

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

[Handwritten signatures and initials: JBA, JLA, JLB]

JOINT PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY D/B/A VECTREN)
ENERGY DELIVERY OF INDIANA, INC. AND)
THE INDIANA OFFICE OF UTILITY)
CONSUMER COUNSELOR FOR APPROVAL OF)
SETTLEMENT ESTABLISHING A MECHANISM)
FOR THE RECOVERY OF JURISDICTIONAL)
COSTS INCURRED IN CONNECTION WITH)
THE MIDWEST INDEPENDENT)
TRANSMISSION SYSTEM OPERATOR, INC.)
CHARGE TYPES FOR DAY AHEAD REVENUE)
SUFFICIENCY GUARANTEE DISTRIBUTION)
CHARGES AND CREDITS AND REAL TIME)
REVENUE SUFFICIENCY GUARANTEE FIRST)
PASS DISTRIBUTION AMOUNTS CHARGES)
AND CREDITS.)

CAUSE NO. 43672

APPROVED:

JUN 30 2009

BY THE COMMISSION:

David E. Ziegner, Commissioner
Loraine L. Seyfried, Administrative Law Judge

On April 23, 2009, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South") and the Indiana Office of Utility Consumer Counselor ("OUCC") ("Joint Petitioners") filed their Joint Petition with the Indiana Utility Regulatory Commission ("Commission") for approval of a settlement of the issues of recovery of jurisdictional costs incurred in connection with the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO" or "MISO") charge types for Day Ahead Revenue Sufficiency Guarantee Distribution charges and credits and Real Time Revenue Sufficiency Guarantee First Pass Distribution charges and credits ("RSG Amounts"). The Stipulation and Agreement, including the Settlement Terms attached thereto, was attached to the Joint Petition as Joint Exhibit 1 ("RSG Settlement"). On May 1, 2009, Vectren South prefiled its Direct Testimony and on May 12, 2009, the OUCC prefiled its Direct Testimony. No other party intervened in this proceeding.

Pursuant to public notice duly given and published, proof of which was incorporated into the record by reference and placed in the Commission's official file, a public hearing was held in this Cause on June 4, 2009, at 9:30 a.m. in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Joint Petitioners appeared by counsel. Joint Petitioners' prefiled testimony and exhibits were admitted into evidence without objection. No members of the general public attended the hearing.

Based upon the applicable law and the evidence herein, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted herein was caused to be published by the Commission. Joint Petitioner Vectren South is a public utility within the meaning of Indiana Code 8-1-2-1 of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission. The Joint Petition concerns the recovery of RSG Amounts, a matter within this Commission's jurisdiction under Indiana Code 8-1-2-42. The Commission has jurisdiction over Joint Petitioner Vectren South and the subject matter of this Cause in the manner and to the extent provided by the laws of the State of Indiana.

2. **Commission Authority To Approve Settlement Agreements.** Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406. Furthermore, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 583 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the RSG Settlement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the RSG Settlement is reasonable, just and consistent with the purpose of Indiana Code 8-1-2, and that such agreement serves the public interest.

3. **Settlement Agreement.** A copy of the RSG Settlement is attached hereto and made a part hereof. The components of the RSG Settlement may be summarized as follows:

- (a) Day-Ahead Revenue Sufficiency Guarantee Distribution Amounts ("DA RSG") reports by the Midwest ISO on Vectren South's S-14 statements may be recovered as fuel costs in Vectren South's fuel cost adjustment ("FAC") proceedings.
- (b) Beginning April 1, 2009, Real-Time Revenue Sufficiency Guarantee 1st Pass Distribution Amounts ("RT RSG") reports by MISO on Vectren South's S-14 statements at an hourly \$/MWh rate will be added to the Real-Time Marginal Energy Component ("MEC") of Locational Marginal Price ("LMP") in each hour to compute an Hourly Revenue Sufficiency Guarantee ("RSG") Reference Point. The following formula shall be used:

$$\text{Hourly RSG Reference Point} = \text{Hourly RT RSG Rate} + \text{Hourly RT MEC}$$

- (c) Each day a "Benchmark" shall be established based upon a generic Gas Turbine

("GT"), using a generic GT heat rate of 12,500 btu/kwh using the day ahead natural gas prices for the NYMEX Henry Hub, plus a \$.60/mmbtu gas transport charge for a generic gas-fired GT.

