

ORIGINAL

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 MISO COST AND)
REVENUE ADJUSTMENT FOR ELECTRIC)
SERVICE IN ACCORDANCE WITH THE)
ORDER OF THE COMMISSION IN CAUSE)
NO. 43111 EFFECTIVE AUGUST 15, 2007)
AND CAUSE NO. 43839 DATED APRIL 27,)
2011 PURSUANT TO I.C. § 8-1-2-42(a))

CAUSE NO. 43354 MCRA 15

APPROVED:

DEC 03 2014

ORDER BY THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Marya E. Jones, Administrative Law Judge

On September 18, 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 and case-in-chief in this Cause for approval of a MISO Cost and Revenue Adjustment (“MCRA”) as authorized in this Commission’s Orders in Cause No. 43111 and Cause No. 43839. Submitted with the Application was the prefiled testimony and exhibits of Shawn M. Kelly, Director, Regulatory Affairs for Vectren South’s parent company; and Patricia A. Banet, Manager of Large Customer Billing for Vectren South’s parent company. On October 23, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Stacie R. Gruca, Senior Utility Analyst. On November 6, 2014, the Commission issued a Docket Entry and Vectren South responded that same day.

The Commission held a public Evidentiary Hearing in this Cause on November 12, 2014 at 9:30 AM, in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant’s and OUCC’s testimony and exhibits were admitted into the record without objection. No member of the public participated in the hearing.

Having considered the evidence and applicable law, 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 that term is defined in Ind. Code § 8-1-2-1. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to Applicant’s rates and charges. The Commission, therefore, has jurisdiction over the parties and the subject matter herein.

2. **Applicant's Characteristics.** Vectren South is a public electric generating utility corporation organized and existing under the laws of the State of Indiana with its principle office located at One Vectren Square, Evansville, Indiana. 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. **Calculation of the MCRA Factors.** As approved in the Order in Cause No. 43111 and modified in the Order in Cause No. 43839, the MCRA allows for the recovery of charges by the Midcontinent Independent System Operator, Inc. ("MISO") not recovered in quarterly fuel adjustment clause ("FAC") filings. The MCRA is calculated on a semi-annual basis for each of Applicant's rate schedules based on the calculation of non-fuel cost ("NFC") and MISO revenue amounts ("MRA"). For purposes of this calculation, the NFC consists of MISO Schedule 10, Schedule 16, Schedule 17, Schedule 24, Schedule 26, Schedule 1, Schedule 2 and Schedule 9 charges and costs not otherwise recovered by MISO that are socialized for recovery from all market participants. Vectren South also included projected MISO Multi-Value Projects ("MVP") costs associated with MISO Schedule 26-A.

As modified in the Order in Cause No. 43839, transmission revenues of \$5,371,424 are included as a credit in Vectren South's base rates. The Order also provides that Applicant may retain increases in the transmission revenues from MISO Schedules 7, 8, and 9 ("MISO Attachment O Revenues") in excess of the base rate level of \$3,333,682. The base rate level of transmission revenues subject to tracking is the total transmission revenues (\$5,371,424) less the MISO Attachment O Revenues (\$3,333,682). Customers will receive all actual transmission revenues from Schedules 1, 2, and 24, and from ALCOA. If the actual level of the Schedule 1, 2, 24 and ALCOA revenues exceeds the level included in base rates (\$2,037,741 per year), customers will receive the amount in excess in a future MCRA. If such actual revenues are less than \$2,037,741, the Company will not recover the shortfall. For that reason, no projected revenues are included on Schedule 3 of Applicant's exhibits.

To determine MCRA factors for this period, the calculation of the estimated MISO Charges in the amount of \$6,641,604 (Exhibit SMK-3, Schedule 3, Line 17), is reduced by the base rate amount included for those MISO costs in Cause No. 43839. This results in NFCs of \$5,287,357 (Line 19). Since the MRA amount (Line 20) is \$0.00, the resulting amount of \$5,287,357 (Line 21), plus the adjusted ending MCRA Regulatory Asset balance as of June 30, 2014 in the amount of (\$711,090) (Exhibit SMK-3, Schedule 4, Page 1 of 2, Line 11) is then multiplied by the rate schedule allocation percentages approved in Cause No. 43839. This result is then divided by the estimated rate schedule sales quantities for the six month MCRA period (Exhibit SMK-3, Schedule 1, Page 1 of 1, Line 7).

Based on these calculations the resulting MCRA Factors per kWh, modified to include Indiana Utility Receipts Tax, are shown on Applicant's Exhibit No. SMK-3, Schedule 1, Line 7 as follows:

Rate RS	\$0.002930
Rate B	\$0.001099
Rate SGS	\$0.002521
Rate DGS/MLA	\$0.002293
Rate OSS	\$0.001810
Rate LP	\$0.001005
Rate HLF	\$0.001061

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will experience an increase of \$0.50 each month between December 1, 2014 and May 31, 2015 (Exhibit No. SMK-3, Schedule 5).

