reasonable costs attributable to providing adequate and reliable service to its customers.
4. The Utility and all Affiliates that share corporate support and administrative services shall maintain documentation, such as organizational charts, accounting bulletins, procedure and work order manuals or other related documents, which describe how costs are allocated between regulated and non-regulated services or products.
5. Affiliates shall be charged an appropriate and reasonable allocation of all Shared Corporate Support Services costs incurred on their behalf. These costs include, but are not limited to, those associated with shared facilities and other corporate overheads.
6. To the maximum extent practicable, Shared Corporate Support Services costs should be accumulated and classified on a direct cost basis for each asset, service or product provided.
7. The Shared Corporate Support Services that cannot be directly assigned per item (6) above, should to the maximum extent possible be allocated to the Utility and its Affiliates and to the services or products to which they relate using relevant allocators which best reflect or consider the cost causative characteristics of the product/service being provided.
8. Where allocation/assignment pursuant to (6) and (7) is not practical, general allocation factors shall be utilized to allocate all remaining costs between the Utility and its Affiliates and between services and product lines ultimately provided by the Utility and its Affiliates.
9. The allocation of Capital Costs between the Utility and its Affiliates (incurred in the provision of Shared Corporate Support Services) shall be based on the following:

- a. The cost of capital used for such allocations shall equal the Utility's current, weighted average cost of capital.
  - b. Depreciation shall be charged on a straight-line basis. Depreciation rates used for such allocations shall be consistent with the expected useful life of the asset(s) and in accordance with generally accepted accounting principles and regulatory accounting requirements, as applicable.
10. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana Law.
11. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as reasonably necessary to ensure compliance with the Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, the OUCC shall bear the burden of demonstrating why it needs certain books and records and the Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission's review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.
12. The cost assignment/allocation methodologies discussed herein are applicable to Shared Corporate Support Services. The Utility's procurement of all other goods, services, assets or other resources shall be on competitive terms, consistent with the public interest and in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.

#### **AUDIT REQUIREMENTS**

By December 31 of each year, the OUCC may select an independent auditor to perform a review and audit to ensure that the Utility has complied with these Cost Allocation Guidelines during its most recent fiscal year. In selecting the independent auditor, the OUCC will follow its normal state procurement practices. OUCC staff members may assist the auditor. Any alleged violations of the Cost Allocation Guidelines shall be noted and explained in the auditor's report, a copy of which shall be provided to the

Utility and the OUCC. The Utility shall have thirty (30) days following receipt of the auditor's report within which to respond to any alleged violations. The Utility agrees to make a contribution toward the auditor's costs/fees which shall not exceed \$25,000 in any twelve-month period.

**AFFILIATE AND COST ALLOCATION GUIDELINES FOR INDIANA GAS COMPANY, INC. AND SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**

**INTRODUCTION**

The OUCC and Indiana Gas Company, Inc. and/or Southern Indiana Gas and Electric Company (“Utility”) (collectively “Parties”) have negotiated in connection with Cause No. 41465 the following Affiliate Guidelines to govern the relationships between the Utility and its Affiliates. By agreement, the Guidelines have been modified in connection with Cause No. 37394GCA50SI (“GCA50”). The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may, through negotiation and agreement, jointly petition the IURC for modifications to these Affiliate Guidelines, in which case they would have the burden of proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Affiliate Guidelines and is unable to obtain agreement from the other party for such changes, then the party desiring changes may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest. However, such petitions shall not be filed without first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filed without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Affiliate Guidelines on its own motion, after notice and hearing.

These Affiliate Guidelines should be read in conjunction with the “Cost Allocation Guidelines” developed by the OUCC and Utility and also approved by the Commission in Cause No. 41465. Subject through March 31, 2007 to the Settlement Agreement and ARP approved in GCA50 and Cause No. 42233, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates, with the limited exception that the Commission may approve an Affiliate contract that differs from these Guidelines if the Utility files a petition requesting an exception from the Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

One purpose of these Affiliate Guidelines is to establish standards for procurement on competitive terms to govern the Utility’s procurement of goods, services, assets and other utility resources. Such procurement “on competitive terms” (as defined herein) shall be done with the objective of obtaining the best terms available for the Utility and its customers. The only exception to these procurement standards is the provision of “shared corporate support and administrative services” such as corporate treasury services and human resources. These services may be shared with other companies/affiliates within the Vectren organization. The

pricing of those services to the Utility shall be based on cost and be in accordance with the Cost Allocation Guidelines. See the definitions section below for a complete definition of “shared corporate support and administrative services.”

