

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 )  
 RELIABILITY COST AND REVENUE ) CAUSE NO. 43406 RCRA 10  
 ADJUSTMENT FOR ELECTRIC SERVICE IN )  
 ACCORDANCE WITH THE ORDERS OF THE ) APPROVED: OCT 17 2012  
 COMMISSION ISSUED IN CAUSE NO. 43111 )  
 DATED AUGUST 15, 2007 AND CAUSE NO. )  
 43839 DATED APRIL 27, 2011 )

ORDER OF THE COMMISSION

**Presiding Officers:**  
**David E. Ziegner, Commissioner**  
**Lorraine L. Seyfried, Chief Administrative Law Judge**

On July 30, 2012, 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 in this Cause for approval of its Reliability Cost and Revenue Adjustment ("RCRA") as authorized in the Commission's August 15, 2007 Order in Cause No. 43111 and the April 27, 2011 Order in Cause No. 43839. Applicant filed with its Application the testimony of Scott E. Albertson, Applicant's Vice President, Regulatory Affairs for Vectren Utility Holdings, Inc. and Wayne D. Games, Applicant's Vice President, Power Supply. The Indiana Office of Utility Consumer Counselor ("OUCC") filed its report and the testimony of Stacie R. Gruca, Senior Utility Analyst, on September 4, 2012. On September 11, 2012, Vectren South filed rebuttal testimony of Mr. Albertson and Mr. Games.

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 September 17, 2012 at 1:00 p.m., in Room 224, 101 West Washington Street, Indianapolis, Indiana. At that time, the prefiled testimony and exhibits of Applicant and the OUCC were admitted into evidence without objection. No members of the general public appeared.

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 this 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.** Vectren South 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 Applicant to seek approval of an RCRA on a semi-annual basis to allow Vectren South to adjust its rates for Non-Firm Wholesale Power Margins, Municipal Wholesale Margins, Environmental Emission Allowance Credits, Interruptible Sales billing credits and Purchased Power Non-Fuel Costs. To the extent that purchased power non-fuel costs and interruptible sales billing credits differ from base rate level amounts for those charges, those differences will be tracked under the RCRA. Non-firm wholesale power margins that differ from the base rate level are shared 50/50 with customers. In this Cause, Applicant seeks approval of the first RCRA annual filing for the twelve month period October 1, 2012 through September 30, 2013.

4. **Filing Dates.** Applicant proposes annual, rather than semi-annual, RCRA filings in order to simplify the reconciliation of Wholesale Power Marketing (“WPM”) sales results, which are reflected on an annualized basis. Applicant’s witness Mr. Albertson testified that an annual filing would eliminate the need to include 50% of the appropriate sharing amounts in each of two RCRA filings and result in administrative efficiencies through fewer filings. The OUCC’s witness Ms. Gruca testified that if Applicant’s proposal to file annually is approved by the Commission, the OUCC should be provided a period of at least 60 days from the date of the Applicant’s filing to file its own testimony. In his rebuttal testimony, Mr. Albertson agreed that the 60 day review period was reasonable, but indicated that in order to allow enough time for an evidentiary hearing, the effective date of rates approved in future RCRA proceedings would need to be changed to November 1 beginning with RCRA 11, which will be filed in July, 2013.

5. **Wind Power Related Costs.** Applicant sponsored testimony from Mr. Games regarding the RCRA inclusion of energy costs from the Fowler Ridge II (“Fowler Ridge”) Renewable Energy Purchase Agreement (“REPA”) as approved by the Commission in Cause No. 43635 on June 17, 2009. Mr. Games testified that REPA costs included in the reconciliation period were \$217,892 for the seven (7) month period October 2011 to April 2012.

