

**VECTREN ENERGY DELIVERY OF INDIANA - ELECTRIC
IURC CAUSE NO. 43839
COST OF SERVICE STUDY
DERIVATION OF RATE "BAMP"**

Total Cost of Service for Non-Steam

Rate Base	\$49,890,139
Allowed Rate of Return	7.29%
Net Operating Income	<u>\$3,636,991</u>
Plus: Operating & Maintenance Expenses	\$3,017,614
Plus: Fuel Costs	\$0
Plus: Depreciation and Amortization Expenses	\$2,651,499
Plus: Federal Income Taxes	\$1,011,230
Plus: State Income Taxes	\$306,874
Plus: Kentucky Income Taxes	\$179
Plus: Utility Receipts Taxes	\$150,853
Plus: Property Taxes	\$0
Plus Other Taxes	\$0
Plus: Investment Tax Credit	<u>\$0</u>
Proforma B Equalized Revenues	\$10,775,241
	0

Net Peaks (MW)

Broadway 1	49
Broadway 2	77
AB Brown Turbine 3	75
Northeast Turbines	14
AB Brown Turbine 4	<u>86</u>
Total	301

Total Peak MW * 12	3,612
Total Peak KW	3,612,000

Rate (\$/KW/MO.)	\$2.9832
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Rate BAMP Tariff Rates

	<u>Proposed</u>
Customer Facilities Charge	\$100.00
Capacity Charge	
Backup Power	
-firm (plus 120% of Rate CSP capacity component)	\$6.21
-non-firm (per rated capacity)	\$6.21
-non-firm (per billing demand)	\$2.98
Transmission Voltage Discount	\$2.34

VECTREN ENERGY DELIVERY OF INDIANA - ELECTRIC
IURC CAUSE NO. 43839
COST OF SERVICE STUDY
CALCULATION OF UNIT COSTS

DATA: 12 MONTHS ENDED JUNE 30, 2009

PETITIONER'S EXHIBIT KAH-R2

TYPE OF FILING: COMPLIANCE FILING

SCHEDULE 11
WITNESS: HEID

VECTREN ENERGY DELIVERY OF INDIANA - ELECTRIC
NET PLANT UNIT COSTS

	<u>Large Power Service (LP)</u>	<u>High Load Factor Service (HLF)</u>	<u>Outdoor Lighting (OL)</u>	<u>Street Lighting (SL)</u>
(1) Production Demand	\$16.23	\$19.33	N/A	N/A
(2) Transmission Demand	\$1.66	\$2.02	N/A	N/A
(3) Sub-Transmission Demand	\$2.21	\$2.61	N/A	N/A
(4) Primary Distribution Demand	\$2.34		N/A	N/A
(5) Secondary Distribution Demand			N/A	N/A
(6) Line Transformers Demand			N/A	N/A
(7) DSM-Related	\$0.29	\$0.34	N/A	N/A
(8) WPM Fuel	\$0.82	\$1.03	N/A	N/A
Less: Miscellaneous Revenues	(\$8.76)	(\$11.42)	N/A	N/A
(9) Total Demand (\$/kW or kVa/Month)	\$14.78	\$13.90	N/A	N/A

UNIT COSTS

DEMAND (\$)

- (1) Production Demand
- (2) Transmission Demand
- (3) Sub-Transmission Demand
- (4) Primary Distribution Demand
- (5) Secondary Distribution Demand
- (6) Line Transformers Demand
- (7) DSM-Related
- (8) WPM Fuel
- Less: Miscellaneous Revenues
- (9) Total Demand (\$/kW or kVa/Month)

Published BAMP Tariff to LP

[1]	Tariff BAMP	[8]	\$6.85
[2]	LP	[8]	\$17.88
[3]	BAMP to LP	[1]/[2]	<u>38%</u>

		BAMP		Sub		Restate LP		
				Total	Special K	Dollars	Per Unit	
[4]	Transmission	[12]	\$1.66	[12]	2,266,292	(213,571)	2,052,721	\$0.80
[5]	Sub-Trans	[13]	\$2.21	[13]	5,687,988	(536,026)	5,151,962	\$2.00
[6]	Transmission	SUM([4]:[5])	\$3.87	SUM([4]:[5])	7,954,280	(749,597)	7,204,683	\$2.79
[7]	Non Firm Prod	[6]	\$2.98	[11]	42,923,330	(4,045,020)	38,878,310	\$15.08
[8]	Trans & Prod	SUM([6]:[7])	\$6.85	SUM([6]:[7])	50,877,610	(4,794,617)	46,082,993	\$17.88
[9]	Primary Distrib	[14]	\$2.34	[14]	6,198,924	(584,176)	5,614,748	\$2.18
[10]	Prod Tran & Dist	SUM([8]:[9])	\$9.19	SUM([8]:[9])	57,076,534	(5,378,793)	51,697,741	\$20.05