#### **DEFINITIONS**

The definitions below apply to terms used in the Affiliate Guidelines and the Cost Allocation Guidelines.

**“Affiliate”** “Affiliate” means a person that is an affiliated interest for purposes of I.C. 8-1-2-49 or that is otherwise found to be an “Affiliate” by the Commission or otherwise is an “Affiliate” under Indiana Law.

**“Person”** “Person” includes the following: (a) individual, (b) corporation, regardless of type or state or country of incorporation, (c) unincorporated association, (d) company, whether limited liability or otherwise, and (e) business trust, estate, partnership, trust, two (2) or more persons having a joint or common economic interest, and any other entity.

**“Commission”** “Commission” means the Indiana Utility Regulatory Commission.

**“IURC”** “IURC” means the Indiana Utility Regulatory Commission.

**“OUCC”** “OUCC” means the Indiana Office of Utility Consumer Counselor.

**“Holding Company”** “Holding Company” means the parent company, Vectren Corporation, or its successor in interest of Indiana Gas Company and/or Southern Indiana Gas and Electric Company.

**“Competitive Terms”** “Competitive Terms” means the best terms reasonably available in the competitive marketplace at that time (including the terms available from the Utility itself under efficient operation) giving due consideration to both price and non-price terms such as quality and reliability. If the Utility itself can provide the services at the lowest cost with comparable quality and reliability, then that cost shall be considered the “competitive terms.”

**“Shared Corporate Support and Administrative Services”** - means the following types of functions/services that the Utility may share with other companies/affiliates within the Vectren organization: (1) accounting and corporate treasury services; (2) human resources; (3) information technology and communications services; (4) corporate directors and officers services; (5) legal services; (6) insurance and claims; (7) billing; (8) customer call center services; (9) facility and fleet management; and (10) environmental services. (See Specific Affiliate Guidelines 10, 12, and 15 related to “Shared Corporate Support and Administrative Services.”)

**“Capital Costs”** “Capital Costs” means the costs associated with obtaining the financial capital

required to provide physical assets such as office buildings, computers or office equipment.

**“Non-Regulated”** “Non-Regulated” means not regulated by the Indiana Utility Regulatory Commission (IURC). “Non-Regulated” also applies to products or services over which the IURC has declined its jurisdiction.

**“Similarly Situated”** “Similarly Situated” means having general characteristics in common such as belonging to the same rate class or operating in the same or similar industries. A utility affiliated gas or power marketer would, for example, be considered similarly situated to other non-affiliated gas or power marketers.

#### **GENERAL AFFILIATE GUIDELINES**

- A. No Cross-Subsidies.** The Utility shall not subsidize Affiliates or non-regulated activities.
- B. Separation of Regulated and Non-Regulated Operations.** The separation of the Utility’s regulated operations from the Holding Company’s non-regulated business operations and Affiliates is necessary to prevent potential cross-subsidies. To the maximum extent practicable, the Utility shall separate its regulated operations from its own, its Affiliates and its Holding Company’s non-regulated operations. Instances where such separation does not exist must otherwise be in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.
- C. No Discrimination.** The Utility shall not discriminate in favor of or otherwise give preferential treatment to its Affiliates, its Affiliates’ customers or the Utility’s own non-regulated activities
- D. Comparability of Service.** The Utility shall provide comparable service to all similarly situated marketers, customers or other entities, regardless of affiliation.
- E. Procurement on Competitive Terms.** With the exception of “shared corporate support and administrative services” (defined above) the procurement of goods, services, assets and other resources by the Utility shall be on competitive terms, consistent with the public interest and in compliance with these *Affiliate Guidelines and the Cost Allocation Guidelines*. The Utility may procure services from an Affiliate but such procurement must be done on competitive terms (defined above). The Utility’s procurement process shall also comply with General Guideline C above (i.e., No Discrimination). The pricing of “shared corporate support and administrative services” to the Utility shall be based on cost and be in accordance with the Cost Allocation Guidelines.