6. **Calculation of the RCRA Rates.** Applicant’s witness Albertson sponsored Exhibit SEA-3 consisting of the schedules calculating the proposed RCRA rates and associated bill impacts. Based on the evidence presented, the RCRA rates for this period are based on the following:

<b>Factor Inputs</b>	<b>Charge/Credit</b>
Non-Fuel Component of Purchased Power Cost	\$ (1,542,321)
Interruptible Sales Billing Credits	\$ (184,079)
Estimated PJM Costs	327,792
Environmental Emission Allowance Costs	\$ (135,627)
<b>Total Reliability Cost</b>	<b>\$ (1,534,235)</b>
Net EA Margin	\$ (80,892)
<b>Incremental RCRA Amounts to be Tracked</b>	<b>\$ (1,453,343)</b>
Under (Over) Recovery Variance *(October 2011 – April 2012)	\$ 1,944,871
<b>Total Charge/(Credit)</b>	<b>\$ 491,528</b>

The proposed RCRA rates adjusted for Indiana Utility Receipts Tax from Applicant's Exhibit SEA-3 Schedule 1, Line 7, are as follows:

Applicable RCRA Rates (per kWh)

<u>Rate Schedule</u>	
RS	\$ 0.000143
B	\$ 0.000056
SGS	\$ 0.000134
DGS/MLA	\$ 0.000118
OSS	\$ 0.000102
LP	\$ 0.000056
HLF	\$ 0.000054

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will see a decrease of \$1.43 from the currently approved RCRA in each month on his or her electric bill from the effective date of this Cause until the effective date of the next subsequent RCRA.

**7. Planning Reserve Margin.** The OUCC's witness Ms. Gruca testified that Applicant provided sufficient justification for its need to carry a reserve margin larger than the Midwest Independent Transmission System Operator's ("MISO's") 2012 required reserve margin. Ms. Gruca noted that Applicant indicated its resource planning is done to reliably provide supply for longer periods than a single year and that demand conditions change over time. Additionally, the cited capacity purchases were made when the economy was strong and load growth was anticipated. Ms. Gruca recommended the starting point for determining reserve margins should be the MISO Planning Reserve Margin, with cost recovery for purchases in excess of that reserve level being subject to a finding of reasonableness based upon adequate justification. On

rebuttal, Applicant's witness Mr. Games generally agreed with the OUCC's recommendation, but noted examples of instances when departures from the MISO Planning Reserve Margin may be needed, including changing peak projections, changes by MISO to the Planning Reserve Margin, new customer load, or energy efficiency programs that are not as successful as planned. Mr. Games testified that planning for and adapting to these changing conditions could justify the need to depart from the MISO Planning Reserve Margin.

**8. Base Rate Amounts.** The projections in this filing reflect changes to the annual base rate amounts in Applicant's previous base rate order in Cause No. 43839 ("Rate Order"), including Purchased Power non-fuel costs of \$7,804,072, Interruptible Sales billing credits of \$1,686,350 and Environmental Emission Allowance costs of \$135,627. Non-firm wholesale power margins that differ from the base rate level continue to be shared 50/50 with customers. The base rate level per the Rate Order is \$7,500,000 annually.

**9. Commission Findings.** The evidence of record supports approval of Applicant's proposed RCRA rates. Based on the testimony and evidence submitted in this Cause, the Commission finds the proposed changes to the calculation of the RCRA should be approved. Accordingly, the requested RCRA rates described herein are approved. In addition, we find Applicant's proposal to file its RCRA annually, rather than semi-annually, to be reasonable and appropriate. Beginning with RCRA 11 to be filed in July, 2013, Applicant shall file its annual RCRA petition in July to allow for a 60 day review period by the OUCC and an Order to be issued by the Commission prior to November 1.

**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 its Reliability Cost and Revenue Adjustment for electric service as set out in Finding No. 6, is hereby approved.

2. Applicant shall file with the Electricity Division of this Commission, prior to placing in effect the RCRA rates herein approved, revised Tariff Sheet No. 74, Page 1 of 2 and Page 2 of 2 consistent with the findings set forth herein.

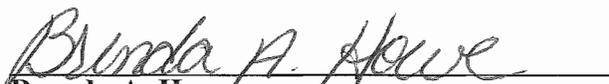
3. Applicant shall file its RCRA rates going forward on an annual basis, consistent with the findings set forth herein.

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

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

**APPROVED: OCT 17 2012**

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

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