		ref	Functional	RECB w/Spec K	TVD	VPC DSM WPM	Special K VPC Fuel	Miscellaneous & Customer [32] to [43]	Subsidies [44] to [48]	Sub Total	Differences	Dollars	Units	Rates
[11]	Production	[65]	45,532,008			(7,465,647)		282,367	4,574,603	42,923,330	(1,095,081)	41,828,249	2,577,902	\$16.23
[12]	Transmission	[65]	4,011,665	(1,051,932)				(950,252)	256,810	2,266,292	2,010,428	4,276,720	2,577,902	\$1.66
[13]	Sub-Trans	[65]	5,046,958						641,030	5,687,988	(1,004)	5,686,984	2,577,902	\$2.21
[14]	Primary Distrib	[65]	5,081,979		411,166			(271,171)	976,951	6,198,924	(572,305)	5,626,619	2,402,340	\$2.34
[15]	Functional	SUM([11]:[14])	59,672,610	(1,051,932)	411,166	(7,465,647)	0	(939,056)	6,449,394	57,076,534	342,037	57,418,571		\$22.44
[16]	DSM	[65]	644,196			(644,196)				0		0		
[17]	WPM	[65]	(1,255,820)			1,255,820				0		0		
[18]	Miscellaneous	[65]	(1,146,202)					1,146,202		0		0		
[19]	Subsidies	[65]	6,449,394						(6,449,394)	0		0		
[20]	Special K	[65]	(18,098,609)	124,432			12,595,385			(5,378,793)	(342,037)	(5,720,830)		
[21]	Allocations	SUM([16]:[20])	(13,407,041)	124,432	0	611,623	12,595,385	1,146,202	(6,449,394)	(5,378,793)	(342,037)	(5,720,830)		(\$2.39)
[22]	Fixed Cost	[15]+[21]	46,265,569	(927,500)	411,166	(6,854,024)	12,595,385	207,145	0	51,697,741	0	51,697,741	2,577,902	\$20.05
[23]	Customer	[65]	381,465					(207,145)		174,320		174,320	1,162	\$150.00
[24]	Retail Fuel	[65]	56,728,920					(11,286,763)		45,442,157		45,442,157	1,205,522	\$0.03770
[25]	VPC	[6]	0			6,854,024	(1,308,622)			5,545,402		5,545,402	1,205,522	\$0.00460
[26]	RECB	[6]	0	927,500						927,500		927,500	1,205,522	\$0.00077
[27]	TVD	[6]	0		(411,166)					(411,166)		(411,166)	175,562	(\$2.342)
[28]	Total	SUM([22]:[24])	103,375,954	0	0	0	0	0	0	103,375,954	0	103,375,954		

[29]	Demand Charge Fixed Cost									49.9%	25,779,015	2,577,902	\$10.00
[30]	Volumetric Fixed Cost									50.1%	25,918,726	1,205,522	\$0.02150
[31]	Total Fixed Cost	[22]									<u>51,697,741</u>		

	Miscellaneous and Customer	Total	Prod	Tran	Dist
[32]	Forfeited Discounts	(177,532)			(177,532)
[33]	Insufficient Funds Fee	(28)			(28)
[34]	Rent from Property	(256,144)			(256,144)

[35]	AK Steel Miscellaneous Revenue (Net)	(50,847)		(50,847)	
[36]	Other Miscellaneous Charges	(52,431)			(52,431)
[37]	Interruptible Credits	282,367	282,367		
[38]	TSO Revenue	(899,405)		(899,405)	
[39]	Interdepartmental Revenue	(26,917)			(26,917)
[40]	Berry Plastics	34,736			34,736
[41]	Miscellaneous	(1,146,202)	282,367	(950,252)	(478,317)
[42]	Customer	207,145			207,145
[43]	Miscellaneous and Customer	<u>(939,056)</u>	<u>282,367</u>	<u>(950,252)</u>	<u>(271,171)</u>
[44]	Production	141,404,920	71%		
[45]	Transmission	7,938,229	4%		
[46]	Sub Transmission	19,814,799	10%		
[47]	Distribution	<u>30,198,392</u>	15%		
[48]	LP Rate Base	<u>199,356,339</u>			

Cause No. 43839 Unbundled LP Demand Rate Design

Line	Unbundled Demand	Total	Prod	ns/Sub-Tr:	Dist
1	Prod-Demand	\$ 16.23	\$ 16.23		
2	Trans/Sub-Trans-Demand	\$ 3.87		\$ 3.87	
3	Prim-Dist	\$ 2.34			\$ 2.34
4	Subtotal	\$ 22.44	\$ 16.23	\$ 3.87	\$ 2.34
5	Misc Adj	\$ (2.39)	\$ (2.22)	\$ (0.17)	
6	Total LP Fixed Cost per kVa	\$ 20.05	\$ 14.01	\$ 3.70	\$ 2.34
7	Volumetric per kWh Fixed Cost	\$ 0.0215			
8	Rate LP MWh - Cause No. 43839	<u>1,205,522</u>			
9	Volumetric Rate LP Fixed Cost Recovery	\$ 25,918,723			
10	Rate LP kVa - Cause No. 43839	<u>2,577,902</u>			
11	Effective kVa Charge Recovered Volumetrically	\$ 10.05			
12	Rate LP Demand Charge	\$ 10.00			