## **SPECIFIC AFFILIATE GUIDELINES**

1. Affiliates shall be charged for all costs incurred on their behalf. These costs shall be appropriately and reasonably allocated and shall include, but not be limited to, those associated with shared facilities, general and administrative support services and other corporate overheads.
2. The Utility shall process all similar requests for service in the same manner and within the same reasonable time period for all similarly situated customers, marketers and other entities, regardless of affiliation.
3. The Utility shall not give preference to or discriminate in favor of its Affiliates, its Affiliates' customers or its own non-regulated activities in matters including, but not limited to, the allocation, assignment, release, or transfer of rights to intrastate or interstate capacity, use of Utility distribution facilities, storage on system, rights to storage off system, or in the sale of gas.
4. The Utility shall not condition or tie any agreement to provide Utility service to any agreement relating to a service to be provided by an Affiliate.
5. To the maximum extent practicable, Utility employees shall function separately and independently from employees of Affiliates and those engaged in non-regulated activities including, but not limited to, gas marketers, power marketers and other service providers.
6. The Utility may not, through tariff or otherwise, give any Affiliate or an Affiliate's customer or any non-regulated activity a preference or an advantage with respect to the transportation of gas including, but not limited to, the movement or delivery of gas on its distribution system, the administration of customer contracts, scheduling, nomination, balancing, metering, storage, standby service, curtailment policy, or billing/invoice disputes.
7. The Utility shall apply tariffs and their provisions and all other aspects of Utility service on a consistent and non-discriminatory basis to all similarly situated marketers, customers, and other entities regardless of affiliation.
8. Any discount or rebate for utility service offered by the Utility to an Affiliate or an Affiliate's customer shall be offered on a non-discriminatory basis to all similarly situated marketers, customers or other entities, regardless of affiliations. If the Utility waives a penalty or fee related to Utility service for an Affiliate or an Affiliate's customer, it shall waive such penalty or fee for similarly situated others on a non-discriminatory basis.

9. The Utility shall not give preference to or discriminate in favor of its Affiliates or its Affiliate's customers in its provision of information. This includes, without limitation, information related to the sale or marketing of energy or energy services to existing or potential new customers and information related to the availability of transmission, distribution or storage capacity. Specific customer information shall be made available to affiliated or unaffiliated entities only upon consent of the customer or as otherwise provided by law or commission rules or orders, except that customer name and address information may be provided to energy marketers or energy service providers.
10. The Utility may share information technology and communications services with other companies/affiliates within the Vectren organization. However, such sharing of information technology and communications services shall not be done in a manner that violates Specific Guideline 9 above regarding the non-discriminatory provision of information. The utility shall take whatever steps are necessary to fulfill this requirement such as, for example, the implementation of electronic "firewalls" or other measures to control access to Utility information.
11. The Utility shall not speak on behalf of its Affiliates or give the appearance that it speaks on behalf of its Affiliates. The Utility's Affiliates shall not speak on behalf of the Utility or give the appearance that they speak on behalf of the Utility.
12. Customer call handling shall be performed on a non-discriminatory basis without respect to affiliations of the customer or affiliations of the customer's marketer or energy service provider. If a customer requests information about alternative sources of supply, the customer service representatives shall offer to provide a list of all alternative suppliers known to be serving customers in the same rate class as the customer making the inquiry, except those suppliers excluded by mutual agreement of the Utility and the OUCC. Such a list may include utility affiliates, but the utility customer service representatives shall not promote or endorse services offered by an affiliate. To ensure compliance with Specific Guidelines 9, 10, 11 and 12, the guidelines for handling of customer calls and information have been set out in writing and attached as Appendix A-1.
13. The Utility's Affiliates shall not trade upon, promote, or suggest that they receive preferential treatment as a result of affiliation with the Utility.
14. The Utility and its Affiliates shall not participate in joint advertising. An Affiliate may, however, reference the fact of its affiliation with the holding company. Such public references shall not: (a) make the Affiliate appear to be part of the Utility, or (b) suggest that the Affiliate or the Affiliate's customers will have any advantage as a result of the affiliation.

15. If the charges for Utility services are combined with charges for non-regulated energy services into a single bill, such a combined bill format will be made available on a non-discriminatory basis to non-affiliated entities that provide energy services in the Utility's service territory.
16. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana law.
17. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as reasonably necessary to ensure compliance with these Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise between the OUCC and Utility regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission's review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.
18. All complaints relating to these Affiliate Guidelines and the Cost Allocation Guidelines, whether written or verbal, shall be submitted to the general counsel of the Utility or the Utility's highest ranking legal employee ("general counsel"). The general counsel shall acknowledge to complainant such complaint within five (5) working days of receipt. The general counsel shall conduct a preliminary investigation and prepare a written statement of the complaint which shall contain the name of the complainant and a detailed factual report of the incident or incidents underlying the complaint, including all relevant dates, companies involved, employees involved, and the specific claim. The general counsel shall provide a copy of the written statement to the complainant. The general counsel shall communicate the results of the preliminary investigation to the complainant in writing within twenty (20) days after the complaint was received including a description of any course of action to be taken. In the event the Utility and the complainant are unable to resolve the complaint, the complainant may file a complaint with the Commission. Any complaint filed with the Commission before same was filed with the Utility under this section shall be held in abeyance while the procedures outlined here are followed. The general counsel shall keep a log of all complaints for a period of not less than three (3) years and shall keep such log available for inspection by the IURC, OUCC and complainant.
19. All transactions between the Utility and its Affiliates shall be in accordance with a

written contract filed with the IURC pursuant to I.C. 8-1-2-49. The Utility shall maintain sufficient records of all such transactions for at least three (3) years so as to allow for a complete and thorough audit.

