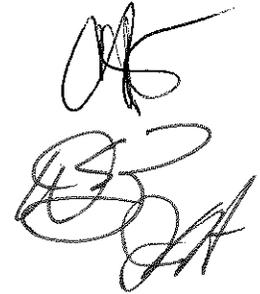


ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION



PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY D/B/A)
VECTREN ENERGY DELIVERY OF)
INDIANA, INC. ("VECTREN SOUTH") FOR)
APPROVAL OF A DEMAND SIDE)
MANAGEMENT ADJUSTMENT FOR)
ELECTRIC SERVICE IN ACCORDANCE)
WITH ORDERS OF THE COMMISSION IN)
CAUSE NO. 43111 DATED AUGUST 15, 2007,)
CAUSE NO. 43427 DATED DECEMBER 16,)
2009, CAUSE NO. 43839 DATED APRIL 27,)
2011, CAUSE NO. 43938 DATED AUGUST 31,)
2011, CAUSE NO. 43405 DSMA 9 S1 DATED)
JUNE 20, 2012, AND CAUSE NO. 43405-)
DSMA10 DATED AUGUST 29, 2012)

CAUSE NO. 43405 DSMA 13

APPROVED: MAY 25 2016

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
David E. Veleta, Administrative Law Judge

On September 22, 2015, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "Petitioner") filed with the Indiana Utility Regulatory Commission ("Commission") its Petition in this Cause for approval of its Demand Side Management Adjustment ("DSMA") for the twelve month period beginning January 1, 2016 and ending December 31, 2016 (the "DSMA 13 Period") as authorized by the Orders issued by the Commission in Cause Nos. 43111, 43427, 43839, 43405 DMSA 9 S1, and 43405-DSMA10 on August 15, 2007, December 16, 2009, April 27, 2011, June 20, 2012, and August 29, 2012 respectively. In the Petition filed in this matter, Vectren South requested an order authorizing and approving the DSMA set forth in the testimony and exhibits in this Cause to become effective January 1, 2016.

Petitioner filed the direct testimony of Michael P. Huber and J. Cas Swiz on September 22, 2015. The Indiana Office of the Utility Consumer Counselor ("OUCC") filed the direct testimony of Crystal L. Thacker on October 27, 2015. Petitioner filed the rebuttal testimony of J. Cas Swiz on October 30, 2015. On November 16, 2015, Vectren South and the OUCC filed a Joint Motion Requesting Commission to Hold Proceeding in Abeyance ("First Motion"), pending the issuance of an Order in Cause No. 44645. On November 17, 2015, the Commission issued a Docket Entry granting the First Motion and holding the proceeding in abeyance. On March 23, 2016, the Commission issued an Order in Cause No. 44645 and on March 28, 2016, Vectren South filed a Motion to Proceed to Evidentiary Hearing, which the Commission granted

by a docket entry issued on March 29, 2016. That same day, the Commission scheduled an evidentiary hearing in this Cause for April 22, 2016. On April 5, 2016, the OUCC filed a Motion to Stay Proceedings (“Second Motion”), pending the outcome of its Petition for Post Hearing Relief filed in Cause No. 44645. On April 15, 2016, Vectren South filed its Response to Motion to Stay Proceedings. On April 20, 2016, OUCC filed its Reply in Support of Motion to Stay Proceedings. At the evidentiary hearing, the Commission denied the Motion to Stay.

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 April 22, 2016 at 9:30 A.M.; in Room 224, PNC Bank Center, 101 West Washington Street, Indianapolis, Indiana. At that time, the prefiled testimony and exhibits of Petitioner and the OUCC were admitted into evidence. No members of the general public appeared or sought to participate.

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

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a “public utility” as defined in Ind. Code § 8-1-2-1 and as such, is subject to the jurisdiction of the Commission as provided in the Public Service Commission Act, and the provisions of said Act authorize the Commission to act in this proceeding. The Commission, therefore, has jurisdiction over the parties and the subject matter herein.

