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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 14 APPROVED: JUN 18 2014

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Marya E. Jones, Administrative Law Judge

On March 28, 2014, 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, Regulatory Affairs for Vectren South's parent company; and Patricia A. Banet, Manager of Large Customer Billing for Vectren South's parent company. On May 2, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the pre-filed testimony of Stacie R. Gruca, Senior Utility Analyst, and attached exhibits. On May 13, 2014, Vectren South filed its response to the Presiding Officers' May 12, 2014 Docket Entry.

The Commission held a public Evidentiary Hearing in this Cause on May 14, 2014 at 10:30 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.

Having considered the evidence and applicable law, the Commission now finds:

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. **Vectren South'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 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, 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 $6,752,622 (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 $4,875,617 (Line 18). The resulting amount of $4,875,617 (Line 20), plus the adjusted ending MCRA Regulatory Asset balance as of December 31, 2013 in the amount of $(616,626) (Exhibit SMK-3, Schedule 4, Page 1 of 2, Line 10) 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	$0.002428
Rate B	$0.001326
Rate SGS	$0.002236
Rate DGS/MLA	$0.001834
Rate OSS	$0.001940
Rate LP	$0.000910
Rate HLF	$0.000909

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 a decrease of $0.34 each month between June 1, 2014 and November 30, 2014.

4. **Evidence Presented by Vectren South.** Vectren South witness Shawn Kelly testified in support of the content and the calculation of the MCRAs 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 financial transmission rights administrative service cost; 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 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 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, 2014 to the actual base rate levels of such revenues in Cause No. 43354 MCRA 15, when April is included in the reconciliation period. Mr. Kelly stated that Vectren South did not include a projection for the MRA because as a result of the Rate Order dated April 27, 2011 in Cause No. 43839, such Revenue projection is no longer applicable. Mr. Kelly stated that 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 SMK-4 includes the estimated incremental MCRA amounts for the periods December 2014 through May 2015 (Cause No. 43354 MCRA 15) and June 2015 through November 2015 (Cause No. 43354 MCRA 16).

Mr. Kelly presented testimony regarding the notification from MISO of an error in the calculation of Residual Load Adjustment ("RLA") volumes, which resulted in the submission of inaccurate data by an entity in Vectren South's balancing authority area. Mr. Kelly testified the RLA error was also discussed in Cause Nos. 38708 FAC 100, 38708 FAC 101, and 38708 FAC 102. He stated this calculation error resulted in increases to Vectren South's load based settlement charges, which utilize the RLA volumes, and are accumulated in the "MISO Components of Cost of Fuel" for FAC filings, the Reliability Cost and Revenue Adjustment ("RCRA") through Wholesale Power Marketing share, and "MISO Components of Non-Fuel Costs" including Charge Types: 1) Real Time Revenue Neutrality Uplift ("RNU"); 2) Real Time Schedule 24 Allocated Amount; and 3) Real Time Market Administration Amount in the MCRA.

Mr. Kelly discussed the RLA volume error in detail in his testimony. He testified the error occurred from June 12, 2012 through July 20, 2013. He also stated that MISO made a correction to the RLA volumes through its resettlement process, which allowed for a correction up to 105 days of April 19, 2013 – July 31, 2013. Mr. Kelly further testified that because that resettlement was received after the closing of the reconciliation months of January 1, 2013 – June 30, 2013, Vectren South did not revise the actual recoverable NFC included in the reconciliation period of Cause No. 43354 MCRA 13 (January – June 2013); however, the RLA adjustment, resulting from the MISO resettlement, is reflected in the schedules for the MCRA 14 reconciliation period, July 1, 2013 through December 31, 2013. In addition, Vectren South accrued $34,913.91 for the retail impact of the RLA correction, for the period outside of the 105 day resettlement period, June 12, 2012 – April 18, 2013 (the "Extended Period"), and is shown in Applicant's Exhibit SMK-3, Schedule 4, Page 2.

Mr. Kelly noted that Vectren South witness Patricia Banet explains the derivation of these amounts in her direct testimony. Specifically, Ms. Banet affirmed that the Real Time metered billable volume was revised using the updated meter values provided by the affected party. She specified that a model was created using the MISO Business Practice Manual calculation methodologies to calculate the impact of the revised metered billable volumes on each of the fore mentioned charge types. In addition, she explained that the revised charge type amounts were then compared to the original amounts from the MISO statements and the resulting difference equated to the adjustment identified above, $34,913.91.

