

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)
PURSUANT TO I.C. § 8-1-2-42(a))

CAUSE NO. 43354 MCRA 6

APPROVED: JUN 03 2010

BY THE COMMISSION:

David E. Ziegner, Commissioner
Lorraine L. Seyfried, Administrative Law Judge

On March 29, 2010, 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 August 15, 2007 Order in Cause No. 43111. 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; Michael W. Chambliss, Vectren South's Director of Network Operations and Dispatch. On May 3, 2010, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the prefiled testimony of Stacie R. Gruca, a Utility Analyst, and attached exhibits. Vectren South's responsive testimony of Patricia A. Banet was filed on May 10, 2010.

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 13, 2010 at 10:30 a.m., EDT, in Room 224, National City Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant's and the OUCC's testimony and exhibits were admitted into the record. 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 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 the parties and the subject matter herein.

2. **Applicant's Characteristics.** 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. **Revision to the MCRA Calculation.** Vectren South witness Albertson testified that during the normal review of previous MCRA filings, a discrepancy was found between how prior period variances were recorded on the utility's books and how those variances were reflected in the MCRA. Mr. Albertson testified that beginning with MCRA4, the schedules should have used the ending balance in the MCRA Regulatory Asset rather than the sum of the monthly variances as determinants of the MCRA's. Mr. Albertson also proposed an adjustment in this MCRA to more quickly address the impacts of the outcome of MCRA5 which resulted in MCRA rates that should have refunded an over-recovery (rather than recovered an under-recovery). To accelerate the refund of the over-recovery, Vectren South proposed to project the MCRA ending balance through May 2010 (the end of MCRA5 projection period) and include that projected ending balance in this MCRA.

OUCG witness Gruca described her evaluation of Vectren South's proposed changes. Ms. Gruca testified that Vectren South provided workpapers and supporting documentation to tie all numbers included on Applicant's Exhibit SEA-3, Schedule 4, page 1 of 3 and page 1A of 3, which illustrates the over/under recovery of the MCRA variance for July 2009 through December 2009 and the additional projected variance for January 2010 through May 2010. Ms. Gruca stated she used her analysis to verify that the proposed methodology will correctly credit customers with past over-recovery variances. Ms. Gruca also testified that OUCG agrees that accelerating the refund for the over-recovery, by addressing the impacts of MCRA5 in the current MCRA6 rather than waiting for these impacts to be fully reconciled in MCRA7, will help to correct the discrepancy and provide ratepayers with a refund more quickly.

4. **Calculation of the MCRA Factors.** As approved in the Final Order in Cause No. 43111, the MCRA allows for the recovery of Midwest ISO ("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 ("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. As approved in MCRA4, the MRA for the MCRA period shall be the allocated portion of annual Transmission Revenues available to customers (up to \$6,154,264) less the allocated amount of such credits included in base rates (\$4,528,024). Transmission Revenues are defined as those revenues corresponding to the revenue credits reflected in Attachment O of the MISO Open Access Transmission Tariff, as well as revenues received from the application of MISO's transmission rates to wholesale loads that sink within Applicant's control area less the base rate level. The calculation is described in more detail in Applicant's Tariff for Electric Service (Sheet No. 73, Pages 1, 2 and 3).

Based on the evidence presented, to determine the MCRA factors for this period, the calculation of the estimated MISO Charges in the amount of \$4,876,949 (Exhibit SEA-3, Schedule 3, Line 15), is reduced by the base rate amount included for those MISO costs in Cause

No. 43111. This results in NFCs of \$2,922,520 (Line 17). The balance is then reduced by the MRA of \$848,889 (Line 19) and increased by the Amortization of Deferred MISO Costs in the amount of \$554,243 (Line 20). The resulting amount of \$2,627,874 (Line 21), plus the projected ending MCRA Regulatory Asset balance as of May 31, 2010 in the amount of \$(3,451,441) (Exhibit SEA-3, Schedule 4, Page 1A of 3, Line 14) results in a credit of \$(823,568). This credit is then multiplied by the rate schedule allocation percentages approved in Cause No. 43111 (Exhibit SEA-3, Schedule 1, Line 6). This result is then divided by the estimated rate schedule sales quantities for the six month MCRA period (Line 7).

Based on these calculations, the resulting MCRA Factors per kWh, modified to include Indiana Utility Receipts Tax, are shown on Applicant's Exhibit No. SEA-2 as follows:

| | |
|-------------------------------|----------------------|
| Rate A | \$(0.000432) |
| Rate EH | \$(0.000325) |
| Rate B | \$(0.000213) |
| Rate SGS | \$(0.000232) |
| Rate DGS/MLA | \$(0.000380) |
| Rate OSS | \$(0.000393) |
| Rate LP | \$(0.000209) |
| Rate HLF ⁽¹⁾ | \$(0.000235) |
| Billing Demand First 4500 kVa | \$(634.50) per month |
| Billing Demand Over 4500 kVa | \$(0.141) per kVa |

⁽¹⁾For all kWh used above 600 kWh per kVa of Billing Demand per month.

Based on the foregoing, the average residential customer using 1,000 kWh per month will experience a decrease of \$7.22 in each month between June 1, 2010 and November 30, 2010 (Exhibit No. SEA-3, Schedule 5).

5. Overview of the Evidence. The evidence presented by both parties supports approval of the proposed MCRA factors. Vectren South witness Albertson testified as to the content and the calculation of the MCRA factors noted above. He sponsored the proposed MCRA factors. Mr. Albertson also supported the actual annual non-Regional Expansion Criteria and Benefit (“non-RECB”) revenues of \$6,819,594.60 for the twelve (12) month period ending August 31, 2009, compared against the annual non-RECB revenues available to customers (\$6,154,264 in total, made up of the amount of non-RECB revenue credits included in base rates of \$4,528,024 and the additional \$1,626,240 approved in MCRA4). Vectren South witness Chambliss described Applicant’s projects approved by MISO for RECB treatment, and how those costs are reflected in this MCRA. Vectren South witness Banet described the estimated and actual NFCs related to MISO Day 1, Day 2, and Ancillary Services Market (“ASM”).

The OUCC created its report after reviewing Applicant’s petition, prefiled testimony and exhibits and work papers, and participated in discussions with Vectren South staff. OUCC witness Gruca recommended acceptance of Applicant’s (1) recovery of Contestable RSG costs for the reconciliation period of July 2009 through December 2009 (indicating that to the extent a \$2,709 credit adjustment for June has not been included in MCRA6, this amount should be

modified accordingly) and (2) recovery of the variance for the reconciliation period of July 2009 through December 2009 and the estimated period in MCRA5 (actual variance for January and February 2010 and projected variance for March, April and May 2010) and MCRA factor for the estimated period of June 2010 through November 2010. Ms. Gruca also recommended approval of the adjustment to accrual of the amount of netted RSG credits and charges resulting from the RSG resettlement, pursuant to the FERC Order in Docket No. ER04-691-090.

Vectren South's witness Banet stated the correction of the \$2,709 credit for Contestable RSG charges mentioned in MCRA5 was inadvertently omitted from MCRA6. Vectren South included the adjustment during the monthly settlement closing for April 2010, which will be reconciled in MCRA7. Vectren South discussed the inclusion of this credit in MCRA7 with the OUCC.

6. Commission Findings. The evidence presented in this Cause supports approval of Applicant's proposed MCRA factors as set forth in Paragraph 4 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 out in Finding Paragraph No. 4 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 and after the date of its approval.

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

APPROVED: JUN 03 2010

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


**Sandra K. Gearlds, Acting
Secretary of the Commission**