

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 ) CAUSE NO. 43354 MCRA 13  
 REVENUE ADJUSTMENT FOR ELECTRIC )  
 SERVICE IN ACCORDANCE WITH THE ORDER )  
 OF THE COMMISSION IN CAUSE NO. 43111 ) APPROVED:  
 EFFECTIVE AUGUST 15, 2007 AND CAUSE NO. ) NOV 25 2013  
 43839 DATED APRIL 27, 2011 PURSUANT TO I.C. § )  
 8-1-2-42(a) )

ORDER BY THE COMMISSION

**Presiding Officers:**

**James D. Atterholt, Chairman**

**Marya E. Jones, Administrative Law Judge**

On September 23, 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 October 4, 2013 Ms. Banet filed Supplemental Testimony. On October 31, 2013, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the testimony and exhibits of Stacie R. Gruca, a Utility Analyst. The Presiding Officers issued a Docket Entry on November 6, 2013 ordering Petitioner to respond to questions to which the Petitioner responded on November 8, 2013.

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 12, 2013 at 1:30 p.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 principal 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 Midcontinent 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, Vectren South 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 \$6,154,303 (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 \$4,800,056 (Line 18). The resulting amount of \$4,800,056 (Line 20), plus the adjusted ending MCRA Regulatory Asset balance as of June 30, 2013 in the amount of \$387,730 (Exhibit SMK-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 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	\$0.002770
Rate B	\$0.000957
Rate SGS	\$0.002473
Rate DGS/MLA	\$0.002347
Rate OSS	\$0.001712
Rate LP	\$0.000970
Rate HLF	\$0.000906

Based on the foregoing, and as set forth more fully on Applicant's Exhibit SMK-3, Schedule 5, the average Residential-Standard customer using 1,000 kWh per month will experience an increase of \$0.38 in each month between December 1, 2013 and May 31, 2014.

**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 MCRA's noted above. He testified the MCRA is calculated twice annually for each rate schedule as follows:

$$\text{MCRA} = \frac{(\text{NFC} - \text{MRA}) \times \text{"Rate Schedule Allocation \%"} }{\text{"Rate Schedule Sales Quantities"}}$$

Mr. Kelly stated the NFC is equal to the coming period's estimated MISO charges less the amount budgeted to be received in that same period from ratepayers through Vectren South's base rates. Mr. Kelly testified MISO charges are those that are both incurred by Vectren South and approved to be recovered from customers, and include charges related to the following: Schedule 10 MISO costs and FERC charges; Schedule 16 MISO's FTR administrative services; Schedule 17 energy market support services; Schedule 24 control area operator services; Schedule 26 network upgrades due to transmission expansion plans; Schedule 2 reactive power costs charged by of independent generators in Vectren South's control area; and Real Time Revenue Neutrality Uplift, Real Time Miscellaneous costs and other MISO costs socialized for recovery from all market participants.

Mr. Kelly testified Vectren South's base rates, after the Order in Cause No. 43839 ("Rate Order"), include an annual base rate level of MISO Charges of \$3,231,252. Mr. Kelly stated this MCRA includes \$1,354,247, the amount applicable to this MCRA projection period, and the MRA is equal to the coming period's estimated MISO transmission revenues less the amount budgeted to be credited in that same period to ratepayers through Vectren South's base rates. Mr. Kelly testified that MISO transmission revenues are those accruing to the company through Attachment O and from municipalities within Vectren South's control area. He stated Vectren South's base rates after the Rate Order include an annual base rate level of \$2,037,741. Mr. Kelly noted that when the actual revenue exceeds the base rate level of \$2,037,741, the amount in excess will be credited to customers in a future MCRA, while any shortfall below the base rate level is not recovered from customers. He then testified this MCRA includes a projection of \$923,689 of additional transmission revenue credits above the base rate level and that the variance of \$923,689 has been credited to customers in this MCRA.

Mr. Kelly testified the Rate Schedule Allocation Percentage is the proportion of the MCRA applicable to each of Vectren South's customer classes. He stated the Rate Schedule Sales Quantities are the estimated quantities of billing determinants (kWh) for each customer class for the projection period. Mr. Kelly testified that once calculated, the MCRA rates are modified to provide for the recovery of the Indiana Utility Receipts Tax and similar revenue-base tax charges and MCRA rates are also modified to account for prior variances.

Vectren South witness Ms. Banet described the estimated and actual NFCs related to MISO Energy and Operating Reserves Market changes. Ms. Banet testified Vectren South included actual

NFC charges in the reconciliation period of January 2013 to June 2013, and an estimate of the NFC charges for the December 2013 to May 2014 period in this filing. Ms. Banet also described Regional Expansion Benefit Criteria ("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 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 five 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.'s 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 \$7,750,909.