2. **Petitioner’s Characteristics.** Petitioner is a corporation organized and existing under the laws of the State of Indiana, and has its principal office at One Vectren Square, Evansville, Indiana. Petitioner 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. **Requested Relief.** The Commission’s Order in Cause No. 43111 authorized Petitioner to seek approval of a DSMA on a semi-annual basis to allow for the recovery of differences between actual Demand Side Management (“DSM”) program costs and the amount of those costs included in base rates, including Direct Load Control (“DLC”) billing credits and any other DSM costs approved for recovery by the Commission. In its Order in Cause No. 43427, the Commission authorized Petitioner to include both Core and Core Plus Program Costs and related incentives in the DSMA. Pursuant to the Order in Cause No. 43839, Petitioner recovers through the DSMA the costs of a direct use pilot program and a DLC inspection and maintenance (“I&M”) program. The Commission’s Order in Cause No. 43938 authorized Petitioner to include in the DSMA both Core and Core Plus Program Costs associated with the implementation of Petitioner’s Second Revised Initial Plan, lost margins related to Large Customer participation in Vectren South’s DSM programs and performance incentives. The Order in 43938 also authorized a transition from semi-annual DSMA filings to annual DSMA filings. The Order in Cause No. 43405 DSMA 9 S1 approved the Small Customer Lost Margin Component of the DSMA, the mechanism to recover lost margins associated with residential and general service customers’ (“Small Customers”) participation in Petitioner’s DSM programs.

The Order in 43405 DSMA10 authorized Petitioner to file its annual DLC report as required by 170 IAC 4-8-4(b) along with its annual DSMA filing.

4. Calculation of the DSMA Rates.

a. Petitioner's Evidence. Petitioner's witness Michael P. Huber, Manager of Electric DSM & Conservation for Petitioner, sponsored Petitioner's Exhibit No. 1 and corresponding attachment in which he provided an overview of the programs and associated costs to be recovered in this DSMA 13 proceeding. He began by discussing Petitioner's 2014 DSM programs and explained that during 2014, Vectren South offered a portfolio of electric DSM programs, including core programs offered on a statewide basis and core plus programs specific to Vectren South's electric service territory. He confirmed that the 2014 portfolio of DSM programs achieved approximately 90% of the gross savings goal approved by the Vectren Oversight Board ("Oversight Board") prior to evaluation, measurement and verification ("EM&V"). He then confirmed that core programs achieved evaluated gross savings of approximately 78% of the 2014 planning goal and core plus programs achieved evaluated gross savings of approximately 110% of the planning goal.

Mr. Huber then described how Petitioner's 2015 DSM programs were performing to date and identified the 2015 DSM programs Vectren South offered at the time. He said that residential programs are expected to exceed the annual savings target, having achieved approximately 69% of the goal through July 2015. He testified that while commercial and industrial ("C&I") programs were at approximately 35% of the goal through July, Petitioner expected those programs to meet the 2015 savings target by the end of the year. He said that overall, the portfolio is at 56% of the 2015 savings goal and is forecasted to achieve approximately 105% of the 2015 savings targets at a cost of approximately 108% of the Commission approved operating budget for 2015.

Mr. Huber then explained that pursuant to the Final Order issued in Cause No. 44495, Vectren South had authority to offer a portfolio of DSM programs through December 31, 2015 and as a result, Vectren South filed a petition with the Commission on June 29, 2015 establishing Cause No. 44645 wherein Petitioner sought approval of the Vectren South 2016-2017 Electric DSM Plan ("2016 - 2017 Plan"). He explained that given the procedural schedule and timing of the evidentiary hearing, Vectren South filed an unopposed motion for extension with the Commission seeking interim authority to spend up to \$2 million to continue offering DSM programs during the first quarter of 2016 and to avoid the pitfalls associated with stopping and starting DSM programs that have continued to perform well during 2015. Mr. Huber then discussed the projections included in DSMA 13 and provided a list of the 2016 DSM programs, including the estimated costs and savings for the January 2016 through December 2016 projection period applicable to this DSMA 13. He confirmed that the energy and demand savings provide the basis for the allocation of these costs and for the derivation of the lost margins projection.