4. Evidence Presented by Vectren South. Vectren South witness Mr. Shawn M. Kelly testified in support of the content and the calculation of the MCRA's noted above. He testified the MCRA is calculated twice annually for each rate schedule as follows:

$$\text{MCRA} = \frac{(\text{NFC} - \text{MRA}) \times \text{“Rate Schedule Allocation \%”}}{\text{“Rate Schedule Sales Quantities”}}$$

Mr. Kelly also supported the reconciliation of non-RECB transmission revenues against the base rate level of transmission revenues subject to tracking authorized in Cause No. 43839 for the period of May 2013 through April 2014 as set forth on Applicant's Exhibit No. SMK-3, Schedule 4, Page 3 of 3. Actual non-Regional Expansion Criteria and Benefit (“RECB”) transmission revenues tracked through the MCRA for the 12 months ending April 30, 2014 were \$2,674,212 compared to the base rate level of \$2,037,741. The variance of \$636,471 has been credited to customers in this MCRA as shown on Applicant's Exhibit No. SMK-3, Schedule 4, Page 1 of 3, Line 10. Mr. Kelly noted that Vectren South did not include a projection for the MRA because such revenue projection is no longer applicable as a result of the Order dated April 27, 2011 in Cause No. 43839. Mr. Kelly testified that Vectren South did estimate the MCRA for future periods as required by the Commission's Order in Cause No. 43111. He noted that Applicant's Exhibit No. SMK-4 includes the estimated incremental MCRA amounts for the periods June 2015 through November 2015 (Cause No. 43354 MCRA 16) and December 2015 through May 2016 (Cause no. 43354 MCRA 17).

Mr. Kelly testified that all transactions pertaining to the Residual Load Adjustment (“RLA”) volume error previously discussed in Cause No. 38708 FAC 100, FAC 101 and FAC 102, Cause No. 43406 RCRA 11 and Cause No. 43354 MCRA 14 have been posted and that there are no additional adjustments to be made.

Vectren South witness Patricia Banet described the estimated and actual NFCs related to MISO Energy and Operating Reserves Market changes. Ms. Banet testified Vectren South included actual NFC charges in the reconciliation period (January – June 2014) and an estimate of the NFC charges for the December 2014 – May 2015 period in this filing. Ms. Banet also described RECB, MISO's cost sharing or cost allocation for transmission projects revenue requirements. Noting that MISO's RECB program is part of the MISO Transmission Expansion Plan (“MTEP”), Ms. Banet explained that the fundamental goal of the MTEP process is to

reduce wholesale cost of energy delivery for the consumer by addressing local and regional reliability needs. Ms. Banet testified that Applicant has five projects approved by MISO for RECB treatment as follows:

- MISO Project ID 1004, a 345/138 kV substation near Francisco, IN, and related 138 kV lines. It was placed in service on July 11, 2007, at a cost of \$25,061,496;
- MISO Project ID 1257, a 345 kV line and terminals that will connect Duke Energy's Gibson plant with Applicant's A. B. Brown plant and Big Rivers Electric Corp. Reid Station in Sebree, Kentucky. It was placed in service on December 19, 2012, at a cost of \$107,130,781;
- MISO Project ID 1259, a 138 kV line connecting Applicant's Dubois Substation to its Newtonville Substation. This project was placed in service on July 9, 2007, at a cost of \$15,998,866;
- MISO Project ID 1970, a 345/138 kV substation located near West Franklin, Indiana. It was placed in service on November 22, 2010, at a cost of \$7,750,909; and
- MISO Project ID 3212, a 138 kV Z84-3 transmission line from IPL's Petersburg plant to Vectren South's Duff substation, allowing more power to flow on the upgraded Breed-Wheatland-Petersburg 345 kV. This project was placed in service July 25, 2013, at a cost of \$1,607,939.

Ms. Banet also described the basis for recovery of those costs in this proceeding. She testified that the basis is the Settlement Agreement approved in Cause No. 43111 and reaffirmed in Vectren South's most recently approved electric rate case. She explained that RECB costs are tracked and non-RECB costs are not tracked. RECB costs are charged to Vectren South under MISO Schedule 26, which includes charges related to its own RECB projects as well as its allocation of costs related to other third party RECB projects. Ms. Banet went on to explain that Vectren South will receive partial cost recovery for its projects from other transmission providers in the MISO footprint on an allocated basis and that Vectren South will be authorized to retain its allocated portion of cost recovery from native load customers as well as revenues received from other MISO Transmission owners under Schedule 26. Further, she testified that all Schedule 26 recoveries will be treated as non-jurisdictional and outside the earnings test to allow Vectren South to recover its costs and Vectren South's RECB projects will not be included in retail rate base.

