ORIGINAL

BD
[handwritten initials]
JLG

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH") FOR APPROVAL OF A MISO COST AND REVENUE ADJUSTMENT FOR ELECTRIC SERVICE IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 43111 EFFECTIVE AUGUST 15, 2007 PURSUANT TO I.C. § 8-1-2-42(a)	)	CAUSE NO. 43354 MCRA 3 APPROVED: JAN 07 2009

BY THE COMMISSION:
David E. Ziegner, Commissioner
Loraine L. Seyfried, Administrative Law Judge

On October 1, 2008, in accordance with Ind. Code § 8-1-2-42(a), Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "Applicant") filed with the Indiana Utility Regulatory Commission ("Commission") its Application and case-in-chief in this Cause for approval of a Midwest ISO Cost and Revenue Adjustment ("MCRA") as authorized in the Commission's August 15, 2007 Order in Cause No. 43111. Submitted with the Application was the prefiled testimony and exhibits of Scott E. Albertson, the Director of Regulatory Affairs for Vectren South's parent company; Patricia Banet, the Manager of Large Customer Billing for Vectren South's parent company; Michael W. Chambliss, Vectren South's Director of Network Operations and Dispatch. On November 5, 2008, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the prefiled testimony and exhibits of Stacie R. Gruca, a Utility Analyst.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this Cause on November 17, 2008 at 2:00 p.m., in Room 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant's and the Public's testimony and exhibits were admitted into the record. No member of the public participated in the hearing.

1. **Notice and Jurisdiction.** Due, legal and timely notice of the commencement of the public hearing in this Cause was given and published by the Commission as required by law. Applicant operates a public electric utility and, as such, is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act. The provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, has jurisdiction over the parties and the subject matter herein.

2. **Applicant's Characteristics.** Applicant is engaged in rendering electric utility service to the public and owns and operates an electric generating plant and distribution system for the production, transmission, delivery and furnishing of this service.

3. Calculation of the MCRA Factors. As approved in the Final Order in Cause No. 43111, the MCRA allows for the recovery of the Midwest ISO ("MISO") charges not recovered in quarterly FAC filings. The MCRA is calculated on a semi-annual basis for each of Applicant's rate schedules based on the calculation of non-fuel cost ("NFC") and MISO revenue amounts ("MRA"). For purposes of this calculation, the NFC consists of MISO Schedule 10, Schedule 16, Schedule 17, Schedule 24, Schedule 26 and Schedule 2 charges and costs not otherwise recovered by MISO that are socialized for recovery from all market participants. Likewise, the MRA is based on transmission revenues corresponding to revenue credits reflected in Applicant's Attachment O, less the base rate level of such transmission revenue credits. It is also based on the transmission revenues received from the application of MISO's transmission rates to wholesale loads that sink within Applicant's control area less the base rate level of such transmission revenues. The calculation is described in more detail in Applicant's Tariff for Electric Service (Sheet No. 73, Page 1).

Based on the evidence presented, to determine MCRA factors for this period, the calculation of the estimated MISO Charges in the amount of $3,609,544 (Exhibit SEA-3, Schedule 3, Line 12), is reduced by the base rate amount included for those MISO costs in Cause No. 43111. This results in NFCs of $1,655,115 (*Id.* at Line 14). The balance is then reduced by the MRA of $519,039 (*Id.* at Line 21) and increased by the Amortization of Deferred MISO Costs in the amount of $554,243 (*Id.* at Line 22). The resulting revenue amount of $1,690,319 (*Id.* at Line 23), plus the prior period variance in the amount of $(1,928,563) (Exhibit SEA-3, Schedule 4, Page 1 of 2, Line 11) is then multiplied by the rate schedule allocation percentages approved in Cause No. 43111. This result is then divided by the estimated kilowatt hour sales by rate class for the six month MCRA period (Exhibit SEA-3, Schedule 1, Line 7).

Based on these calculations the resulting MCRA Factors, modified to include Indiana Utility Receipts Tax, are shown on Applicant's Exhibit No. SEA-2 as follows:

Rate A	$(0.000174)
Rate EH	$(0.000069)
Rate B	$(0.000042)
Rate SGS	$(0.000070)
Rate DGS	$(0.000125)
Rate OSS	$(0.000089)
Rate LP	$(0.000059)
Rate HLF	$(0.000057)
Billing Demand First 4500 kVa	$(153.90) per month
Billing Demand Over 4500 kVa	$(0.034) per kVa

Based on the foregoing, the average residential customer using 1,000 kwh per month will experience a decrease of $2.69 or 2.21% between December 1, 2008 and May 31, 2009 (Exhibit SEA-3, Schedule 5).

4. Overview of Evidence. The evidence presented by both parties supports approval of the proposed MCRA factors. OUCC Witness Stacie Gruca testified that following informal discovery, Applicant provided work papers for the OUCC's review. The OUCC created its report after reviewing Applicant's exhibits and work papers.

OUCC Witness Stacie Gruca testified that the MISO budget rates per MWh used for projections included estimated costs for the Ancillary Services Market ("ASM") for December 2008. Ms. Gruca testified that although the start of the ASM market was delayed until January 2009, MISO did not provide Applicant with updated budget amounts for December 2008 to be used in the projections. Ms. Gruca estimated that the impact of including ASM costs in December 2008 would be minimal when compared to the six-month estimation period, and noted that the December 2008 costs will be trued up in Applicant's subsequent reconciliation period.

5. **Commission Findings.** The evidence of record supports approval of Applicant's proposed MCRA factors as set forth in Section 3 above. Accordingly, the requested MCRA factors described herein should be approved.

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

1. The Application of Vectren Energy Delivery of Indiana, Inc. for the approval of its MISO Cost Revenue Adjustment factor for each of its rate classes as set out in finding No. 3 above shall be and hereby is approved.

2. Applicant shall file with the Electricity Division of the Commission, prior to placing into effect the MCRA factors approved in this matter, a revised rate schedule under Tariff Sheet No.73 consistent with the findings set forth herein.

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

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

APPROVED: JAN 0 7 2009

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

Brenda A. Howe

Brenda A. Howe
Secretary of the Commission