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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) CAUSE NO. 43406 RCRA 9
SOUTH") FOR APPROVAL OF A RELIABILITY)
COST AND REVENUE ADJUSTMENT FOR)
ELECTRIC SERVICE IN ACCORDANCE WITH) APPROVED: FEB 22 2012
THE ORDERS OF THE 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
Loraine L. Seyfried, Chief Administrative Law Judge

On December 22, 2011, in accordance with Indiana 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 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 January 31, 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 February 9, 2012 at 9:30 a.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 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 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 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 March 1, 2012 through August 31, 2012.

Vectren South proposed a 7-month reconciliation period in its Cause No. 43406 RCRA 8 ("RCRA 8") filing and a 5-month reconciliation period in this proceeding ("RCRA 9"). The 7-month period incorporated base rate amounts through April 2011. The Commission's Order in Cause No. 43839 ("Rate Order"), Applicant's most recent electric base rate case, was issued on April 27, 2011 and implemented on May 3, 2011. Mr. Albertson explained the additional month reconciled during RCRA 8 makes the reconciliation of RCRA 9 more straightforward by avoiding a reconciliation based on differing base rate amounts in RCRA 9. He stated the reconciliation periods will return to 6-month periods in the next RCRA filing.

Pursuant to 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 included 50% of that remaining difference (\$1,052,340) in RCRA 8, and has included (\$1,052,340) in RCRA 9.

4. 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 authorized by the Commission's June 17, 2009 Order in Cause No. 43635. Mr. Games testified that REPA costs included in the reconciliation period were \$7,992, and REPA costs included in the projection period are estimated credits of \$30,272.

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

Factor Inputs	Charge / (Credit)
Non-Fuel Component of Purchased Power Cost	\$ 139,095
Interruptible Sales Billing Credits	\$ (63,739)
Net Municipal Wholesale Sales Margin	\$ 0
Estimated PJM Costs	\$ (30,272)
Net Emission Allowance Sales Margin	\$ 369,579
Emission Allowance Cost	\$ (67,814)
Incremental RCRA Amounts to be Recovered	\$ (392,309)
Prior Period Reconciliation Amount	\$ 3,275,432
Total Charge / (Credit)	\$ 2,883,124

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

Applicable RCRA Rates (per kWh)

<u>Rate Schedule</u>	
RS	\$ 0.001574
B	\$ 0.000648
SGS	\$ 0.001555
DGS/MLA	\$ 0.001283
OSS	\$ 0.001264
LP	\$ 0.000630
HLF	\$ 0.000628

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will see a decrease of \$0.68 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 Rate Order resulted in changes to the base rate amount of costs and revenues included in the RCRA. Projections in this filing reflect the changes to the annual base rate 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 Commission finds the requested RCRA rates, as 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 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 the 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.

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

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

APPROVED: FEB 22 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