- (d) The Hourly RSG Reference Point shall then be compared to the Benchmark.
- (e) During those hours when the RSG Reference Point is at or below the Benchmark, the RT RSG charges incurred during those hours may flow through and be recovered as fuel cost in Vectren South's FAC proceedings.
- (f) During those hours when the RSG Reference Point is above the Benchmark, Vectren South may seek recovery of those RT RSG charges that exceed the Benchmark ("Contestable RT RSG Charges"), subject to Commission approval, provided Vectren South submits to the Commission and OUCC, at the time of its filing, supporting documentation establishing the reasonableness of the requested recovery. The OUCC does not waive any right to challenge Vectren South's request for recovery of the Contestable RT RSG Charges.
- (g) The standard to be used to review such Contestable RT RSG Charges will be one of the reasonableness of the decisions under the circumstances which were known (or which reasonably should have been known) at the time the charges were incurred.
- (h) Any Contestable RT RSG Charges not addressed in Vectren South's FAC proceeding may alternatively be presented for recovery in Vectren South's MISO Cost and Revenue Adjustment ("MCRA") or they may be deferred. Vectren South may seek recovery of such deferral, subject to Commission approval in a general rate case in which basic rates and charges are established, provided that Vectren South will bear the burden of proving the reasonableness of such costs.
- (i) RT RSG on re-settlement statements (e.g. S-55, S-105, etc.) shall be reconciled in the FAC in the current period, and not subject to the Benchmark.
- (j) DA RSG Distribution Charges shall be allocated between intra-system sales and firm inter-system sales on a per kWh basis. RT RSG First Pass Distribution Charges associated with Load Schedule Imbalance shall be allocated between intra-system sales and firm inter-system sales on a per kWh basis. RT RSG First Pass Distribution Charges associated with Physical Schedule Imbalance, Deficient Energy (f/k/a Asset Owner Under Generation), Excessive Energy (f/k/a Asset Owner Over Generation), Asset Owner Derate Volume Deviation and Asset Owner Must-Run Volume Deviation in a given hour shall be allocated to opportunity sales in that hour on a per kWh basis. The remaining RT RSG First Pass Distribution Charges shall be allocated between intra-system sales and firm inter-system sales on a per kWh basis.
- (k) The Joint Petitioners recognize that the MISO market is still evolving and agree to work collaboratively to reduce RSG charges while supporting the operational needs of the MISO footprint; reflect fair and reasonable costs to Indiana retail

customers; and create fair and reasonable cost recovery mechanisms for Indiana utilities.

- (l) The RSG Settlement will be binding upon the Joint Petitioners for DA RSG and RT RSG charges incurred through March 31, 2011. The Joint Petitioners further agree that the RSG Settlement will renew for additional two year terms, unless one party notifies the other party that it does not wish to extend the RSG Settlement at least 60 days prior to the termination date, or the Commission enters an Order finding that the RSG Settlement should not be extended.

4. **Testimony in Support of the Settlement Agreement.** The Joint Petitioners' direct testimony was submitted by Marlene Parsley, Manager-ISO Integration at Vectren South and Stacie R. Gruca, a Utility Analyst for the OUCC. Ms. Parsley testified that the RSG Settlement extends the RSG Benchmark previously approved by the Commission in Cause No. 43475 (the "Current Settlement"). Ms. Parsley provided a brief explanation of the benefits to Vectren South's customers of Vectren South's participation in the Midwest ISO. She stated that the Midwest ISO gives all participants open access to the transmission system and all available resources are centrally dispatched using simultaneous co-optimization. It provides a transparent and liquid energy market across the entire footprint of the Midwest ISO. Furthermore, on-going coordination between Midwest ISO and adjacent ISO systems increases grid reliability and makes it possible to regionally coordinate transmission expansion. She stated, while benefiting from improved grid reliability, the greater benefit for Vectren South and its customers is the transparent and liquid energy market that brings about an even playing field for all utilities. This allows Vectren South to make more economic purchases from the open market with the benefits flowing directly to its customers.

