



STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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APPLICATION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY D/B/A VECTREN)
ENERGY DELIVERY OF INDIANA, INC.)
("VECTREN SOUTH") FOR APPROVAL OF A)
DEMAND SIDE MANAGEMENT)
ADJUSTMENT FOR ELECTRIC SERVICE IN)
ACCORDANCE WITH ORDERS OF THE)
COMMISSION IN CAUSE NO. 43111 DATED)
AUGUST 15, 2007, CAUSE NO. 43427 DATED)
DECEMBER 16, 2009, CAUSE NO. 43839)
DATED APRIL 27, 2011 AND CAUSE NO. 43405)
DSMA 9 S1 DATED JUNE 20, 2012)

CAUSE NO. 43405 DSMA 10

APPROVED: 'AUG 29 2012

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Loraine L. Seyfried, Chief Administrative Law Judge

On June 28, 2012, 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 in this Cause for approval of its Demand Side Management Adjustment ("DSMA") for the twelve month period of September 1, 2012 through August 31, 2013 (the "DSMA 10 Period") as authorized by the Commission's Orders in Cause Nos. 43111, 43427, 43839 and 43405 DMSA 9 S1.

Applicant filed the direct testimony of Robert C. Sears and Scott E. Albertson on June 28, 2012. The Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony of Wes R. Blakley on August 2, 2012.

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 August 14, 2012 at 9:30 A.M., in Room 224, PNC Bank Center, 101 West Washington Street, Indianapolis, Indiana. At that time, the prefiled testimony and exhibits of Applicant and the OUCC were admitted into evidence. No members of the general public appeared or sought to participate.

Based upon the applicable law and the evidence presented herein, 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 defined in Ind. Code § 8-1-2-1 and as such, is subject to the jurisdiction of the Commission as provided in the Public Service Commission Act, and the provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, has jurisdiction over Applicant and the subject matter herein.

2. Applicant’s Characteristics. Applicant is a corporation organized and existing under the laws of the State of Indiana, and has its principal office 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. Requested Relief. The Commission’s August 15, 2007 Order in Cause No. 43111 authorized Applicant to seek approval of a DSMA on a semi-annual basis to allow for the recovery of differences between actual Demand Side Management (“DSM”) program costs and the amount of those costs included in base rates, including Direct Load Control (“DLC”) billing credits and any other DSM costs approved for recovery by the Commission. In its December 16, 2009 Order in Cause No. 43427, the Commission authorized Applicant to include both Core and Core Plus Program Costs and related incentives in the DSMA. Pursuant to the April 27, 2011 Order in Cause No. 43839, Applicant also recovers through the DSMA the costs of a direct use pilot program and a DLC inspection and maintenance (“I&M”) program. The Commission’s Order in Cause No. 43938 authorized Applicant to include in the DSMA both Core and Core Plus Program Costs associated with the implementation of Applicant’s Second Revised Initial Plan, lost margins related to Large Customer participation in Vectren South’s DSM programs and performance incentives. The Order also authorized a transition from semi-annual DSMA filings to annual DSMA filings. The June 20, 2012 Order in Cause No. 43405 DSMA 9 S1 approved the Small Customer Lost Margin Component of the DSMA, the mechanism to recover lost margins associated with residential and general service customers’ (“Small Customers”) participation in Applicant’s DSM programs. In this Cause, Applicant seeks approval of a DSMA for the twelve month period September 1, 2012 through August 31, 2013. Applicant’s proposed DSMA also reconciles actual DSMA costs and recoveries experienced during the three (3) month period of October 1, 2011 through December 31, 2011.