20. The Utility shall meet with the OUCC to review all proposed Affiliate contracts. Upon filing of Affiliate contracts with the IURC, copies of such contracts will be delivered to the OUCC. Affiliate contracts shall be governed by Indiana law and these Affiliate Guidelines and the Cost Allocation Guidelines. To the extent the Guidelines contain provisions or commitments that go beyond what would otherwise be required under Indiana law, the Guidelines shall control. The OUCC reserves its rights to challenge such contracts at any time.

### **PROCEDURES FOR FILING AFFILIATE CONTRACTS**

All Affiliate contracts shall be filed with the IURC and be in conformance with these Guidelines, the Cost Allocation Guidelines and Indiana law. Such contracts shall be available for public inspection, except to the extent that information is protected from public disclosure under Indiana law. These Affiliate Guidelines in no way affect the IURC's duties and/or authority under Indiana law to *inter alia* investigate such contracts, hold public hearings related to such contracts and/or disapprove such contracts. These Affiliate Guidelines also in no way affect the OUCC's rights to *inter alia* initiate investigations of such contracts.

### **ANNUAL INFORMATIONAL FILING**

The Utility shall file annually with the Commission and provide copies to the OUCC the following information concerning the Utility's Affiliates and its non-regulated activities.

1. The names and business addresses of the officers and directors of each Affiliate that has transacted any business with the Utility during the previous twelve (12) months. For each such Affiliate, the Utility shall also provide the following in its annual informational filing:
  - a. The Affiliate's name and a description of the Affiliate's primary line(s) of business and a description of the nature of the Affiliate's business with other non-affiliated entities.
  - b. A schedule detailing and summarizing the nature and dollar amounts of the transfers of assets, goods and services between the Utility and the Affiliate that took place during the applicable twelve-month period.
2. A listing of all contracts currently in effect between the Utility and Affiliate(s) indicating the nature of the transactions, the date the contract became effective and the contract's expiration date.

3. A corporate organization chart, which shows the parent holding company, the Utility, its Affiliates, and their relationships to one another.
4. A description of the method(s) used to identify, value, and record transfers of assets, goods and services between the Utility and its Affiliates.
5. A description of the method(s) used to allocate federal and state income tax expense, payments and refunds to the Utility and its Affiliates.
6. A description of sharing of personnel between the Utility and its Affiliates during the twelve-month period.
7. A log of complaints maintained by the Utility under section 18 of Specific Affiliate Guidelines.
8. A listing and description of all non-regulated activities engaged in by the Utility, including the amount of revenues and expenses generated by each such non-regulated activity.

These annual informational filings shall commence on the date thirty (30) days after the effective date of the Commission's approval of these Affiliate Guidelines, and shall repeat thereafter at the end of the Utility's fiscal year. These annual informational filings shall not serve or be interpreted as a pre-approval process.

**COST ALLOCATION GUIDELINES FOR INDIANA GAS  
AND SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**

**INTRODUCTION**

The OUCC and Indiana Gas Company, Inc. and Southern Indiana Gas and Electric Company (“Utility”) (collectively “Parties”) have negotiated in connection with Cause No. 41465 the following Cost Allocation Guidelines to govern the allocation of costs between the Utility and its Affiliates. By agreement, the Guidelines have been modified in connection with Cause No. 37394 GCA 50S1 (“GCA50”). The OUCC retains all of its rights and authority to dispute the reasonableness of and/or recovery of all Utility costs, including those to which these Cost Allocation Guidelines may be applicable. Mere allocation of costs under these guidelines does not predetermine the reasonableness of rate recovery of such costs. The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may, through negotiation and agreement, jointly petition the IURC for modifications to these Cost Allocation Guidelines, in which case they would have the burden of proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Cost Allocation Guidelines and is unable to obtain agreement from the other party for such changes, then the party desiring changes may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest. However, such petitions shall not be filed without first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Cost Allocation Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filed without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Cost Allocation Guidelines on its own motion, after notice and hearing.