Ms. Parsley testified that MISO now provides the same level playing field for ancillary services (regulation and contingency reserves) while also more effectively and economically allocating resources to provide those reserves. This provides an opportunity to reduce the overall amount of reserves being held by market participants, further reducing the cost of providing those reserves to customers.

Ms. Parsley stated that the RSG Amounts are assigned to market participants for their participation in the Day-Ahead and/or Real-Time markets and are not a socialized and/or uplift charge. For example, this would include the recovery of fuel-related costs by other market participants for running generation committed by MISO to ensure adequate capacity is available to meet demand and reserve obligations and to ensure system reliability within the MISO footprint. This generation would provide additional supply and creates downward pressure on LMPs which would also lower overall purchased power costs reconciled through the FAC. Ms. Parsley noted that this belief was echoed by Joint Petitioners Vectren South, Northern Indiana Public Service Company and Vectren Energy Delivery of Indiana, Inc. in their September 22, 2008 response to a docket entry issued in Phase II of Cause No. 43426. She also stated that the OUCC and two active intervening parties in Phase II of Cause No. 43426 also responded similarly as to the appropriateness of classifying these two charge types as fuel charges includable in the FAC.

Ms. Parsley explained that while there are no differences between the calculation of the proposed RSG Benchmark and the previously approved benchmark in the Current Settlement, there are two minor differences between the components of the Settlement Terms. The first difference is the effective date to reflect the new agreement extending beyond the previous agreement. The second difference is the term of the agreement, moving from a one year term to a two year initial term with automatic renewals. Ms. Parsley explained that this term was developed and supported by the parties' familiarity with the MISO market and is consistent with the term approved by the Commission in Cause No. 43475 for the daily Purchased Power Benchmark.

Ms. Parsley detailed the benefits of the RSG Benchmark. She stated that the daily RSG Benchmark reflects the price changes in natural gas that may influence the peak energy component of MISO's LMP. In addition, it continues to be identical to the daily Purchased Power Benchmark approved by the Commission in Cause No. 43475, in which the Commission stated "the use of a daily floating benchmark, generally reflecting price trends in a utility's marginal fuel cost, is reasonably consistent with the intent of the findings in Cause No. 41363."

Ms. Parsley stated that the start of the Midwest ISO's Ancillary Services Market ("ASM") has so far resulted in lower RSG charges. She stated that Vectren South expected that ASM would reduce RSG costs because more generation would be available to the Midwest ISO to dispatch on short notice. She stated that a review of the RSG Report, which is updated every Tuesday on MISO's website, confirms that RSG charges for January, February and March 2009 are less than the respective month in the prior two years. Ms. Parsley opined that it is good ratemaking practice for the RSG Amounts be passed through the FAC on an ongoing basis because these RSG components create downward pressure on LMPs and reduce overall purchased power costs due to additional supply necessary for reliability and efficiency. She also stated that netting RSG Amounts on an ongoing basis through the FAC results in current customers paying the actual net cost of current transactions which promotes intergenerational equity and serves to send more accurate, current price signals useful for conservation and for budgeting bills.

Ms. Gruca testified that the RSG Settlement is in the public interest and consistent with FAC proceedings as administered by the Commission. Ms. Gruca stated that the terms of the RSG Settlement are essentially the same terms included in the Current Settlement. She stated that the only difference between the RSG Settlement and the Current Settlement is that the proposed agreement has an effective date of April 1, 2009 and a two-year term through March 31, 2011, with automatic two-year renewals. She stated that the calculation of the proposed RSG Benchmark, as well as all other term components, remains the same as the Current Settlement.