4. Calculation of the DSMA Rates.

a. Applicant’s Evidence. Applicant’s witness Scott E. Albertson, Director of Regulatory Affairs for Vectren Utility Holdings, Inc. (“VUHI”) sponsored Exhibit No. SEA-3 consisting of the schedules calculating the proposed DSMA rates and associated bill impacts. He stated that consistent with the Commission’s Orders in Cause Nos. 43111, 43427, 43839, 43938 and 43405 DSMA 9 S1, the DSMA includes four components: (a) the DLC component, (b) the I&M component (c) the Energy Efficiency Funding Component (“EEFC”), and (d) a Lost Margin Component for Large and Small Customers. The DLC and I&M components were determined by adding the estimated incremental DLC billing credits and I&M costs for the DSMA 10 period and the prior period variances applicable to those components. The DLC component is a credit in this filing because the projected DLC billing credits are less than the base rate amount. The DLC credit and I&M balance were then allocated to the Rate Schedules using the demand allocation percentages approved in Cause No. 43839. The amounts allocated to each Rate Schedule were then divided by the projected sales quantities for the DSMA 10

period to determine the DSMA DLC and I&M components, which were then adjusted for the recovery of Indiana Utility Receipts Tax.

The EEFC is designed to recover the costs of DSM programs approved by the Commission in Cause Nos. 43938 and 43427. Mr. Albertson stated the EEFC was calculated by first assigning energy and demand values to projected Core and Core Plus Program Costs (“Program Costs”) as defined in Cause No. 43938. These values were then used to derive an appropriate percentage split between energy and demand related costs. The energy portion was allocated to the Rate Schedules based on projected energy sales (adjusted for line losses) and the demand portion was allocated to the Rate Schedules based upon the demand allocation percentages approved in Cause No. 43839. Performance incentives earned during 2011 were allocated to the Rate Schedules using the same methodology. The program costs allocated to Rates RS, B and SGS are recovered through a per kWh charge and program costs allocated to Rates DGS/MLA, OSS, LP and HLF are recovered through demand (per kW) and energy (per kWh) charges. Mr. Albertson said that this methodology was approved in Applicant’s compliance filing in Cause No. 43427.

Mr. Albertson stated that the variance attributable to the DLC component and the EEFC was allocated to energy and demand based upon the DSMAs in effect during the reconciliation period. The total demand variance was then allocated to the Rate Schedules on the basis of the demand allocation percentages approved in Cause No. 43839. The total energy variance was allocated to the Rate Schedules on the basis of the projected kWh usage for each Rate Schedule. For Rate Schedules with both an energy and a demand component of the EEFC, the energy component will recover the portion of the variance attributed to energy and the demand component will recover the portion of the variance attributed to demand.

The Large Customer Lost Margin Component recovers revenues lost from Large Customer participation in electric DSM programs. Mr. Albertson stated that the estimated energy sales to each Rate Schedule are used to project the number of participants (or in the case of lighting, the number of measures) in each DSM program by Rate Schedule. The projected number of participants is multiplied by the projected energy savings per participant, resulting in the projected level of kWh savings by Rate Schedule. The total projected kWh savings by Rate Schedule is then multiplied by the currently-effective tariff charge. Mr. Albertson said that a multiplier of 0.5 is then applied in order to reflect the fact that Large Customers will implement DSM programs at different times throughout the projection period. This calculation assumes that, on average, all programs are implemented at the mid-point of the projection period. When lost margins are reconciled, actual implementation dates by program, and by customer, will be used to determine the amount of recoverable Large Customer lost margins. According to Mr. Albertson, projected demand-related lost margins are calculated using the same methodology as is used to determine energy-related lost margins. Total projected Large Customer Lost Margins to be recovered during the DSMA 10 period were divided by projected energy sales to Large Customers during the DSMA 10 period to determine the Large Customer Lost Margin Component, which was then adjusted for Indiana Utility Receipts Tax.

The Small Customer Lost Margin Component recovers revenues lost from Small Customers’ participation in Applicant’s electric DSM programs. Small Customers are divided into two customer groups: residential and general service. A common lost margin component

charge per kWh is used for all customers in each customer group. Mr. Albertson said the projected energy savings by Rate Schedule applicable to the projection period are multiplied by the currently-effective tariff rate applicable to the lost energy sales for each energy savings. For Rate Schedules with one energy block, that single energy block charge is used. For Rate Schedules with more than one energy block, the last block energy charge is used to determine projected lost margins. For customers taking service under the Demand General Service Rate Schedule (“Rate DGS”), Applicant applied a weighted average energy charge to lost energy sales to determine lost margins. The basis of the weighted average energy charge, as Mr. Albertson explained, is that only 5% of non-first block energy sales to DGS-1 and DGS-2 customers fall in the last block, so it is reasonable to expect that a similar percentage of lost energy sales will come from the last block. Total projected lost margins to be recovered from Small Customers during the DSMA 10 period were divided by projected energy sales to Small Customers during the DSMA 10 period to determine the Small Customer Lost Margin Component, which was then adjusted for Indiana Utility Receipts Tax.