These Cost Allocation Guidelines should be read in conjunction with the “Affiliate Guidelines” developed by the OUCC and Utility and also approved by the Commission in Cause No. 41465. Subject through March 31, 2007 to the Settlement Agreement and ARP approved in GCA50 and Cause No. 42233, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates, with the limited exception that the Commission may approve an Affiliate contract that differs from these Guidelines if the Utility files a petition requesting an exception from the Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

The following Cost Allocation Guidelines govern the allocation of costs associated with “shared corporate support and administrative services” which have been defined in the definition section of the Affiliate Guidelines and which may be shared with other companies/affiliates within the

Vectren organization. By their nature, these costs are associated with functions and operations that are shared and not separate. The allocation methods should apply to those Utility Affiliates who share corporate support and administrative functions in order to prevent subsidization from the regulated Utility and ensure equitable cost sharing among the regulated Utility and its Affiliates. The pricing of “shared corporate support and administrative services” to the Utility shall be based on cost and be in accordance with these Cost Allocation Guidelines.

## **DEFINITIONS**

See the definitions section of the Affiliate Guidelines for the definitions of terms used in the Affiliate Guidelines and the Cost Allocation Guidelines.

## **GUIDELINES**

1. No Cross-Subsidies. The Utility shall not subsidize Affiliates or non-regulated activities.
2. The Utility shall maintain and utilize an accounting system and records that identify and appropriately allocate costs between the Utility and its Affiliates.
3. The Utility’s costs for jurisdictional rate purposes shall reflect only those costs attributable to its jurisdictional customers.
4. The Utility and all Affiliates that share corporate support and administrative services shall maintain documentation including organizational charts, accounting bulletins, procedure and work order manuals or other related documents, which describe how costs are allocated between regulated and non-regulated services or products.
5. Affiliates shall be charged an appropriate and reasonable allocation of all shared corporate support and administrative costs incurred on their behalf. These costs include, but are not limited to, those associated with shared facilities and other corporate overheads.
6. To the maximum extent practicable, shared corporate support and administrative costs should be accumulated and classified on a direct cost basis for each asset, service or product provided.
7. The shared corporate support and administrative costs that cannot be directly assigned per item (6) above, should to the maximum extent possible be allocated to the Utility and its Affiliates and to the services or products to which they relate using relevant allocators which best reflect or consider the cost causative characteristics of the product/service being provided.

8. Where allocation/assignment pursuant to (6) and (7) is not practical, general allocation factors shall be utilized to allocate all remaining costs between the Utility and its Affiliates and between service and product lines ultimately provided by the Utility and its Affiliates.
9. The allocation of capital costs between the Utility and its Affiliates (incurred in the provision of “shared corporate support and administrative” services) shall be based on the following:
  - a. The cost of capital used for such allocations shall equal the Utility’s weighted average cost of capital as last found by the Commission.
  - b. Depreciation shall be charged on a straight-line basis. Depreciation rates used for such allocations shall be consistent with the expected useful life of the asset(s) and in accordance with generally accepted accounting principles and regulatory accounting requirements, as applicable.
10. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana Law.
11. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as reasonably necessary to ensure compliance with the Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, Utility shall bear the burden of demonstrating the unreasonableness of the OUCC’s request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission’s review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.
12. The cost assignment/allocation methodologies discussed herein are applicable to shared corporate support and administrative services. The Utility’s procurement of all other goods, services, assets or other resources shall be on competitive terms, consistent with the public interest and in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.

## **AUDIT REQUIREMENTS**

Each year an independent auditor appointed by the OUCC shall do an audit. OUCC staff members may assist the auditor. The purpose of the audit shall be to ensure that the Utility complies with these Cost Allocation Guidelines. Any violations of the Cost Allocation Guidelines shall be noted and explained in the auditor's report, a copy of which shall be provided to the Utility, the Commission and the OUCC. Vectren shall annually contribute up to \$50,000 toward the auditor's costs/fees.

Consistent with and in furtherance of the spirit and intent of Article V of the Settlement Agreement and in particular, Section 5.3, the Parties and Signatory to the Settlement Agreement agree and acknowledge that alternative dispute resolution (“ADR”) methods may provide useful tools to facilitate the interpretation and implementation of the Affiliate Guidelines which are Exhibits G and H of the Settlement. To that end, the Parties and Signatory agree that they may, by mutual agreement, proceed to utilize any of the ADR methods provided for in the Rules of Alternative Dispute Resolution as adopted by the Indiana Supreme Court, in the event of any dispute.

The Parties and Signatory further agree that negotiation may be the preferred ADR method although all are available for use. In no event, however, is any Party or Signatory compelled to utilize ADR in lieu of any other available remedy and the availability of ADR or this Appendix may not be raised as a defense in the nature of “failure to exhaust administrative remedies” in the event ADR is not utilized.