ORIGINAL

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 AND CAUSE NO. 43839 DATED APRIL 27, 2011 PURSUANT TO I.C. § 8-1-2-42(a)	CAUSE NO. 43354 MCRA 12 APPROVED: JUN 26 2013

ORDER BY THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
Marya Jones, Administrative Law Judge

On March 22, 2013, 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 ("MCRA") as authorized in this Commission's Orders in Cause No. 43111 and Cause No. 43839. Submitted with the Application was the prefiled testimony and exhibits of Shawn M. Kelly, Director of 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 April 26, 2013, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony and exhibits of Stacie R. Gruca, a Utility Analyst. On April 30, 2013, Vectren South filed rebuttal testimony of Ms. Banet.

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 8, 2013 at 10:00 a.m., in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant's and 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 is a public utility as that term is defined in Ind. Code §8-1-2-1. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to the Applicant's rates and charges. 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 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 amount in excess in a future MCRA. If such actual revenues are less than $2,037,741, the Company will not recover the shortfall. For that reason, no projected revenues are included on Schedule 3 of Applicant's exhibits.

To determine MCRA factors for this period, the calculation of the estimated MISO Charges in the amount of $6,214,356 (Exhibit SMK-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 $4,337,351 (Line 18). The resulting amount of $4,337,351 (Line 20), plus the adjusted ending MCRA Regulatory Asset balance as of December 31, 2012 in the amount of $87,288 (Exhibit_SMK-3, Schedule 4, Page 1 of 2, 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 SMK-3, Schedule 1, Page 1 of 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 No. SMK-3, Schedule 1, Line 7 as follows:

Rate RS	$0.002388
Rate B	$0.001203
Rate SGS	$0.002361
Rate DGS/MLA	$0.001942
Rate OSS	$0.001973
Rate LP	$0.000942
Rate HLF	$0.000908

Based on the foregoing, and as set forth more fully on Applicant's Exhibit No. SMK-3, Schedule 5, the average Residential-Standard customer using 1,000 kWh per month will experience an increase of $0.09 in each month between June 1, 2013 and November 30, 2013.

4. **Evidence Presented by the Parties.**

A. **Petitioner's Evidence.** Vectren South witness Mr. Kelly testified in support of the content and the calculation of the MCRAs noted above. Mr. Kelly also explained that Vectren South did not include actual transmission revenues in this MCRA because Vectren South will include a schedule comparing actual transmission revenues for the 12 month period ending April 30, 2013 to the actual base rate levels of such revenues in MCRA 13, when April is included in the reconciliation period. Mr. Kelly stated that Vectren South did not include a projection for the MISO Revenues Amount because as a result of the Rate Order dated April 27, 2011 in Cause No 43839, such Revenue projection is no longer applicable. Mr. Kelley stated that the Vectren South did estimate the MCRA for future periods as required by the Commission's order in Cause No. 43111. He noted that Applicant's Exhibit No. SMK-4 includes the estimated incremental MCRA amounts for the periods December 2013 through May 2014 (MCRA 13) and June 2014 through November 2012 (MCRA 14).

Vectren South witness Ms. Banet described the estimated and actual NFCs related to MISO Energy and Operating Reserves Market changes. She testified Vectren South included actual NFC charges in the reconciliation period (July - December 2012) and an estimate of the NFC charges for the June 2013 – November 2013 period in this filing. Ms. Banet also testified regarding new and modified charge types that will appear as a result of FERC Order 719 issued on October 17, 2008, FERC Order 745 issued on March 15, 2011, and FERC Order 755 issued on October 20, 2011. Ms. Banet also described Regional Expansion Criteria and Benefits ("RECB"), MISO's cost sharing or cost allocation for transmission projects revenue requirements. Noting that MISO's RECB program is part of the MISO Transmission Expansion Plan ("MTEP"), Ms. Banet explained that the fundamental goal of the MTEP process is to reduce wholesale cost of energy delivery for the consumer by addressing local and regional reliability needs. Ms. Banet testified that Applicant has four projects approved by MISO for RECB treatment as follows:

- MISO Project ID 1004, a 345/138 kV substation near Francisco, IN, and related 139 kV lines. It was placed in service on July 11, 2007, at a cost of $25,061,496;

- MISO Project ID 1257, a 345 kV line and terminals that will connect Duke Energy's Gibson plant with Applicant's A. B. Brown plant and Big Rivers Electric Corp. Reid Station in Sebree, Kentucky. It was placed in service on December 19, 2012, at a cost of $107,312,033;

- MISO Project ID 1259, a 138 kV line connecting Applicant's Dubois Substation to its Newtonville Substation. This project was placed in service on July 9, 2007, at a cost of $15,998,866; and

- MISO Project ID 1970, a 345/138 kV substation located near West Franklin, Indiana. It was placed in service on November 22, 2010, at a cost of $7,524,265.