Ms. Banet testified that the 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 testified the basis for recovery of those costs in this proceeding 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. She noted 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 further explained Vectren South will receive partial cost recovery for its projects from other transmission providers in the MISO footprint on an allocated basis and 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. Ms. Banet 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.

Ms. Banet testified Vectren was asked to include a status update on a pending Alternative Dispute Resolution ("ADR") with MISO, and any other disputes, as well as a refund dollar amount, if applicable, in all future MCRA filings. In her supplemental testimony dated October 4, 2013, Ms. Banet testified that on May 10, 2013, Richard Doying submitted a letter on behalf of MISO advising the ADR Committee that MISO denied the request for ADR. She stated that on May 16,

2013, MISO issued an electronic notice advising ADR Representatives of MISO Tariff Customers and Members that the dispute between MISO and the Disputing Parties had purportedly been resolved. She testified that on May 30, 2013, Mr. Williams H. SeDoris, Director of MISO Integration at Northern Indiana Public Service Company, on behalf of the disputing parties, requested that, based on consideration of the May 10, 2013 MISO letter and the issues under dispute, the ADR Committee issue a statement by June 9, 2013 determining that mediation under Section III of Attachment HH would be highly unlikely to lead to a resolution of the dispute. Ms. Banet testified that on June 6, 2013, the Members of the ADR Committee responded to Mr. SeDoris' letter and informed the disputing parties the matter would best be resolved by the Federal Energy Regulatory Commission ("FERC"). Ms. Banet testified that on July 2, the Disputing Parties filed a formal Complaint against MISO and PJM requesting the Commission direct PJM to repay monies to MISO and MISO, in turn, to repay monies to the indicated load serving entities also known as Disputing Parties. She noted FERC acknowledged receipt of the complaint on July 3, 2013, but has taken no further action since that time. Ms. Banet explained that Vectren South will continue to include status updates on this topic and on any other future complaint or similar dispute process should one be filed, as well as a refund dollar amount, if applicable in future MCRA filings. Mrs. Banet concluded that this additional testimony has no impact on the figures and rates proposed in this MCRA filing.

**B. OUCC's Evidence.** OUCC witness Ms. Gruca described how Applicant calculated its estimated MISO Administrative Costs. She testified her calculation of the volume of MISO costs to be tracked in this Cause match Applicant's proposed recovery amount of \$4,412,326. Ms. Gruca testified the effect is an increase of approximately \$0.000382 per kWh and a typical residential customer using 1,000 kWh per month will experience a bill of approximately \$155.36, which equates to an average cost per kWh of \$15.54 cents. Ms. Gruca testified that Applicant followed the Revenue Sufficiency Guarantee ("RSG") Benchmark methodologies as approved in Cause Nos. 43475 and 43672.

Ms. Gruca testified Applicant incurred Contestable RSG amounts during the reconciliation period of January 2013 through June 2013. She stated Vectren South included the Contestable RSG amounts in this filing and appropriately addressed the charges in testimony and workpapers. Ms. Gruca testified Applicant's proposal for reconciling actual transmission revenues is consistent with the Rate Order. She noted Applicant included a schedule in this proceeding that compared 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 per the Rate Order. She explained that excess transmission revenues for the 12-month period ending April 30, 2013 totaled \$923,689 and is being credited to customers.

Ms. Gruca testified Applicant provided support for its calculation of proposed cost recovery for projects approved by MISO for RECB treatment in this proceeding, and provided additional MTEP project status information for projects for which Applicant will seek cost recovery in future MCRA filings. She further explained that Applicant included Schedule 26-A MVP charges in this proceeding, but did not include, nor proposed to include, any Schedule 26-A MVP revenues because Vectren South is not planning to construct any MVPs.

Ms. Gruca testified Applicant provided a status update in the current MCRA with respect to the ADR known as the Beaver Channel Market-to-Market Re-Settlement. Ms. Gruca noted Applicant will continue to include status updates on this topic or any other future complaint or

similar dispute should one be filed, as well as a refund dollar amount, if applicable in future MCRA filings.

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.

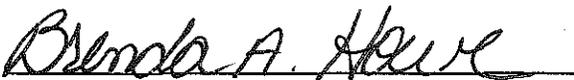
3. Applicant shall provide status updates in subsequent MCRA filings as recommended by the OUCC.

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

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

APPROVED: NOV 25 2013

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



Brenda A. Howe  
Secretary of the Commission