Ms. Gruca stated that the RSG Settlement continues to provide safeguards that will ensure that service providers respond appropriately to price signals on behalf of their customers. She stated that the RSG Settlement continues to utilize a daily benchmark based on actual costs to compare MISO Day 2 charges, which the OUCB believes will more accurately reflect market conditions upon which daily decisions are based and will also provide a more effective means of auditing RSG charges. Ms. Gruca stated that use of a Commission approved benchmark has proven to be an effective means to audit RSG charges as a result of the prior agreements in

Cause Nos. 42962, 43471 and 43475, and also to audit purchased power pursuant to Cause Nos. 42770, 38706-FAC67, and 43414.

Ms. Gruca testified that there are additional benefits of continuing to utilize a daily RSG Benchmark. She stated that the RSG Settlement will help to preserve the summary nature of the FAC by continuing to allow parties to readily identify costs above and below the RSG Benchmark, providing the Petitioner with certain guidelines of RSG costs that may be included for recovery in FAC proceedings, as well as providing the OUCC transparency of RSG costs above the RSG Benchmark should Petitioner propose to recover such costs within its FAC proceeding.

Ms. Gruca testified that as indicated by OUCC Witness Ms. Joan Soller in settlement testimony in Cause No. 42962, and in her settlement testimony in Cause No. 43475, Vectren South receives MISO settlement statements providing a billing determinant expressed in dollars per megawatt hour. Consistent with the historical inclusion of RSG charges and purchased power in the FAC, this RSG Benchmark continues to allow a comparison of the level of charges with an appropriate benchmark. Ms. Gruca stated that the OUCC determined the terms approved in Cause Nos. 42962, 43471 and 43475 were consistent with the Commission's Order in Cause No. 42685 and that the terms of the RSG Settlement remain essentially the same as the terms approved in Cause Nos. 42962, 43471 and 43475, thus the OUCC believes the RSG Settlement remains consistent with Cause No. 42685.

Ms. Gruca also explained that a two-year extension of the RSG Benchmark with automatic renewals seems reasonable in light of the fact that RSG charges are still being modified as a result of the ASM, which may affect RSG charges once the Commission issues its ruling in Cause No. 43426 Phase II. She stated that this extension will minimize regulatory changes in the interim period until the Commission's ruling and will also allow all participants to gain actual experience and a further understanding of the ASM market. Also, with the Midwest ISO market continuing to evolve, the RSG Benchmark allows stability as well as a "check and balance" or feedback method allowing parties to analyze costs and benefits for the future. Finally, Ms. Gruca noted that the agreement allows the OUCC or Vectren South to terminate the agreement upon 60-day notice at any of the future automatic renewal events.

Ms. Gruca stated that customers will continue to benefit from MISO economic dispatch when the lowest cost electricity is made available by the MISO market and utilized by Indiana utilities in accordance with Indiana Code 8-1-2-42(d)(1). She stated that RSG charges can best be made apparent to customers through the FAC process and will continue to help facilitate the market by covering actual costs which are incurred to dispatch generation and include fuel components. Ms. Gruca also noted that as approved by the Commission in Cause Nos. 42962 and 43475, the RSG Settlement continues to use a benchmark to review the recovery of RSG charges in the FAC proceeding.

The OUCC recommended the Commission approve the RSG Settlement, relating to the recovery of RSG Amounts assessed by MISO for a two-year term through March 31, 2011, with automatic two-year renewals, unless either Vectren South or the OUCC wishes to terminate the RSG Settlement prior to this date.

5. **Commission Discussion and Findings.** The Midwest ISO energy market offers participants the opportunity to ensure that load is served through the regional, security constrained economic dispatch, which uses the most reliable and economic generator available to serve load. Customers benefit from economic dispatch, and MISO's payment of RSG Make Whole payments and assessments of RSG charges help facilitate the economic dispatch of the MISO market. A comparison of the level of RSG Amounts with an appropriate benchmark is generally consistent with historic inclusion of purchased power costs in the FAC.

