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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") FOR APPROVAL OF A) CAUSE NO. 43406 RCRA 8
RELIABILITY COST AND REVENUE)
ADJUSTMENT FOR ELECTRIC SERVICE IN)
ACCORDANCE WITH THE ORDERS OF THE) APPROVED: SEP 07 2011
COMMISSION IN CAUSE NO. 43111 DATED)
AUGUST 15, 2007 AND CAUSE NO. 43839)
DATED APRIL 27, 2011)

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

On July 5, 2011, 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, Director of Regulatory Affairs for Vectren Utility Holdings, Inc. and Wayne D. Games, Applicant's Vice President of Power Supply. The Indiana Office of the Utility Consumer Counselor ("OUCC") filed its report and the testimony of Stacie R. Gruca, Senior Utility Analyst, on August 9, 2011.

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 22, 2011 at 9:30 a.m., in Room 222, 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. 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. The Commission, therefore, has jurisdiction over Applicant 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. 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 an RCRA for the six month period September 1, 2011 through February 29, 2012.

Vectren South proposed a 7-month reconciliation period in this RCRA filing and a 5-month reconciliation period in RCRA 9. The 7-month period incorporates base rate amounts through April 2011. Mr. Albertson explained the Order in Cause No. 43839 ("Rate Order"), Applicant's most recent electric base rate case, was issued on April 27, 2011. Therefore, the additional month reconciled during this RCRA is expected to make the reconciliation of RCRA 9 more straightforward by avoiding the reconciliation, in RCRA 9, based on differing base rate amounts. He stated the reconciliation periods will return to 6-month periods in RCRA 10.

Per the Rate Order, Applicant's Qualified Pollution Control Property Multi-Pollutant Operating Expense Adjustment ("QPCP-OE2") was eliminated and Applicant, upon reconciling QPCP-OE2 expenses and recoveries as of the date of the Rate Order, is to include any remaining difference in the RCRA. Applicant has included 50% of that remaining difference (\$1,052,340) in this RCRA, and will include the same amount in RCRA 9.

4. Wind Power Related Costs. Applicant sponsored testimony from Mr. Games regarding the RCRA inclusion of costs from the Fowler Ridge II ("Fowler Ridge") Renewable Energy Purchase Agreement ("REPA") and PJM 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 credits of \$51,574, and REPA costs included in the projection period are credits of \$65,292.

5. Calculation of the RCRA Rates. Applicant's witness Mr. 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 inputs:

Cost/Revenue Category	Amount
Reliability Cost: Incremental Non-Fuel Cost of Purchased Power	\$(68,591)
Reliability Cost: Incremental Cost of Interruptible Sales Billing Credits	\$(153,829)
Reliability Revenue: Municipal Wholesale Sales Margin	\$ 0
Reliability Revenue: Retail Portion of Emission Allowance Sales Margin	\$79,998
Rate Schedule Allocation Percentage	Applicant's Exhibit SEA-3
Rate Schedule Quantities	Applicant's Exhibit SEA-3
Prior Period Reconciliation Amount	\$4,264,995
Retail Portion (80%) of Sale of NO _x Allowances	\$0

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

Applicable RCRA Rates (per kWh)

Rate Schedule

RS	\$ 0.002253
B	\$ 0.000780
SGS	\$ 0.001842
DGS/MLA	\$ 0.001934
OSS	\$ 0.001516
LP	\$ 0.000995
HLF	\$ 0.000984

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will see an increase of \$2.50 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 Changes. The Rate Order resulted in changes to the base rate amounts of costs and revenues included in the RCRA. Projections in this filing reflect the changes to the annual amounts, including Purchased Power Non-Fuel Costs of \$7,804,072, Interruptible Sales billing credits of \$1,686,350 and Environmental Emission Allowance Credits 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. Accordingly, the requested RCRA rates described herein should be approved.

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

1. The Application of 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 above is hereby approved.

2. Applicant's proposal to use a 7-month reconciliation period in this RCRA and a 5-month reconciliation period in RCRA 9 is found to be reasonable and is hereby approved.

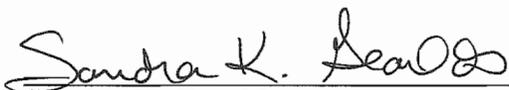
3. Applicant shall file with the Electricity Division of this Commission, prior to placing in effect the RCRA rates herein approved, a revised Tariff Sheet No. 74, Page 2 of 2, consistent with the findings set forth herein.

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

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

APPROVED: SEP 07 2011

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



**Sandra K. Gearlds
Acting Secretary to the Commission**