Mr. Huber then discussed the program related details for certain components of the DSMA, including the performance incentive, customer lost margins, and the DLC program. He confirmed that Vectren South included the Annual DLC Report in its DSMA 13 filing and that

the report discusses the previous year's program performance and expenditures. He confirmed that the report outlines the dates and times of each DLC program cycling event, the load impact of the system and the independent evaluation report for the program.

Petitioner's witness J. Cas Swiz, Director of Rates and Regulatory Analysis for Vectren Utility Holdings, Inc. ("VUHI") sponsored Petitioner's Exhibit No. 2 along with corresponding attachments, including Attachment JSC-2 which consists of the schedules calculating the proposed DSMA rates and associated bill impacts. In his testimony, Mr. Swiz discussed the impact of Senate Enrolled Act 412 ("SEA 412") on the DSMA 13 proceeding and discussed steps Vectren South has taken to further improve the accuracy of its forecasting and to ensure that its projection is reasonable and prepared with consideration given to historical lost revenue results. In addition, he said that the enactment of SEA 412 and specifically Ind. Code § 8-1-8.5-10(o)(2) prompted Vectren South to evaluate the reconciliation of projected costs and actual costs and how the resulting variance is treated within the DSMA. He said that in the past, Vectren South calculated a single life-to-date variance and allocated it to each Rate Schedule using projected volumes for the energy component and 4CP for the demand component. He then described the two ways in which Vectren South modified its approach. First, he said that Petitioner has calculated an annual variance that will be amortized against recoveries in the period in which the variance amount is included in rates. Second, Vectren South has calculated a variance for each Rate Schedule, by comparing actual recoveries to actual DSMA costs incurred, by component. Mr. Swiz then identified each of the DSMA components and discussed how the rate for each component was derived.

Mr. Swiz testified that consistent with the Commission's Orders in Cause Nos. 43111, 43427, 43839, 43938 and 43405 DSMA 9 S1, the DSMA includes the following components: (a) DLC component, (b) I&M component (c) Energy Efficiency Funding Component ("EEFC"), (d) Lost Margin Component, and (e) Incentives and Variance Component. The DLC and I&M components were determined by comparing the estimated incremental DLC billing credits and I&M costs for the DSMA 13 Period to the amount of those costs included in base rates. The DLC component is a credit in this filing because the projected DLC billing credits are less than the base rate amount. The DLC credit and I&M balance were then allocated to the Rate Schedules using the demand allocation percentages approved in Cause No. 43839. The amounts allocated to each Rate Schedule were then divided by the projected sales quantities for the DSMA 13 Period to determine the DSMA DLC and I&M components, which were then adjusted for the recovery of Indiana Utility Receipts Tax.

The EEFC is designed to recover the costs of Commission-approved DSM programs via the EEFC. In Cause Nos. 43938 and 43427, the Commission approved recovery of DSM program costs via the EEFC. Mr. Swiz stated that the EEFC was calculated by first assigning energy and demand values to projected DSM program costs as defined by Petitioner's witness Huber in Petitioner's Exhibit No. 1, Attachment MPH-5 of his Direct Testimony in this Cause. These values were then used to derive an appropriate percentage split between energy and demand related costs. The energy portion was allocated to the Rate Schedules based on projected energy sales (adjusted for line losses). Historically, the demand portion was allocated to the Rate Schedules based upon the demand allocation percentages approved in Cause No. 43839. Mr. Swiz testified that the same methodology was used for DSMA 13, except there was

an adjustment due to the opt out of all Rate HLF customers. He went on to say that program costs allocated to Rates RS, B and SGS are recovered through a per kWh charge and program costs allocated to Rates DGS/MLA, OSS, and LP are recovered through demand (per kW) and energy (per kWh) charges. Mr. Swiz said that this methodology was approved in Petitioner's compliance filing in Cause No. 43427, as adjusted due to the opt out of all Rate HLF customers.

