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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")) CAUSE NO. 43406 RCRA 12
FOR APPROVAL OF A RELIABILITY COST AND)
REVENUE ADJUSTMENT FOR ELECTRIC SERVICE)
IN ACCORDANCE WITH THE ORDERS OF THE) APPROVED:
COMMISSION IN CAUSE NO. 43111 DATED AUGUST) OCT 22 2014
15, 2007 AND CAUSE NO. 43839 DATED APRIL 27, 2011)

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Marya Jones, Administrative Law Judge

On July 17, 2014, 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 this Commission's August 15, 2007 Order in Cause No. 43111 and the Order in Cause No. 43839 dated April 27, 2011. Applicant filed with its Verified Application the testimony of Shawn M. Kelly, Applicant's Director, Regulatory Affairs for Vectren Utility Holdings, Inc., Applicant's parent company, and Wayne D. Games, Applicant's Vice President, Power Supply. The Office of the Utility Consumer Counselor ("OUCC") filed its report and the testimony of Stacie R. Gruca, Senior Utility Analyst, on September 15, 2014.

The Commission convened a public hearing in this Cause on September 25, 2014 at 9:30 a.m., in Room 224 of the PNC Center, 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 or sought to testify at the hearing.

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. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to Applicant's rates and charges, including tracking provisions approved by the Commission. The Commission, therefore, has jurisdiction over Applicant and the subject matter herein.

2. **Applicant’s Characteristics.** Applicant is a public electric generating utility corporation organized and existing under the laws of the State of Indiana with its principal office and place of business located at One Vectren Square, Evansville, Indiana 47708. Applicant is engaged in rendering electric utility service in the State of Indiana, and owns, operates, manages and controls plant and equipment in within the State of Indiana used for the production, transmission, delivery and furnishing of this service to the public.

3. **Requested Relief.** The Commission first approved the RCRA in Cause No. 43111 with its Order of August 15, 2007. The Commission modified the RCRA with its Order of April 27, 2011, in Cause No. 43839. These Orders authorize Applicant to seek approval of an RCRA 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 an RCRA for the twelve month period November 1, 2014 through October 31, 2015.

4. **Wind Power Related Costs.** Applicant sponsored testimony from Mr. Games regarding the RCRA inclusion of energy costs from the Fowler Ridge II Renewable Energy Purchase Agreement (“REPA”) as approved by this Commission in Cause No. 43635 on June 17, 2009. Mr. Games testified that REPA costs included in the reconciliation period were \$739,272 for the twelve month period May 2013 to April 2014.

5. **Calculation of the RCRA Rates.** Applicant’s witness Kelly sponsored Exhibit SMK-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 inputs:

Cost/Revenue Category	Amount
Non-Fuel Component of Purchased Power Cost	\$(2,924,903)
Interruptible Sales Billing Credits	\$1,127,116
Estimated PJM Costs	\$490,689
Environmental Emission Allowance Costs	\$(135,627)
Total Reliability Cost	\$(1,442,724)
Net Emission Allowance Margin	\$(32,440)
Incremental RCRA Amounts to be Tracked	\$(1,475,164)
Under (Over) Recovery Variance * (May 2013-April 2014 (Includes Wholesale Power Margin Sharing credit of \$1,023,132)	\$(2,711,243)
Total Charge/(Credit)	\$(4,186,407)

The proposed RCRA rates adjusted for Indiana Utility Receipts Tax from Applicant’s Exhibit No. SMK-3 Schedule 1, Line 7, are as follows:

Applicable RCRA Rates (per kWh)

<u>Rate Schedule</u>	
RS	\$ (0.001271)
B	\$ (0.000568)
SGS	\$ (0.001130)
DGS/MLA	\$ (0.000977)
OSS	\$ (0.000889)
LP	\$ (0.000453)
HLF	\$ (0.000485)

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will see a decrease of \$0.48 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.

6. 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.

7. 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 proposed changes to the calculation of the RCRA are approved. Accordingly, the requested RCRA rates described herein are 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 its Reliability Cost and Revenue Adjustment for electric service as set out in Finding No. 5, 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 2 of 2 consistent with the

findings set forth herein.

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

STEPHAN, MAYS-MEDLEY, AND ZIEGNER CONCUR; HUSTON AND WEBER NOT PARTICIPATING:

APPROVED: OCT 22 2014

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

A handwritten signature in cursive script that reads "Brenda A. Howe". The signature is written in black ink and is positioned above a horizontal line.

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