The DLC, I&M, EEFC, and Large and Small Customer Lost Margin Components (including all variances and inclusive of the adjustment for recovery of Indiana Utility Receipts Tax) were combined, resulting in the total DSMA Rate, as shown on Applicant’s Exhibit No. SEA-3, Schedule 6.

Mr. Albertson’s exhibits showed the derivation of the DSMA for each Rate Schedule for the DSMA 10 Period. The proposed rates for each Rate Schedule are as follows:

<u>Rate Schedule</u>	<u>DSMA Rate (\$ per KW or kVa)</u>	<u>DSMA Rate (\$ per kWh)</u>
RS	N/A	0.005670
B	N/A	0.005233
SGS	N/A	0.002658
DGS/MLA-1,2	0.096	0.001955
DGS/MLA-3	0.096	0.000773
OSS	0.070	0.001958
LP	0.132	0.000756
HLF	0.185	0.000733

Applicant’s Exhibit No. SEA-2 consists of the tariff sheets with the proposed DSMA Rates (Sheet No. 66, Third Revised Page 1 of 2 and Third Revised Page 2 of 2). Based on the foregoing, the monthly bill of a residential customer using 1,000 kWh per month during the DSMA 10 period would increase by \$3.39 per month or 2.19%.

Robert C. Sears, Director of Conservation for VUHI, described Applicant’s Initial Three Year DSM Plan, which includes costs and estimated savings associated with Core and Core Plus DSM programs. Mr. Sears identified changes to the DSM Plan, which were approved by the Vectren Oversight Board. Mr. Sears identified all of the Core and Core Plus programs that Applicant is currently offering, some of which had been launched as early as 2010. On January 2, 2012, the third party administrator launched Core Programs on a statewide basis. Mr. Sears discussed the success of the programs and the status of evaluation of the 2011 DSM programs. Mr. Sears explained how the performance incentive mechanism works and how the incentive is

calculated. He discussed how lost margins are calculated and the system Applicant uses to track lost margins. Mr. Sears discussed the results of Applicant's 2011 I&M program of switches used to remotely control equipment subject to Applicant's DLC Program. He indicated that there is a regulatory requirement to file an annual report regarding the status and performance of the DLC program. He said that historically Vectren South has filed this report with the Commission in May of each year, but, in this Cause, requested authority to file the report in June of each year along with the annual DSMA filing.

b. OUC's Evidence. Mr. Wes R. Blakley, Senior Utility Analyst, testified on behalf of the OUC that the figures used in Applicant's calculation of its DMSA rates are supported by the exhibits filed by Applicant. Mr. Blakley attached a schedule to his testimony using information provided by Applicant in its exhibits to derive the overall adjustment factor of \$0.005670 per kWh for the Residential Class (Rate RS) including DLC credits and variances, EEFC program, administrative costs, incentives and lost margins.

5. Commission Findings. The evidence of record supports approval of Vectren South's proposed DSMA rates as shown in Applicant's exhibits submitted with its testimony. Accordingly, the Commission finds the requested DSMA rates described herein should be approved. In addition, the Commission finds Vectren South's request to consolidate reporting requirements to be reasonable and, therefore, Applicant is authorized to file its annual DLC report with its annual DSMA filing in June of each year.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:

1. The Application of Vectren South for approval of changes in its DSMA rates is approved.
2. Applicant shall file with the Electricity Division of this Commission, prior to placing in effect the DSMA rates herein approved, a revised Tariff Sheet No. 66 consistent with the findings set forth herein.
3. Applicant is authorized to file its annual DLC report as required by 170 IAC 4-8-4(b) in June of each year, along with its annual DSMA filing.
4. This Order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, LANDIS, AND ZIEGNER CONCUR; MAYS NOT PARTICIPATING:
APPROVED **AUG 29 2012**

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



Brenda A. Howe
Secretary to the Commission