Mr. Swiz testified that Large Customer lost margins resulting from programs which Petitioner expects to implement in this DSMA 13 Period are included. He said that projected lost margins for Large Customers include only DGS/MLA-3 and LP since all Rate HLF customers have opted out of Vectren South's sponsored DSM programs. He confirmed that while Opt Out Groups 2014, 2015 and 2016 are not responsible for paying projected lost margins beyond their opt out dates, they remain responsible for the lost margins related to programs implemented prior to those dates. He described how energy and demand related lost margins were determined and how they were used to calculate the Large Customer lost margin rate. He said that total projected lost margins to be recovered from the DSMA 13 period were divided by projected energy sales to derive the lost margin rate per kWh applicable to those Large Customer Rate Schedules, which was then adjusted for Indiana Utility Receipts Tax ("IURT"). He confirmed that lost margins will be reconciled based upon independent evaluation, measurement and verification ("EM&V") in future DSMA filings.

Mr. Swiz testified that the Small Customer Lost Margin Component recovers revenues lost from Small Customers' participation in Petitioner's electric DSM programs. Small Customers are divided into two customer groups: residential and general service. These customer groups are then divided into specific Rate Schedules. Mr. Swiz said that projected energy savings by Rate Schedule applicable to the projection period are multiplied by the currently-effective tariff rate applicable to the lost energy sales for each Rate Schedule to determine the projected lost margins associated with identified energy savings. For Rate Schedules with one energy block, that single energy block charge is used. For Rate Schedules with more than one energy block, the last block energy charge is used to determine projected lost margins. For customers taking service under the Demand General Service Rate Schedule ("Rate DGS"), Petitioner applied a weighted average energy charge to lost energy sales to determine lost margins. The basis of the weighted average energy charge, as Mr. Swiz explained, is that only 5% of non-first block energy sales to DGS-1 and DGS-2 customers fall in the last block, so it is reasonable to expect that only a similar percentage of lost energy sales will come from the last block. Total projected lost margins to be recovered from Small Customers during the DSMA 13 Period were divided by projected energy sales to Small Customers during the DSMA 13 Period to determine the Small Customer Lost Margin Component, which was then adjusted for Indiana Utility Receipts Tax.

Mr. Swiz stated that the Incentives and Variance Component is derived by combining the variances and financial incentives. Variances were derived by Rate Schedule and are split between January 1, 2014 through June 30, 2014 and July 1, 2014 through December 31, 2014 to take into consideration the Opt Out Group 2014, which became effective on July 1, 2014. The variance is calculated for each Rate Schedule, giving appropriate consideration to Opt Out Groups as applicable, by comparing actual recoveries, net of IURT, with the total eligible costs to be recovered in the DSMA over this time period (DLC and I&M variance to base level, EEFC

costs, and lost margins). Eligible costs are divided by component to give appropriate consideration to Opt Out Groups and the necessary exclusions effective July 1, 2014 .

The DLC & I&M, EEFC, Lost Margin, and Incentives and Variance Components (including all variances and inclusive of the adjustment for recovery of Indiana Utility Receipts Tax) were combined, resulting in the total DSMA Rate, as shown on Petitioner’s Exhibit No. 2, Attachment JCS-2, Schedule 8.

Mr. Swiz’s exhibits showed the derivation of the DSMA for each Rate Schedule for the DSMA 13 Period. The proposed rates for each Rate Schedule are as follows:

DSMA CHARGES

<u>Rate Schedule</u>	<u>DSMA Rate (\$ per KW or kVa)</u>	<u>DSMA Rate (\$ per kWh)</u>
RS	N/A	0.007850
B	N/A	0.005276
SGS	N/A	0.002372
DGS/MLA-1,2	0.245	0.005925
DGS/MLA-3	0.302	0.004824
OSS	0.219	0.005209
LP	0.388	0.003193

DSMA OPT OUT CHARGES (GROUP 2014)

<u>Rate Schedule</u>	<u>DSMA Rate (\$ per KW or kVa)</u>	<u>DSMA Rate (\$ per kWh)</u>
SGS	N/A	(0.000796)
DGS-1 & 2/MLA-2	0.028	0.002521
DGS-3/MLA-3	0.083	0.001854
OSS	0.005	0.002273
LP	0.058	0.000753
HLF	0.014	0.000026

