

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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APPLICATION OF SOUTHERN INDIANA)
 GAS AND ELECTRIC COMPANY D/B/A)
 VECTREN ENERGY DELIVERY OF)
 INDIANA, INC. ("VECTREN SOUTH") FOR) CAUSE NO. 43354 MCRA 10
 APPROVAL OF A MISO COST AND)
 REVENUE ADJUSTMENT FOR ELECTRIC)
 SERVICE IN ACCORDANCE WITH THE) APPROVED: MAY 17 2012
 ORDER OF THE COMMISSION IN CAUSE)
 NO. 43111 EFFECTIVE AUGUST 15, 2007)
 PURSUANT TO I.C. § 8-1-2-42(a))

ORDER OF THE COMMISSION

Presiding Officers

James D. Atterholt, Chairman

Angela Rapp Weber, Administrative Law Judge

On March 29, 2012, in accordance with Indiana 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 Independent System Operator ("MISO") Cost and Revenue Adjustment ("MCRA") as authorized in the Commission's Orders in Cause Nos. 43111 and 43839. 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 A. Banet, the Manager of Large Customer Billing for Vectren South's parent company; and Michael W. Chambliss, Vectren South's Director of Network Operations and Dispatch. On May 4, 2012, the Office of Utility Consumer Counselor ("OUCC") filed the prefiled testimony of Stacie R. Gruca, a Senior Utility Analyst and attached exhibits. On May 8, 2012, Vectren South filed rebuttal testimony of Mr. Albertson.

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 May 9, 2012 at 1:30 pm in Room 224, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant's and the OUCC's testimony and exhibits were admitted into the record without objection. No member of the public participated in the hearing.

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

1. **Notice and Jurisdiction.** Due legal and timely notice 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 Applicant and the subject

matter of this Cause.

2. Applicant's Characteristics. Vectren South is a public electric generating utility organized under the laws of the State of Indiana. Its principal office is located at One Vectren Square, Evansville, Indiana. Vectren South 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 Order in Cause No. 43111 and modified in the Order in Cause No. 43839, the MCRA allows for the recovery of 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. For purposes of this calculation, the NFC consists of MISO Schedule 10, Schedule 16, Schedule 17, Schedule 24, Schedule 26, Schedule 1, Schedule 2, and Schedule 9 charges and costs not otherwise recovered by MISO that are recovered from all market participants. Vectren South included, for the first time in the MCRA, projected MISO Multi-Value Projects ("MVP") costs associated with MISO Schedule 26-A.

As modified in the Order in Cause No. 43839, transmission revenues of \$5,371,424 are included as a credit in Vectren South's base rates. The Order also provides that Vectren South may retain increases in the transmission revenues from MISO Schedules 7, 8, and 9 ("MISO Attachment O Revenues") in excess of the base rate level of \$3,333,682. The base rate level of transmission revenues subject to tracking is the total transmission revenues (\$5,371,424) less the MISO Attachment O Revenues (\$3,333,682). Customers will receive all actual transmission revenues from Schedules 1, 2, and 24 and from ALCOA. If the actual level of the Schedule 1, 2, 24 and ALCOA revenues exceeds the level included in base rates (\$2,037,741 per year), customers will receive the amount in excess in a future MCRA. If such actual revenues are less than \$2,037,741, Vectren South will not recover the shortfall. For that reason, no projected revenues are included on Schedule 3 of the exhibits.

To determine MCRA factors for this period, the calculation of the estimated MISO charges in the amount of \$5,316,722 (Exhibit SEA-3, Schedule 3, Line 16) is reduced by the base rate amount included for those MISO costs in Cause No. 43839. This results in NFCs of \$3,439,717 (Line 20). The resulting amount of \$3,439,717, plus the adjusted ending MCRA Regulatory Asset balance as of December 31, 2011 in the amount of (\$349,496) (Exhibit SEA-3, Schedule 4, Page 1 of 3, Line 13) is then multiplied by the rate schedule allocation percentages approved in Cause No. 43839. This result is then divided by the estimated rate schedule sales quantities for the six month MCRA period (Exhibit SEA-3, Schedule 1, Line 6).