In the Commission's June 1, 2005 Order in Cause No. 42685, we stated, "[u]tilities should be encouraged to pursue cost-effective means of power acquisition and the Day 2 markets should be an integral part of meeting this objective. The charges and credits settled in the Day-ahead and Real-time markets are designed to drive such efficiency and reliability." *Id.* at p.36. Substantial evidence has been submitted to the Commission regarding Joint Petitioners' request for approval of inclusion in Vectren South's FACs of the jurisdictional costs incurred in connection with the Midwest ISO RSG Amounts. We find that such charges and credits are an integral part of the MISO markets and are designed to drive the efficiency and reliability of the MISO markets.

As noted by the parties, the RSG Settlement submitted by Joint Petitioners effectively continues the settlement approved in Cause No. 43471. In its July 16, 2008 Order, the Commission found the settlement to provide "a workable mechanism that will allow the parties to readily identify costs that may be included for recovery in FAC proceedings while providing safeguards that will also allow for exploration of costs that fall outside the benchmark." *Id.* at p. 8. We continue to find this to be true. Accordingly, we find that the RSG Amounts below the RSG Benchmark shall be recoverable in Vectren South's FAC proceedings. In addition, we find any contestable RSG Amounts not addressed in Vectren South's FAC proceeding may alternatively be presented for recovery in Vectren's MCRA or they may be deferred. Vectren South may seek recovery of such deferral, subject to Commission approval in a general rate case in which basic rates and charges are established, provided that Vectren South will bear the burden of proving the reasonableness of such costs.

Therefore, we find the RSG Settlement is supported by substantial evidence of record and sound regulatory and public policy. We further find that the RSG Settlement is reasonable, proper and in the public interest and should be approved.

6. **Effect of Settlement Agreement.** The parties agree that the RSG Settlement should not be used as precedent in any other proceeding or deemed an admission by any party in any other proceeding, except to the extent necessary to implement or enforce its terms. With regard to future citation of the RSG Settlement, we find that our approval herein should be construed in a manner consistent with our finding in *Petition of Richmond Power & Light*, Cause No. 40434, approved March 19, 1997.

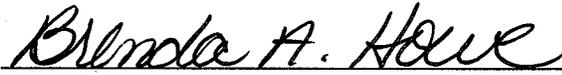
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Stipulation and Settlement Agreement, including the Settlement Terms, shall be, and hereby is, approved and incorporated herein as a part of this Order, and Joint Petitioners therefore shall abide by the terms thereof.
2. This Order shall be effective on and after the date of its approval.

HARDY, ATTERHOLT, GOLC, LANDIS, AND ZIEGNER CONCUR:

APPROVED: JUN 30 2009

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



Brenda A. Howe
Secretary to the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF SOUTHERN)
INDIANA GAS AND ELECTRIC)
COMPANY DBA VECTREN ENERGY)
DELIVERY OF INDIANA, INC. AND THE)
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SUFFICIENCY GUARANTEE FIRST PASS)
DISTRIBUTION AMOUNTS CHARGES)
AND CREDITS.

STIPULATION AND AGREEMENT

This Stipulation and Agreement is made and entered into as of the 31st day of March, 2009, by and between Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana (“Vectren”) and the Indiana Office of Utility Consumer Counselor (“OUCC”).

1. Settlement Framework. The executed Settlement Terms resolving all issues between Vectren and the OUCC (the “Settling Parties”) relating to the recovery of Day-Ahead Revenue Sufficiency Guarantee Distribution Amounts and Real-Time Revenue Sufficiency Guarantee 1st Pass Distribution Amounts assessed by the Midwest Independent Transmission System Operator, Inc. (“MISO” or “Midwest ISO”) is attached hereto and incorporated as

Exhibit A. The Settling Parties agree that their approval of this Stipulation and Agreement constitutes approval of the Settlement Terms attached hereto and incorporated as Exhibit A.