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 (July – December 2013) and an estimate of the NFC charges for the June 2014 – November 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 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 five projects approved by MISO for RECB treatment as follows:

- MISO Project ID 1004, a 345/138 kV substation near Francisco, IN, and related 138 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 $107,133,591;

- 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;

- 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; and

- MISO Project ID 3212, a 138 kV Z84-3 transmission line from IPL's Petersburg plant to Vectren South's Duff substation, allowing more power to flow on the upgraded Breed-Wheatland-Petersburg 345 kV. This project was placed in service July 25, 2013, at a cost of $1,607,939.

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. She noted 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.

In the Commission's Order issued June 26, 2013, in Cause No. 43354 MCRA 12, Vectren was asked to include a status update on the pending Beaver Channel Market-to-Market Re-settlement Alternative Dispute Resolution ("ADR") matter with MISO, and any other disputes, as well as a refund dollar amount, if applicable, in all future MCRA filings. Ms. Banet testified that on May 10, 2013, Richard Doying, on behalf of MISO, submitted a letter advising the ADR Committee that MISO had denied the request for ADR. She stated that subsequently 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.

Ms. Banet testified that on May 30, 2013, Mr. William H. SeDoris, Director of MISO Integration at Northern Indiana Public Service Company, on behalf of the Disputing Parties requested that based on a 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 would be highly unlikely to lead to a resolution of the dispute. She 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 Federal Energy Regulatory Commission ("FERC").

Ms. Banet testified that on July 2, 2103, 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 that FERC acknowledged receipt of the complaint on July 3, 2013, but has taken no further action at this time. Ms. Banet testified that Vectren South will continue to include status updates on this topic and 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.

5. <u>OUCC's Evidence</u>. OUCC witness Ms. Stacie R. Gruca described how Vectren South 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 $4,258,991.[1] Ms. Gruca testified the effect is a decrease of approximately $0.000342 per kWh and a typical residential customer using 1,000 kWh per month would experience a bill of approximately $154.78, which equates to an average cost per kWh of $15.48 cents. Ms. Gruca testified that Applicant followed the Revenue Sufficiency Guarantee ("RSG") Benchmark methodologies as approved in Cause Nos. 43475 and 43672.

Ms. Gruca stated that Vectren South incurred Contestable RSG amounts during the reconciliation period of July 2013 through December 2013. Vectren South included the Contestable RSG amounts in this filing and appropriately addressed the charges in testimony and workpapers. Ms. Gruca testified that Vectren South's proposal for reconciling actual transmission revenues is consistent with the Order in Cause No. 43839 ("Rate Order"). She noted that Vectren South will include a schedule in Cause No. 43354 MCRA 15 that will compare actual transmission revenues for the 12-month period ending April 30, 2014 with the annual amount of transmission revenues included in base rates subject to tracking per the Rate Order. Ms. Gruca testified that Vectren South provided support for its calculation for proposed cost recovery for its projects approved by MISO for RECB treatment for MCRA 14 and provided additional MTEP project status information for projects for which Vectren South will seek cost recovery in future MCRA filings. Ms. Gruca further testified that Vectren South included Schedule 26-A MVP charges in the current MCRA 14 proceeding, but did not include, nor proposed to include, any Schedule 26-A MVP revenues in MCRA 14 as Vectren is not planning to construct any MVPs.

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[1] Ms. Gruca's calculation of the MISO costs to be tracked in the amount of $4,258,990 was slightly different from Applicant's Exhibit SMK-5, Schedule 5 proposed amount of $4,258,991 due to difference in rounding.

Ms. Gruca attested that Vectren South included a refund amount for the RLA volume error, in the amount of $26,898.93, for the 105 day resettlement period and a refund of $34,913.91 for the Extended Period in MCRA 14. She also noted that Applicant included supporting documentation for the RLA volume error refund in the MCRA 14 filing and additional support in response to OUCC informal discovery.

Ms. Gruca testified that Vectren South provided a status update in the current MCRA with respect to the Alternative Dispute Resolution known as the Beaver Channel Market-to-Market Re-Settlement. Ms. Gruca also noted that Vectren South provided that it would 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.

6. Commission Findings. The evidence of record supports approval of Vectren South'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. Vectren Energy Delivery of Indiana, Inc 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. Vectren Energy Delivery of Indiana, Inc 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.

STEPHAN, MAYS, AND ZIEGNER CONCUR; WEBER ABSENT:

APPROVED: JUN 18 2014

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