

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 ) CAUSE NO. 43354 MCRA 7  
 APPROVAL OF A MISO COST AND )  
 REVENUE ADJUSTMENT FOR ELECTRIC )  
 SERVICE IN ACCORDANCE WITH THE ) APPROVED: NOV 30 2010  
 ORDER OF THE COMMISSION IN CAUSE )  
 NO. 43111 EFFECTIVE AUGUST 15, 2007 )  
 PURSUANT TO I.C. § 8-1-2-42(a) )

**BY THE COMMISSION:**

**David E. Ziegner, Commissioner**  
**Angela Rapp Weber, Administrative Law Judge**

On September 23, 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; and Michael W. Chambliss, Vectren South's Director of Network Operations and Dispatch. On October 28, 2010, the Office of Utility Consumer Counselor ("OUCC") filed the prefiled testimony of Stacie R. Gruca, a Utility Analyst, and attached exhibits. On November 10, 2010, Vectren South filed its response to the Presiding Officers' November 8, 2010 Docket Entry.

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, 2010 at 9:30 a.m. in Room 224, 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, along with Vectren South's response to November 8, 2010 Docket Entry. 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 pursuant to Ind. Code § 8-1-2-1 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. Calculation of the MCRA Factors.** As approved in the Final Order in Cause No. 43111, the MCRA allows for the recovery of 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 (\$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 Applicant's Attachment O, as well as revenues received from the application of MISO's transmission rates to wholesale loads that align 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).

To determine MCRA factors for this period, the calculation of the estimated MISO Charges in the amount of \$5,026,174 (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 \$3,071,745 (Line 17). The balance is then reduced by the MRA of \$777,351 (Line 19) and increased by the Amortization of Deferred MISO Costs in the amount of \$554,243 (Line 20). The resulting amount of \$2,848,637 (Line 21), plus the adjusted ending MCRA Regulatory Asset balance as of June 30, 2010 in the amount of \$2,872,176 (Exhibit SEA-3, Schedule 4, Page 1 of 2, Line 15) is then multiplied by the rate schedule allocation percentages approved in Cause No. 43111. This result is then divided by the estimated rate schedule sales quantities for the six-month MCRA period (Exhibit SEA-3, Schedule 1, Line 7).

Based on these calculations the resulting MCRA Factors per kWh (unless stated otherwise), modified to include Indiana Utility Receipts Tax, are shown on Applicant's Exhibit SEA-2 as follows:

Rate A	\$0.004245
Rate EH	\$0.001547
Rate B	\$0.001246
Rate SGS	\$0.001256
Rate DGS/MLA	\$0.002997
Rate OSS	\$0.002174
Rate LP	\$0.001445
Rate HLF	\$0.001472
Billing Demand First 4500 kVa	\$3,974.40 per month
Billing Demand Over 4500 kVa	\$0.883 per kVa

Based on the foregoing, the average residential customer using 1,000 kWh per month

will experience an increase of \$4.68 in each month between December 1, 2010 and May 31, 2011 (Exhibit SEA-3, Schedule 5).

**4. Acceleration of Refund of Over Recovery in MCRA6.** Vectren South witness Scott Albertson testified that during the normal review of previous MCRA filings a discrepancy was found between how prior period variances were recorded on Vectren South'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 MCRAs. In MCRA6, Vectren South proposed an adjustment to more quickly reconcile and 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 projected in MCRA6 the MCRA ending balance through May 2010 (the end of MCRA5 projection period) and included that projected ending balance in MCRA6. In this MCRA Mr. Albertson testified that MCRA6 was modified to refund this amount sooner than would be the case if the reconciliation occurred within the mechanism as designed. As such, in MCRA7, Vectren South has reduced the over-recovery by this same amount to recognize that these dollars have already been included in MCRA6 as a refund to customers. The net adjustment to the MCRA over the two periods is zero dollars.

OUCC witness Stacie Gruca described her evaluation of Vectren South's calculation of the variance. Ms. Gruca explained that the ending regulatory asset balance was adjusted by \$5,371,917 to reverse the estimated over-recovery variance that was included in MCRA6 for the period of January 2010 through May 2010. This adjustment resulted in an adjusted ending regulatory balance, or under-recovery variance, of \$2,872,176, which was used in the calculation of the MCRA factor.

**5. Overview of Evidence.** Mr. Albertson sponsored the MCRAs and testified concerning the content and the calculation of the MCRAs noted above. Vectren South witness Mr. Chambliss described Applicant's projects approved by MISO for RECB treatment and how those costs are reflected in this MCRA. Vectren South witness Ms. Banet described the estimated and actual NFCs related to MISO Day 1, Day 2 and Ancillary Services Market. The OUCC created its report after reviewing Applicant's Application, prefiled testimony and exhibits and work papers.

OUCC Witness Gruca recommended acceptance of Applicant's recovery of Contestable RSG costs for the reconciliation period of January 2010 through June 2010, the recovery of the variance for the reconciliation period of January 2010 through June 2010 and the MCRA factor for the estimated period of December 2010 through May 2011.

**6. Commission Findings.** The evidence of record supports approval of Applicant's proposed MCRA factors as stated in Paragraph 3. Accordingly, the requested MCRA factors described herein should be approved.

The volatility in this tracker as a result of Vectren South's misapplication of a particular factor, which caused Vectren South to over-collect from ratepayers in a prior MCRA, has not escaped the Commission's attention. Such mistakes concern the Commission when it considers the appropriateness of this and other such tracking mechanisms on a going forward basis. However, the Commission notes Vectren South became aware of its misapplication and immediately took steps to rectify its mistake, which is the type of action the Commission deems appropriate to maintain the integrity of trackers in general.

**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 Paragraph 3 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, LANDIS AND ZIEGNER CONCUR; MAYS NOT PARTICIPATING:**

**APPROVED: NOV 30 2010**

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



**Brenda A. Howe**  
**Secretary of the Commission**