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 DEMAND SIDE MANAGEMENT ADJUSTMENT FOR ELECTRIC SERVICE IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 43111 DATED AUGUST 15, 2007 AND CAUSE NO. 43427 DATED DECEMBER 16, 2009 PURSUANT TO I.C. § 8-1-2-42(a)	)	**CAUSE NO. 43405 DSMA 7** **APPROVED:** FEB 23 2011

BY THE COMMISSION:
David E. Ziegner, Commissioner
Loraine L. Seyfried, Administrative Law Judge

On December 20, 2010, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "Petitioner") filed with the Indiana Utility Regulatory Commission ("Commission") its Application in this Cause for approval of its Demand Side Management Adjustment ("DSMA") for the six month period of March 1, 2011 through August 31, 2011 (the "DSMA7 period") as authorized by the Commission's Orders in Cause Nos. 43111 and 43427, issued on August 15, 2007 and December 16, 2009, respectively.

Petitioner filed the direct testimony of Scott E. Albertson on December 20, 2010. The Indiana Office of the Utility Consumer Counselor ("OUCC") filed the direct testimony of Wes R. Blakley on January 24, 2011. Petitioner did not file rebuttal testimony.

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 February 8, 2011 at 9:30 A.M., in Room 220, PNC Center, 101 West Washington Street, Indianapolis, Indiana. At that time, the prefiled testimony and exhibits of Petitioner 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. Petitioner 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 the parties and the subject matter herein.

2. **Petitioner's Characteristics.** Petitioner 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. Petitioner 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 authorizes Petitioner 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 the December 16, 2009 Order in Cause No. 43427, the Commission authorized Petitioner to include both Core and Core-plus Program Costs and related incentives in the DSMA. In this Cause, Petitioner seeks approval of a DSMA for the six month period March 1, 2011 through August 31, 2011. Petitioner's proposed DSMA also reconciles actual DSMA costs and recoveries experienced during the period of April 2010 through September 2010 ("reconciliation period"). Pursuant to the Order in Cause No. 43111, the estimated DSM deferred balance as of March 31, 2007 is being amortized in base rates over 60 months. The difference between the DSM deferred balance at August 31, 2007 and the estimated DSM deferred balance included in base rates at March 31, 2007 is being amortized in the DSMA, also over 60 months.

4. **Calculation of the DSMA Factors.**

a. **Petitioner's Evidence.** Petitioner's witness Scott E. Albertson sponsored Petitioner's Exhibit SEA-3 consisting of the schedules calculating the proposed DSMA factors and associated bill impacts. He stated that consistent with the Commission's Orders in Cause Nos. 43111 and 43427, the DSMA includes two components, the DLC component and the Energy Efficiency Funding Component ("EEFC"). Mr. Albertson described how each component was calculated and included in the DSMA. The DSMA DLC factors were determined by adding the incremental DSMA amount for the DSMA7 period (including the amortizations described above) to the DSMA variance. The sum was then multiplied by the rate schedule allocation percentages approved in Cause No. 43111. The amount allocated to each rate schedule was then divided by the estimated sales quantity for that schedule for the DSMA7 period to determine the DSMA DLC factors, which were then adjusted for the Indiana Utility Receipts Tax.

Mr. Albertson stated that the variance attributable to the DLC and the EEFC was calculated by first deriving the ending total variance applicable to the reconciliation period. The ending variance is then allocated to energy and demand based upon the DSMAs in effect during the reconciliation period. The total demand variance is then allocated to the rate schedules on the basis of the demand allocation percentages approved in Cause No. 43111. The total energy variance is allocated to the rate schedules on the basis of the projected kWh usage for each rate schedule.

Mr. Albertson stated that 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. 43427. These values were then used to derive an appropriate percentage split between energy and demand related costs, which in turn allows for a more appropriate allocation of costs to the rate schedules. The energy portion was allocated to the rate schedules based on projected energy sales, and the demand portion was allocated to the rate schedules based upon the demand allocation percentages approved in Cause No. 43111. The costs allocated to Rates A, EH, B and SGS are recovered through a per kWh charge; costs allocated to Rates DGS and OSS are recovered through demand (per kW) and energy (per kWh) charges. Finally, for the EEFC portion of the DSMA, Program Costs allocated to Rates LP and HLF are recovered only through a demand charge. Mr. Albertson said that this methodology was approved in Vectren South's compliance filing in Cause No. 43427. The resulting DSMA EEFC factors (including variances) were then adjusted for the Indiana Utility Receipts Tax and combined with the DSMA DLC factors to derive the total DSMA Rate, as shown on Petitioner's Exhibit SEA-3, Schedule 4.

Mr. Albertson's exhibits showed the derivation of the DSMA for each rate schedule for the DSMA7 period. The DSMA factors were designed to reflect \$2,422,697 of incremental EEFC costs, \$67,632 of incremental DLC costs, and a variance of \$(154,098) during the DSMA7 period. The proposed factors for each rate schedule are as follows:

Rate Schedule	DSMA Energy Rate ($ per KWh)	DSMA Demand Rate ($ per kW/kVa of Billing Demand)
A	$ 0.001214	
EH	$ 0.001106	
B	$ 0.001058	
SGS	$ 0.001798	
DGS/MLA	$ 0.001712	$ 0.075
OSS	$ 0.001712	$ 0.052
LP	$ 0.000015	$ 0.032
HLF	$ 0.000016 (1)	$ 0.049
Billing Demand: First 4,500 kVa	$ 43.20 per month	
Billing Demand: Over 4,500 kVa	$ 0.010 per kVa	

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

Petitioner's Exhibit SEA-2 is a tariff sheet containing the proposed DSMA adjustment factors (Sheet No. 66, Second Revised Page 2 of 2). Based on the foregoing, the monthly bill of a residential customer using 1,000 kWh per month during the DSMA7 period would see an increase of \$0.90.

b. OUCC's Evidence. The OUCC's witness Wes R. Blakley testified that the figures used in Petitioner's calculation of its DMSA factors are supported by the exhibits filed by Petitioner. He said that Petitioner followed the procedures established in its compliance filing in Cause No. 43427 for collecting administrative and program costs through the EEFC. Mr. Blakley provided a schedule using information provided by Petitioner in its exhibits to derive the overall adjustment factor of $0.001214 for the Residential Class (Rate A) including DLC credits, EEFC program and administrative costs and variances.

5. **<u>Commission Findings</u>.** The evidence of record supports approval of Petitioner's proposed DSMA factors as shown in Petitioner's exhibits submitted with its prefiled testimony. Accordingly, the Commission finds the requested DSMA factors described herein should be approved.

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

1. The Application of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. for approval of changes in its Demand Side Management Adjustment factors is approved as set forth in Finding No. 4 above.

2. Petitioner shall file with the Electricity Division of this Commission, prior to placing in effect the DSMA factors herein approved, a revised Tariff Sheet No. 66 consistent with the findings set forth herein.

3. This Order shall be effective on and after the date of its approval.

<u>ATTERHOLT, LANDIS AND ZIEGNER CONCUR; BENNETT AND MAYS NOT PARTICIPATING:</u>
APPROVED FEB 23 2011

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission