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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
HARRISON COUNTY RURAL ELECTRIC) CAUSE NO. 44150
MEMBERSHIP CORPORATION FOR)
APPROVAL OF CHANGES TO INDUSTRIAL) APPROVED:
POWER SERVICE RATE SCHEDULE IPSII)

JUL 11 2012

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Jeffery A. Earl, Administrative Law Judge

On January 18, 2012, Harrison County Rural Electric Membership Corporation (“Petitioner”) filed its Verified Petition, requesting approval of changes in its Industrial Power Service Rate Schedule IPS II (“Rate IPS II”). On February 6, 2012, pursuant to 170 IAC 1-1.1-15, Petitioner and the Indiana Office of Utility Consumer Counselor (“OUCC”) filed a Joint Motion to Establish Procedural Schedule in lieu of a prehearing conference and preliminary hearing. On February 7, 2012, the Presiding Administrative Law Judge issued a Docket Entry granting the motion and establishing the procedural schedule for this Cause. On February 23, 2012, Petitioner prefiled the testimony and exhibits of David C. Lett, Petitioner’s General Manager/CEO, and Scott J. Cochran, Project Manager with Science Applications International Corp. (“SAIC”). On March 14, 2012, the OUCC filed notice that it had reviewed the Petitioner’s case-in-chief evidence and did not intend to submit evidence in this Cause.

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, an Evidentiary Hearing was held in this Cause at 9:00 a.m. on April 9, 2012, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated in the hearing. Petitioner’s testimony and exhibits were admitted into the record. No members of the general public appeared or sought to testify at the hearing.

Based on the applicable law and the evidence presented, the Commission now finds:

1. Statutory Notice and Commission Jurisdiction. Due, legal, and timely notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a rural electric membership corporation whose rates and charges are subject to the Commission’s jurisdiction, as provided in Ind. Code ch. 8-1-13. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Petition.

2. Petitioner’s Characteristics. Petitioner is a local distribution rural membership corporation that purchases power at wholesale and distributes and sells electricity at retail to approximately 22,000 member customers in its service area in Harrison, Floyd, Clark, Washington, and Crawford counties in Indiana. Petitioner’s office is located at 1165 Old Forest Road NW, Corydon, Indiana.

3. **Relief Requested.** Petitioner requests approval of changes in its Rate IPS II that are the subject of an Electric Service Agreement (“Agreement”) entered into on November 1, 2011, between Petitioner and Caesar’s Riverboat Casino, LLC d/b/a Horseshoe Southern Indiana (“Horseshoe”).

4. **Petitioner’s Evidence.** Mr. Lett testified about Rate IPS II. Petitioner requested a rate study of Rate IPS II from SAIC, which resulted in the “Final Report, Horseshoe Casino Rate Analysis” (“Rate Study”) described in Mr. Cochran’s testimony. Petitioner purchases electricity from Hoosier Energy Rural Electric Cooperative, Inc. (“Hoosier Energy”). Petitioner then distributes and sells electricity to Horseshoe under Rate IPS II, which originally was based on a direct pass-through of Hoosier Energy’s wholesale power costs with an added distribution charge from Petitioner. Horseshoe is the only customer presently served under Rate IPS II. Since the existing Rate IPS II was implemented, Hoosier Energy has significantly changed its wholesale rate structure, requiring Petitioner to reconsider how it recovers its wholesale and distribution costs under this rate schedule. The new Rate IPS II allows Petitioner to recover its costs of service and allows Horseshoe to take advantage of off-peak rates for electric service.

The revised Rate IPS II is available to customers at a single location who qualify under Hoosier Energy’s industrial power tariff, who have maximum monthly demands of at least 500 kWh and monthly billing load factors of at least 45%, and who take service directly from Hoosier Energy’s supply transmission at a distribution substation. Service under Rate IPS II is a three-phase, 60 Hz service available at standard voltages for Petitioner or other voltages that are mutually agreeable. The basic service charge under Rate IPS II is \$1,250 per month. The demand charge is \$14.19 per kW on all kW of billing demand. The energy charge is \$0.06027 per kWh for on-peak energy and \$0.02461 per kWh for off-peak energy. Minimum monthly charges apply, as described in the revised Rate IPS II. In addition, the customer agrees to pay other charges billed to Petitioner by Hoosier Energy for service under Rate IPS II, including changes to Hoosier Energy’s wholesale rate. Mr. Lett opined that Rate IPS II is fair, reasonable, and necessary for Petitioner to recover its costs of service under the tariff and is supported by the Rate Study.

Mr. Cochran testified about the Rate Study. SAIC examined Hoosier Energy’s proposed changes in wholesale power rates and Petitioner’s distribution costs in providing a cost and rate review for electric service to Horseshoe. Petitioner and Hoosier Energy have both made significant investments in electric transmission substation and distribution facilities totaling \$2,598,000. The Rate Study calculates proposed retail rates by directly passing through Hoosier Energy’s wholesale power costs and adding Petitioner’s distribution charges. Since the existing Rate IPS II was created, Hoosier Energy has dramatically changed the wholesale rate structure it charges to Petitioner and other wholesale power suppliers, causing Petitioner to review its recovery of wholesale and distribution costs.

Mr. Cochran estimated Petitioner’s distribution costs by applying cost factors from the cost of service analysis and rate studies previously approved by the Commission in Cause No. 43684 to the total facilities’ investment. In the proposed Rate IPS II, the cost factors include an allowance for operations, maintenance, administration, metering/billing, and taxes but do not include an allowance for facility replacement, because Horseshoe assumes the cost and responsibility for this element.

The billing charges for each rate component are based on a demand charge, an energy charge, and a service charge. The demand charge is based on the billing demand, determined from actual metered demand with a power factor correction. The energy charge is based on actual metered energy consumed during the billing period and varies with on-peak and off-peak usage. The service charge is

\$1,250 per month. Based on the Rate Study and discussions with Petitioner and Hoosier Energy, SAIC proposed a demand charge of \$14.19/kW-month and an energy charge of \$0.06027/kWh for on-peak usage and \$0.02461/kWh for off-peak usage. For purposes of the energy charge, June through August and December through February are on-peak months: all other months are off-peak. All energy charges are subject to a fuel adjustment that is calculated on a quarterly basis. This revised rate structure allows Petitioner to recover its distribution costs in a manner that matches Hoosier Energy's new time-of-use seasonal rates.

The revised Rate IPS II will increase Horseshoe's annual costs by approximately 0.95% or \$23,000. This increase is attributable to the discontinuance of a previous demand credit of \$0.36/kW granted to Horseshoe by Hoosier Energy that was passed through Petitioner. Horseshoe's billed demand for the previous 12 months was 63,067 kW, which equals a credit of approximately \$23,000. There is no distribution-related increase associated with this change in rates. Petitioner is simply revising the IPS II rate structure in response to the change in wholesale rate structure by Hoosier Energy. Mr. Cochran testified that the Rate Study supports the revised Rate IPS II.

5. **Discussion and Findings.** Only one customer, Horseshoe, will be directly affected by the proposed change in Rate IPS II. Petitioner submitted an Electric Service Agreement, negotiated and entered into with Horseshoe, which includes the terms of Rate IPS II. In addition, Petitioner presented evidence demonstrating the necessity of a change in the existing Rate IPS II, and the Rate Study supports the charges in the revised Rate IPS II. Based on the evidence presented, we find that the proposed Rate IPS II is just and reasonable and will allow Petitioner to recover its costs of service to Horseshoe. Therefore, we approve Petitioner's proposed Industrial Power Rate Schedule IPS II.

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

1. Harrison County Rural Electric Membership Corporation's Industrial Power Rate Schedule IPS II is approved. Petitioner shall file a copy of the Industrial Power Rate Schedule IPS II with the Electricity Division of the Commission prior to placing it into effect.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: JUL 11 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**