Based on these calculations the resulting MCRA Factors per kWh, modified to include Indiana Utility Receipts Tax, are shown on Applicant's Exhibit SEA-3, Schedule 1, Line 7 as follows:

Rate RS	\$0.001643
Rate B	\$0.000787
Rate SGS	\$0.001653
Rate DGS/MLA	\$0.001344
Rate OSS	\$0.001346
Rate LP	\$0.000670
Rate HLF	\$0.000672

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will experience an increase of \$0.40 in each month between June 1, 2012 and November 30, 2012 (Exhibit SEA-3, Schedule 5).

4. Overview of Evidence. Mr. Albertson sponsored the MCRA's and testified concerning the content and the calculation of the MCRA's noted above. Vectren South witness Mr. Chambliss described Applicant's projects approved by MISO for RECB treatment and how those costs are reflected in this MCRA. Vectren South witness Ms. Banet described the estimated and actual NFCs related to MISO Day 1, Day 2, and Ancillary Services Market. Ms. Banet also explained that the estimates for Schedule 26-A costs of MISO MVP are based on rates found in MTEP-11-Appendix A-3.1, 2, 3 (reference Applicant's Exhibit No. PAB-5). Cost recovery for MVP (Schedule 26-A) was effective January 2012; thus Vectren South included an estimate for the period of June 2012 to November 2012 in this filing. There were no actual MVP charges in the reconciliation period (July 2011 to December 2011).

OUC witness Ms. Gruca recommended acceptance of Applicant's recovery of Contestable RSG costs for the reconciliation period of July 2011 through December 2011, the recovery of the variance for the same period, and MCRA factors for the estimated period of June 2012 through November 2012. Ms. Gruca also recommended that a similar schedule continue to be provided annually in the MCRA illustrating (in two columns: one column for non-RECB transmission revenues subject to tracking (Schedules 1, 2, 24, and Alcoa) and one column for non-RECB transmission revenues from MISO Attachment O (Schedules 7, 8, and 9)) the following:

- 1) The actual non-RECB transmission revenues on a monthly basis for the twelve months ending April;
- 2) The sum of the actual non-RECB transmission revenues for the twelve months ending April;
- 3) Less the annual non-RECB transmission revenue credit in base rates;
- 4) The total annual transmission revenue credit through base rates and the MCRA for non-RECB transmission revenues subject to tracking and the total annual transmission revenues credit through base rates for non-RECB transmission revenues from MISO Attachment O; and
- 5) The non-RECB transmission revenue variance for both transmission revenues subject to tracking (total excess non-RECB transmission revenue credits passed back to customers or the total shortfall absorbed by Applicant) and transmission revenues

from MISO Attachment O (total excess non-RECB transmission revenue credits retained by Applicant or the total shortfall absorbed by Applicant).

Mr. Albertson on rebuttal agreed to provide the requested information in its next MCRA filing (MCRA11) and also annually when the month of April is included in the MCRA reconciliation.

5. **Commission Findings.** The evidence of record supports approval of Applicant's proposed MCRA factors as stated in Paragraph 3. Accordingly, the requested MCRA factors described in this Order are approved.

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

1. Vectren South's Application for the approval of its MISO Cost and Revenue Adjustment factor for each of its rate classes as set out in Paragraph 3 above is approved.

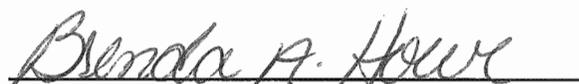
2. Applicant shall file with the Electricity Division of the Commission, prior to placing into effect the MCRA factors approved in this matter, a revised rate schedule under Tariff Sheet No.73 consistent with the findings set forth in this Order.

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

ATTERHOLT, BENNETT AND ZIEGNER CONCUR; LANDIS AND MAYS ABSENT:

APPROVED: MAY 17 2012

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



Brenda A. Howe
Secretary of the Commission