2. Presentation of the Stipulation and Agreement.

(a) The Settling Parties shall jointly move to have this Stipulation and Agreement presented to and approved by the Indiana Utility Regulatory Commission ("Commission").

(b) The Settling Parties agree to the prompt entry of a joint proposed order. The Stipulation and Agreement, including the Settlement Terms, is not severable and shall be accepted or rejected in its entirety without modification or further condition that may be unacceptable to any of the individual Settling Parties. If any such modification or further condition is unacceptable to any of the individual Settling Parties, then the Stipulation and Agreement, including the Settlement Terms, shall be deemed null and void and withdrawn.

3. Effect and Use of Stipulation and Agreement.

(a) The terms of this Stipulation and Agreement, including the Settlement Terms, represent a fair, just and reasonable resolution by negotiation and compromise. As set forth in the Order in *Re Petition of Richmond Power & Light*, Cause No. 40434 (IURC 3/19/97), p. 10, as a term of this Stipulation and Agreement, the Commission must assure the Settling Parties that it is not the Commission's intent to allow this Stipulation and Agreement or the Order approving it, to be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or any court of competent jurisdiction on these particular issues. This Stipulation and Agreement is solely the result of compromise in the settlement process and except as provided herein, is without

prejudice to and shall not constitute a waiver of any position that any of the Settling Parties may take with respect to any or all of the items resolved herein and any future regulatory or other proceedings.

(b) The evidence presented by the Settling Parties in this Cause constitutes substantial evidence sufficient to support this Stipulation and Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Stipulation and Agreement, as filed.

(c) The issuance of an Order that is deemed Final approving the Stipulation and Agreement, including the Settlement Terms, without modification or further condition shall terminate all proceedings in this Cause.

(d) The undersigned represent and agree that they are fully authorized to execute this Stipulation and Agreement on behalf of their designated clients who will be bound thereby.

(e) The Settling Parties shall not appeal the agreed final Order or any subsequent Commission order to the extent such order is specifically implementing the provisions of this Stipulation and Agreement, including the Settlement Terms, and the Settling Parties shall not support any appeal of any such order by a person not a party to this Stipulation and Agreement.

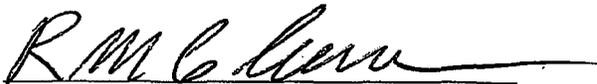
(f) The provisions of this Stipulation and Agreement, including the Settlement Terms, shall be enforceable by any party, before the Commission or in any court of competent jurisdiction.

(g) The communications and discussions during the negotiations and conferences which produced this Stipulation and Agreement, including the Settlement Terms, have been

conducted on the explicit understanding that they are or relate to offers of settlement and shall therefore be privileged.

ACCEPTED AND AGREED this 31 day of March, 2009.

Vectren Energy Delivery of Indiana, Inc.

By: 

Robert Glennon, Attorney No. 8321-49

Robert Glennon & Assoc. P.C.

3697 N. Co. Rd. 500 E.

Danville, Indiana 46122

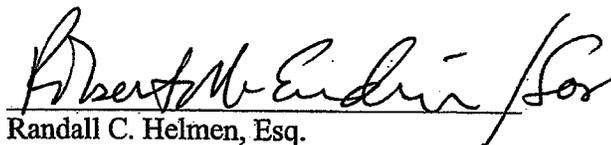
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INDIANA OFFICE OF UTILITY CONSUMER
COUNSELOR

By:

Handwritten signature of Randall C. Helmen in cursive script.

Randall C. Helmen, Esq.

