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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 SOUTH") FOR) CAUSE NO. 43354 MCRA 9
 APPROVAL OF A MISO COST AND)
 REVENUE ADJUSTMENT FOR ELECTRIC)
 SERVICE IN ACCORDANCE WITH THE) APPROVED: NOV 30 2011
 ORDER OF THE COMMISSION IN CAUSE)
 NO. 43111 EFFECTIVE AUGUST 15, 2007)
 PURSUANT TO I.C. § 8-1-2-42(a))

ORDER BY THE COMMISSION

Presiding Officers
James D. Atterholt, Chairman
Angela Rapp Weber, Administrative Law Judge

On September 28, 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 and case-in-chief in this Cause for approval of a MISO Cost and Revenue Adjustment ("MCRA") as authorized in the Commission's Orders in Cause Nos. 43111 and 43839. Submitted with the Application was the prefiled testimony and exhibits of Scott E. Albertson, the Director of Regulatory Affairs for Vectren South's parent company; Patricia A. Banet, the Manager of Large Customer Billing for Vectren South's parent company; and Michael W. Chambliss, Vectren South's Director of Network Operations and Dispatch. On November 2, 2011, the Office of Utility Consumer Counselor ("OUCC") filed the prefiled testimony of Stacie R. Gruca, a Senior Utility Analyst and attached exhibits. At the hearing, Applicant provided corrections to page 7 of Ms. Banet's testimony.

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 November 15, 2011 at 1:30 pm in Room 224, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant's and the OUCC's testimony and exhibits were admitted into the record without objection. No member of the public participated in the hearing.

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

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the public hearing in this Cause was given and published by the Commission as required by law. Applicant operates a public electric utility and, as such, is subject to the jurisdiction of this Commission as provided in the Public Service Commission Act. The provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, has jurisdiction over Applicant and the subject

matter of this Cause.

2. Applicant's Characteristics. Vectren South is a public electric generating utility organized under the laws of the State of Indiana. Its principal office is located at One Vectren Square, Evansville, Indiana. Vectren South 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 MISO charges not recovered in quarterly 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. 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 recovered from all market participants.

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 Vectren South 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, Vectren South will not recover the shortfall. For that reason, no projected revenues are included on Schedule 3 of the exhibits.

To determine MCRA factors for this period, the calculation of the estimated MISO charges in the amount of \$5,043,493 (Exhibit SEA-3, Schedule 3, Line 16), is reduced by the base rate amount included for those MISO costs in Cause No. 43839. This results in NFCs of \$3,689,246 (Line 18). The resulting amount of \$3,689,246, plus the adjusted ending MCRA Regulatory Asset balance as of June 30, 2011 in the amount of \$(1,603,397) (Exhibit SEA-3, Schedule 4, Page 1 of 3, Line 13) 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 SEA-3, Schedule 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 SEA-3, Schedule 1, Line 7 as follows:

Rate RS	\$0.001243
Rate B	\$0.000397
Rate SGS	\$0.001120
Rate DGS/MLA	\$0.001062
Rate OSS	\$0.000786
Rate LP	\$0.000510
Rate HLF	\$0.000419

Based on the foregoing, the average Residential-Standard customer using 1,000 kWh per month will experience a decrease of \$0.30 in each month between December 1, 2011 and May 31, 2012 (Exhibit SEA-3, Schedule 5).

4. Overview of Evidence. Mr. Albertson testified concerning the content and calculation of the MCRA's noted above. Mr. Albertson also supported the reconciliation of non-RECB revenues against the base rate amounts authorized in Cause No. 43111 for the period of September 2010 through April 2011, prior to rates effective with Cause No. 43839. Actual non-RECB revenues were \$4,010,295 for the eight-month period of September 1, 2010 through April 30, 2011, compared to the non-RECB revenues available to customers during the same time period of \$4,009,860 (which is the amount of non-RECB revenue credits included in base rates of \$2,971,323 plus the additional \$1,038,537 approved in MCRA4, per Exhibit SEA-3, Schedule 4, Page 3). Vectren South witness Mr. Chambliss described Applicant's projects approved by MISO for RECB treatment, and how those costs are reflected in this MCRA. Vectren South witness Ms. Banet described the estimated and actual NFCs related to the MISO Day 1, Day 2, and Ancillary Services Market.

OUCG witness Ms. Gruca recommended acceptance of Applicant's recovery of Contestable RSG costs for the reconciliation period of January 2011 through June 2011, recovery of the variance for the reconciliation period of January 2011 through June 2011, and the MCRA factors for the estimated period of December 2011 through May 2012. Ms. Gruca's testimony also indicated the calculation of the total RSG charges incurred by Applicant for the reconciliation period of January 2011 through June 2011 and included in this MCRA differed from what was stated in Applicant's testimony. However, Ms. Gruca explained Applicant's response to informal discovery confirmed that the RSG amounts to be included in the MCRA and the FAC were stated incorrectly in Ms. Banet's testimony, and Applicant agreed with OUCG's calculation of these amounts. She testified that since Contestable RSG charges and Second Pass RSG Distribution Uplift Amount were appropriately included and accurately stated in the MCRA filing and supported by workpapers, this error was only a misstatement of two numbers in Ms. Banet's testimony; this error does not affect the proposed factor in this proceeding.

At the time of hearing, the misstated numbers on page 7 of Ms. Banet's testimony were corrected and changed to a charge of \$18,649 (included in this MCRA) and a credit of \$101,334 (included in the FAC).

5. Commission Findings. The evidence of record supports approval of Applicant's proposed MCRA factors as stated in Paragraph 3. Accordingly, the requested MCRA factors described in this Order are approved.

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

1. Vectren South's Application for the approval of its MISO Cost and Revenue Adjustment factor for each of its rate classes as set out in Paragraph 3 above shall be and hereby is approved.

2. Applicant 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 in this Order.

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

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

APPROVED:

NOV 30 2011

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



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