DSMA OPT OUT CHARGES (GROUP 2015)

<u>Rate Schedule</u>	<u>DSMA Rate (\$ per KW or kVa)</u>	<u>DSMA Rate (\$ per kWh)</u>
SGS	N/A	(0.000462)
DGS-1 & 2/MLA-2	0.064	0.003602
DGS-3/MLA-3	0.121	0.002641
OSS	0.051	0.002945
LP	0.098	0.001242
HLF	0.000	0.000000

DSMA OPT OUT CHARGES (GROUP 2016)

<u>Rate Schedule</u>	<u>DSMA Rate</u> <u>(\$ per KW or kVa)</u>	<u>DSMA Rate</u> <u>(\$ per kWh)</u>
SGS	N/A	(0.000184)
DGS-1 & 2/MLA-2	0.064	0.003883
DGS-3/MLA-3	0.121	0.002919
OSS	0.051	0.003206
LP	0.098	0.001363
HLF	0.000	0.000000

Petitioner's Exhibit No. 3, Attachment JCS-1 consists of the tariff sheets with the proposed DSMA Rates (Sheet No. 66, Seventh Revised Page 2 of 6 and Second Revised Page 3 of 6). Based on the foregoing, the monthly bill of a residential customer using 1,000 kWh per month during the DSMA 13 Period would increase by \$0.37 per month or 23%. In addition, Mr. Swiz filed Rebuttal Testimony in this proceeding.

b. **OUCC's Evidence.** Ms. Crystal L. Thacker, Utility Analyst with the OUCC, testified on behalf of the OUCC that the OUCC recommends the Commission require Vectren South to recalculate the proposed DSM factor excluding the effects of the order in Cause No. 44645. She went on to say that if the Commission approves the inclusion, in DSMA 13 factors, of those costs in question in Cause No. 44645, then the collection of those costs starting with the effective date of the proposed rates in DSMA should be interim subject to refund pending the final outcome of Cause No. 44645. She confirmed that the parties have agreed that they will determine at a later date the appropriate adjustments and potential refund, if necessary, that would be required to the approved DSMA 13 rates once an order is final and non-appealable in Cause No. 44645. Any adjustments would only apply to the costs proposed for recovery in DSMA 13 and would not impact recoveries approved in DSMA proceedings prior to DSMA 13.

5. **Commission Findings.** The evidence of record supports approval of Petitioner's proposed DSMA rates as shown in Petitioner's exhibits submitted with its prefiled testimony. The OUCC has recommended that if the Commission approves the DSMA 13 factors including costs at issue in Cause No. 44645, then the rates should be interim and subject to refund pending the outcome of Cause No. 44645. On May 4, 2016, the Commission denied the OUCC's Petition for Post Hearing Relief in Cause No. 44645. Accordingly, the Commission finds the DSMA 13 rates described herein should be approved.

6. **Scorecard.** Beginning with the next DSMA filing, Petitioner should submit a scorecard which includes for each program: gross MWh savings at the meter and gross MW savings at the meter. The savings to be reported are to include: ex ante savings, audited savings, and verified savings as these numbers become available. The scorecard should also include budgeted and actual program expenditures excluding lost revenues and performance incentives. After the next DSMA filing, future scorecards should be submitted on a quarterly basis with the fourth quarter scorecard also including the information for the full year.

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

1. The Petition of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. for approval of changes in its Demand Side Management Adjustment rates is approved as set forth in the Commission Findings in paragraph 5 above.

2. Petitioner shall file with the Electricity Division of this Commission, prior to placing in effect the DSMA rates herein approved, a revised Tariff Sheet No. 66 consistent with the findings set forth herein.

3. Petitioner shall submit a scorecard reviewing program performance as described in paragraph 6, with its next DSMA filing.

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

STEPHAN, HUSTON, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:

APPROVED

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



Mary M. Becerra
Secretary of the Commission