Ms. Banet testified that a fifth, approved project described below, is not yet in service:

- MISO Project ID 3212, a 138 kV transmission line from IPL's Petersburg plant to Vectren South's Duff substation will be upgraded to allow connection to the upgraded

Breed-Wheatland-Petersburg 345 kV. The projected in service date for the project is November 2013.

Ms. Banet also described the basis for recovery of those costs in this proceeding. She testified that the basis is the Settlement Agreement approved in Cause No. 43111 and reaffirmed in Vectren South's most recently approved electric rate case. She explained that RECB costs are tracked and non-RECB costs are not tracked. RECB costs are charged to Vectren South under MISO Schedule 26, which includes charges related to its own RECB projects as well as its allocation of costs related to other third party RECB projects. Ms. Banet went on to explain that Vectren South will receive partial cost recovery for its projects from other transmission providers in the MISO footprint on an allocated basis and that Vectren South will be authorized to retain its allocated portion of cost recovery from native load customers as well as revenues received from other MISO Transmission owners under Schedule 26. Further, she testified that all Schedule 26 recoveries will be treated as non-jurisdictional and outside the earnings test to allow Vectren South to recover its costs and Vectren South's RECB projects will not be included in retail rate base.

B. <u>OUCC's Evidence</u>. OUCC 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 $4,424,439.[1] Ms. Gruca testified the effect is an increase of approximately $0.000091 per kWh and a typical residential customer using 1,000 kWh per month would experience a bill of approximately $154.98, which equates to an average cost of 15.49 cents per kWh. Ms. Gruca testified that Applicant followed the Revenue Sufficiency Guarantee ("RSG") Benchmark methodologies as approved in Cause Nos. 43475 and 43672. She also testified that Applicant's proposal for reconciling actual transmission revenues is consistent with the Order in Cause No. 43839 and Applicant will include a schedule in MCRA13 that compares actual transmission revenues for the 12-month period ending April 30, 2013 with the annual amount of transmission revenues included in base rates subject to tracking. Any excess transmission revenues for the 12-month period ending April 30, 2013 will be credited to customers in MCRA13. Ms. Gruca testified that Applicant provided support for its calculation of proposed cost recovery for projects approved by MISO for RECB treatment in MCRA12, and Applicant also provided additional MTEP project status information for projects that Applicant will seek cost recovery in future MCRA filings. She further testified that Applicant included Schedule 26-A Multi Value Project charges in the current MCRA12 proceeding, but did not include, nor proposed to include, any Schedule 26-A Multi Value Project revenues in MCRA12 as Vectren is not planning to construct any Multi Value Project's.

Ms. Gruca testified that through informal discovery, she became aware that Vectren South is familiar with the November 2012 MISO refund to PJM of approximately $6.9 million in market-to-market charges (also known as the Beaver Channel Market-to-Market Re-settlement) and is one of the disputing parties supporting the Request for Alternative Dispute Resolution ("ADR") filed with MISO on March 8, 2013. Ms. Gruca recommended Vectren South be required to provide status updates in subsequent MCRA filings with respect to the request for reconsideration of the denial of the dispute through the ADR process and any other future complaint or similar dispute process should one be filed, as well as a refund dollar amount should any monies get resettled back to Vectren South.

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[1] Ms. Gruca's calculation of the volume of MISO costs to be tracked in the amount of $4,424,438 was slightly different from Applicant's Exhibit No. SMK-5, Schedule 5 proposed amount of $4,424,439 due to a difference in rounding.

Ms. Gruca recommended acceptance of Applicant's recovery of Contestable Revenue Sufficiency Guarantee costs for the reconciliation period of July 2012 through December 2012, the recovery of the variance for the same period, and approval of the MCRA factors for the estimated period of June 2013 through November 2013.

C. **Petitioner's Rebuttal Evidence**. Vectren South witness Ms. Banet stated Vectren South agrees with the OUCC's recommendation to provide status updates in subsequent MCRA filings with respect to the request for reconsideration of the denial of the dispute through the ADR process and any other future complaint or similar dispute process should one be filed, as well as a refund dollar amount should any monies get resettled back to Vectren South.

5. Commission Findings. The evidence of record supports approval of Applicant's proposed MCRA factors as stated in Paragraph 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 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. Applicant shall provide status updates in subsequent MCRA filings as recommended by the OUCC.

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

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

APPROVED: JUN 26 2013

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