

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) CAUSE NO. 43354 MCRA 11
 FOR ELECTRIC SERVICE IN ACCORDANCE)
 WITH THE ORDER OF THE COMMISSION IN)
 CAUSE NO. 43111 EFFECTIVE AUGUST 15, 2007) APPROVED: NOV 28 2012
 AND CAUSE NO. 43839 DATED APRIL 27, 2011)
 PURSUANT TO I.C. § 8-1-2-42(a))

ORDER OF THE COMMISSION

Presiding Officers:

James D. Atterholt, Chairman

Loraine L. Seyfried, Chief Administrative Law Judge

On September 25, 2012, 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 “MISO Cost and Revenue Adjustment” (or “MCRA”) as authorized in the Commission’s Orders in Cause No. 43111 and Cause No. 43839. Submitted with the Application was the prefiled testimony and exhibits of Scott E. Albertson, the Vice President, Regulatory Affairs for Vectren South’s parent company, and Patricia A. Banet, the Manager of Large Customer Billing for Vectren South’s parent company. On October 30, 2012, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony of Stacie R. Gruca, a Utility Analyst, and attached exhibits.

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 19, 2012 at 10:30 a.m., in Room 224, PNC Center, 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.

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 owns and 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 herein.

2. **Applicant's Characteristics.** Vectren South is a public electric generating utility corporation organized and existing under the laws of the State of Indiana with its principle office located at One Vectren Square, Evansville, Indiana. 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 Order in Cause No. 43111 and modified in the Order in Cause No. 43839, the MCRA allows for the recovery of charges by the Midwest Independent Transmission System Operator, Inc. ("MISO") not recovered in quarterly fuel adjustment clause ("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, Schedule 1, Schedule 2 and Schedule 9 charges and costs not otherwise recovered by MISO that are socialized for recovery from all market participants. Vectren South also included 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 Applicant 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 excess amount 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 Applicant's exhibits.

To determine the MCRA factors for this period, the calculation of the estimated MISO Charges in the amount of \$5,004,458 (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 \$3,650,211 (Line 18). The resulting amount of \$3,650,211 (Line 20), plus the adjusted ending MCRA Regulatory Asset balance as of June 30, 2012 in the amount of \$47,372 (Exhibit SEA-3, Schedule 4, Page 1 of 3, Line 14) 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	\$0.002297
Rate B	\$0.000810
Rate SGS	\$0.002059
Rate DGS/MLA	\$0.001928
Rate OSS	\$0.001423
Rate LP	\$0.000836
Rate HLF	\$0.000761

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will experience an increase of \$0.66 in each month between December 1, 2012 and May 31, 2013 (Exhibit No. SEA-3, Schedule 5).

4. Evidence Presented by the Parties. Vectren South witness Mr. Albertson testified in support of the content and the calculation of the MCRA factors noted above. Mr. Albertson also provided the reconciliation of non-RECB transmission revenues against the base rate level of transmission revenues subject to tracking authorized in Cause No. 43839 for the period of May 2011 through April 2012. Actual non-Regional Expansion Criteria and Benefit (“non-RECB”) transmission revenues tracked through the MCRA for the twelve months ending April 30, 2012 were \$3,262,432 compared to the base rate level of \$2,037,741. The variance of \$1,224,691 has been credited to customers in this MCRA (Applicant’s Exhibit SEA-3, Schedule 4, Page 1 of 3, Line 13).

Vectren South witness Ms. Banet described the estimated and actual NFC related to MISO Energy and Operating Reserves Market charges. She testified Vectren South included actual NFC charges in the reconciliation period (January – June 2012) and an estimate of the NFC charges for the December 2012 – May 2013 period in this filing. Ms. Banet also testified regarding the new and modified charge types that will appear as a result of FERC Order 719 (issued on October 17, 2008) and FERC Order 745 (issued on March 15, 2011). Ms. Banet also described Applicant’s projects approved by MISO for RECB treatment and how those costs are reflected in this MCRA.

OUCG witness Ms. Gruca described how Applicant calculated its estimated MISO Administrative Costs and testified her calculation of the volume of MISO costs to be tracked in this Cause matched Applicant’s proposed recovery amount of \$3,697,583. Ms. Gruca testified the effect is an increase of approximately \$0.000654 per kWh and a typical residential customer using 1,000 kWh per month would experience a bill of approximately \$154.88, which equates to an average cost per kWh of \$15.48 cents.¹ Ms. Gruca recommended acceptance of Applicant’s recovery of Contestable Revenue Sufficiency Guarantee costs for the reconciliation period of January 2012 through June 2012, recovery of the variance for the same period, and approval of the MCRA factors for the estimated period of December 2012 through May 2013.

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

¹ She noted a slight difference from Applicant’s Schedule 5 existed due to a difference in rounding.

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 and Revenue Adjustment factor for each of its rate classes as set forth in Paragraph 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 an after the date of its approval.

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

APPROVED: NOV 28 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**