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SETTLEMENT TERMS
BETWEEN SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A
VECTREN ENERGY DELIVERY OF INDIANA, INC.
AND THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

The matters at issue shall be resolved within the following framework:

1. Day-Ahead Revenue Sufficiency Guarantee Distribution Amounts ("DA RSG") reports by Midwest Independent Transmission System Operator, Inc. ("MISO" or "Midwest ISO") on Vectren's S-14 statements may be recovered as fuel costs in Vectren's FAC proceedings.

2. Beginning April 1, 2009, Real-Time Revenue Sufficiency Guarantee 1st Pass Distribution Amounts ("RT RSG") reports by MISO on Vectren's S-14 statements at an hourly \$/MWh rate will be added to the Real-Time Marginal Energy Component ("MEC") of Locational Marginal Price ("LMP") in each hour to compute an Hourly Revenue Sufficiency Guarantee ("RSG") Reference Point. The following formula shall be used:

$$\text{Hourly RSG Reference Point} = \text{Hourly RT RSG Rate} + \text{Hourly RT MEC}$$

3. Each day a "Benchmark" shall be established based upon a generic Gas Turbine ("GT"), using a generic GT heat rate of 12,500 btu/kwh using the day ahead natural gas prices for the NYMEX Henry Hub, plus a \$.60/mmbtu gas transport charge for a generic gas-fired GT.

4. The Hourly RSG Reference Point shall then be compared to the Benchmark.

5. During those hours when the RSG Reference Point is at or below the Benchmark, the RT RSG charges incurred during those hours may flow through and be recovered as fuel cost in Vectren's FAC proceedings.

6. During those hours when the RSG Reference Point is above the Benchmark, Vectren may seek recovery of those RT RSG charges that exceed the Benchmark ("Contestable RT RSG Charges"), subject to Commission approval, provided Vectren submits to the Commission and OUCC, at the time of its respective filing, supporting documentation establishing the reasonableness of the requested recovery. The OUCC does not waive any right to challenge Vectren's request for recovery of the Contestable RT RSG Charges.

7. The standard to be used to review such Contestable RT RSG Charges will be one of the reasonableness of the decisions under the circumstances which were known (or which reasonably should have been known) at the time the charges were incurred.

8. Any Contestable RT RSG Charges not addressed in Vectren's FAC proceeding may alternatively be presented for recovery in Vectren's MISO Cost and Revenue Adjustment ("MCRA") or they may be deferred. Vectren may seek recovery of such deferral, subject to Commission approval in a general rate case in which basic rates and charges are established, provided that Vectren will bear the burden of proving the reasonableness of such costs.

9. RT RSG on re-settlement statements (e.g. S-55, S-105, etc.) shall be reconciled in the FAC in the current period, and not subject to the RSG Benchmark.

10. DA RSG Distribution Charges shall be allocated between intra-system sales and firm inter-system sales on a per kWh basis. RT RSG First Pass Distribution Charges associated with Load Schedule Imbalance shall be allocated between intra-system sales and firm inter-system sales on a per kWh basis. RT RSG First Pass Distribution Charges associated with Physical Schedule Imbalance, Deficient Energy (f/k/a Asset Owner Under Generation), Excessive Energy (f/k/a/Asset Owner Over Generation), Asset Owner Derate Volume Deviation and Asset Owner Must-Run Volume Deviation in a given hour shall be allocated to opportunity sales in that hour on a per kWh basis. The remaining RT RSG First Pass Distribution Charges shall be allocated between intra-system sales and firm inter-system sales on a per kWh basis.

11. The Parties recognize that the MISO market is still evolving and agree to work collaboratively to reduce RSG charges while supporting the operational needs of the MISO footprint; reflect fair and reasonable costs to Indiana retail customers; and create fair and reasonable cost recovery mechanisms for Indiana utilities.

12. This Settlement will be binding upon the Settling Parties for DA RSG and RT RSG charges incurred through March 31, 2011. The Settling Parties further agree that this Settlement will renew for additional two year terms, unless one party notifies the other party that it does not wish to extend the Agreement at least 60 days prior to the termination date, or the Commission enters an Order finding that the Agreement should not be extended.