In the Commission's Order issued June 26, 2013, in Cause No. 43354 MCRA 12, Vectren South was asked to include a status update on a pending Beaver Channel Market-to-Market Re-settlement Alternative Dispute Resolution ("ADR") matter with MISO, and any other disputes, as well as a refund dollar amount, if applicable, in all future MCRA filings. Ms. Banet included in her testimony a status update of Vectren South's involvement supporting ADR filed with MISO on March 8, 2013. She further testified that the Federal Regulatory Energy Commission issued Order EL 13-75-000 establishing hearing and settlement judge procedures. A settlement conference was held on August 26, 2014, and the parties were able to reach a

tentative settlement agreement which was to be filed by October 24, 2014. Ms. Banet further noted that Vectren South will continue to include status updates to this or any ADR, as well as the refund dollar amount(s), if applicable, in future MCRA filings.

5. OUCC's Evidence. OUCC witness Ms. Stacie R. Gruca described how Applicant calculated its estimated MISO Administrative Costs and testified her calculation of the volume of MISO costs to be tracked in this Cause matched Applicant's proposed recovery amount of \$4,576,267. Ms. Gruca testified the effect is an increase of approximately \$0.000502 per kWh, and a typical residential customer using 1,000 kWh per month would experience a bill of approximately \$155.28, which equates to an average cost per kWh of \$15.53 cents. Ms. Gruca testified that Applicant followed the Revenue Sufficiency Guarantee ("RSG") Benchmark methodologies as approved in Cause Nos. 43475 and 43672.

Ms. Gruca further testified that Applicant incurred Contestable RSG amounts during the reconciliation period of January through June 2014. Vectren South included the Contestable RSG amounts in this filing and appropriately addressed the charges in testimony, workpapers, and through informal discovery. Ms. Gruca testified that Applicant's proposal for reconciling actual transmission revenues is consistent with the Order in Cause No. 43839 and confirmed that Applicant included a schedule in MCRA-15 that compared actual transmission revenues for the 12-month period ending April 30, 2014 with the annual amount of transmission revenues included in base rates subject to tracking per that Order. Ms. Gruca testified that Applicant provided support for its calculation for proposed cost recovery for its projects approved by MISO for RECB treatment for Cause No. 43354 MCRA 15 and provided additional MTEP project status information for projects for which Applicant will seek cost recovery in future MCRA filings. She further testified that Applicant included Schedule 26-A MVP charges in the current Cause No. 43354 MCRA 15 proceeding, but did not include, nor proposed to include, any Schedule 26-A MVP revenues in Cause No. 43354 MCRA 15 as Vectren South is not planning to construct any MVPs.

Ms. Gruca confirmed that all transactions pertaining to the RLA volume error discussed by Vectren South witness Mr. Kelly have been posted in Cause No 43354 MCRA 14 and that there are no additional adjustments in Cause No. 43354 MCRA 15.

Ms. Gruca attested that Ms. Banet included in testimony information about a new charge type, "Real Time MVP Distribution Amount", which began June 30, 2014. Ms. Banet indicated that this charge type distributes the sum of all monthly Auction Revenue Rights ("ARR") using the same methodology used for MVP charges (Schedule 26-A). Ms. Gruca further explained that Ms. Banet indicated there were no actual distribution amounts included in this filing period; however, distribution amount credits are included in the non-fuel costs projection. Ms. Banet also indicated, through informal discovery, that this new charge type, a credit, is allocated as a result of increased capacity from MVP projects placed in service. Ms. Banet further indicated that the increased capacity is related to MVP projects that are planned to be placed in service on or before the start of the effective period of the upcoming Annual ARR Allocation. At the end of each month, MISO distributes that month's share of the sum of the value of all MVP ARRs, pro rata, to Asset Owners who pay for the MVPs.

Ms. Gruca testified that Applicant provided a status update in the current MCRA with

respect to the Alternative Dispute Resolution known as the Beaver Channel Market-to-Market Re-Settlement. Ms. Gruca also stated that Applicant provided that it would continue to include status updates on this topic or any other future complaint or similar dispute should one be filed, as well as a refund dollar amount, if applicable.

6. Commission Findings. The evidence of record supports approval of Applicant's proposed MCRA factors as stated in Paragraph 3 above. Accordingly, the requested MCRA factors 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 the approval of its MISO Cost and Revenue Adjustment factor for each of its rate classes as set forth in Paragraph 3 above shall be and hereby is approved.

2. Vectren Energy Delivery of Indiana, Inc. shall file with the Electricity Division of the Commission, prior to placing into effect the MCRA factors approved in this matter, a revised rate schedule under Tariff Sheet No.73 consistent with the findings set forth herein.

3. Vectren Energy Delivery of Indiana, Inc. shall provide status updates in subsequent MCRA filings as recommended by the OUCC.

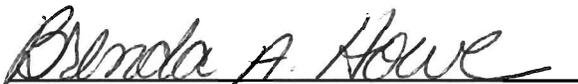
4. This Order shall be effective on an after the date of its approval.

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

APPROVED:

DEC 03 2014

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



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