

IURC News Release
Indiana Utility Regulatory Commission
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The IURC Issues a Decision on the Vectren Rate Case

INDIANAPOLIS – The Indiana Utility Regulatory Commission (IURC) issued a 108-page Order today concerning Vectren South’s (Vectren) petition for a rate increase in Cause No. 43839. In the Order, the IURC authorized the utility to produce additional annual revenue of \$28.6 million, which is about 16 percent less than Vectren’s revised request of \$34 million. Its initial request was for \$54 million. The IURC also denied the utility’s request for a decoupled rate design and an increase in its return on equity.

When the IURC determines whether a utility may alter its rates and charges, it examines the revenue requirements for the utility, as well as other factors. Once a final decision is rendered, the utility must then file a revised tariff and supporting documentation with the IURC. Supporting documentation includes the filing of a revised cost-of-service study that details how costs should be fairly allocated among the various customer classes (i.e., residential, commercial and industrial customers).

The IURC anticipates that the utility will file its revised tariff within 30 days of this Order. Once the tariff is received, the IURC will then review the figures to ensure they are in compliance with the Order.

With regard to Vectren’s request for a decoupled rate design, the IURC denied it based on the evidence presented, which included strong opposition from the Office of Utility Consumer Counselor, the Industrial Group, and the Citizens Action Coalition, all of which were parties to the case. Decoupled rate designs assure the recovery of fixed costs independent of electricity consumption. Many natural gas utilities currently use decoupled rate designs.

When making decisions on new rate designs, the IURC must ensure that they are in the public interest, and although decoupled rate designs have been approved by this Commission for Vectren’s natural gas utilities, there was not sufficient evidence demonstrating that such a rate design was in the public interest in the case presented by Vectren for its vertically-integrated electric utility.

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Unlike natural gas companies, which are distribution-only, vertically-integrated electric utilities have generation, transmission and distribution assets and functions. Consequently, electric utilities' fixed costs are considerably higher.

For example, on a decoupled natural gas bill, the variable fuel costs account for approximately 75 percent of a customer's bill; the other 25 percent of the bill allows the utility to recover its fixed costs. In the electric industry, these figures would be flipped. For a utility like Vectren, fixed costs typically account for approximately 75 percent of the bill. Additional findings on this matter can be found on page 82 of the Order.

For more information about this case, please visit the IURC's Electronic Document System at <https://myweb.in.gov/IURC/eds/>. Simply click "search cases" and then enter the five-digit Cause No., 43839, in the "docket number" field.

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The Commission is a fact-finding body that hears evidence in cases filed before it and makes decisions based on the evidence presented in those cases. An advocate of neither the public nor the utilities, the IURC is required by state statute to make decisions that balance the interests of all parties to ensure the utilities provide adequate and reliable service at reasonable prices.