

**SOUTHERN INDIANA GAS AND ELECTRIC COMP**

**D/B/A**

**VECTREN ENERGY DELIVERY OF INDIANA, INC.  
(VECTREN SOUTH)**

**CAUSE NO. 45052**

**VERIFIED DIRECT TESTIMONY**

**OF**

**J. CAS SWIZ**

**DIRECTOR, RATES AND REGULATORY ANALYSIS**

**SPONSORING PETITIONER'S EXHIBIT NO. 13,  
ATTACHMENTS JCS-1 THROUGH JCS-3**

**VERIFIED DIRECT TESTIMONY**  
**OF**  
**J. CAS SWIZ**  
**DIRECTOR, RATES AND REGULATORY ANALYSIS**

1 **Q. Please state your name and business address.**

2 A. My name is J. Cas Swiz. My business address is One Vectren Square, Evansville,  
3 Indiana 47708.

4 **Q. By whom are you employed?**

5 A. I am employed by Vectren Utility Holdings, Inc. ("VUHI"). Southern Indiana Gas and  
6 Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "the  
7 Company") is a subsidiary of VUHI.

8 **Q. What position do you hold with Petitioner Vectren South?**

9 A. I am Director, Rates and Regulatory Analysis for VUHI, the immediate parent company  
10 of Vectren South. I hold the same position with two other utility subsidiaries of VUHI –  
11 Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren  
12 North") and Vectren Energy Delivery of Ohio, Inc. ("Vectren Ohio").

13 **Q. Please describe your educational background.**

14 A. I am a 2001 graduate of the University of Evansville with a Bachelor of Science degree  
15 in Accounting, and a 2005 graduate of the University of Southern Indiana with a Masters  
16 of Business Administration.

17 **Q. Please describe your professional experience.**

1 A. From 2001 to 2003, I was employed by ExxonMobil Chemical as a Product and  
2 Inventory accountant. Since 2003, I have been employed with VUHI in various  
3 accounting capacities. In 2008, I was named Manager, Regulatory and Utility  
4 Accounting, and in November 2012, I was named Director, Regulatory Implementation  
5 and Analysis. I was named to my current position in August 2015.

6 **Q. What are your present duties and responsibilities as Director, Rates and**  
7 **Regulatory Analysis?**

8 A. I am responsible for the regulatory and rate matters of the regulated utilities within VUHI  
9 in proceedings before the Indiana and Ohio utility regulatory commissions. I also have  
10 responsibility for the financial analysis and implementation of all regulatory initiatives of  
11 Vectren South (and VUHI's other utility subsidiaries), as well as the preparation of  
12 accounting exhibits submitted in various regulatory proceedings.

13 **Q. Are you familiar with the books, records, and accounting procedures of Vectren**  
14 **South?**

15 A. Yes, I am.

16 **Q. Are Vectren South's books and records maintained in accordance with the**  
17 **Uniform System of Accounts ("USOA") and generally accepted accounting**  
18 **principles ("GAAP")?**

19 A. Yes.

20 **Q. Have you ever testified before any state regulatory commission?**

21 A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or  
22 "Commission") on behalf of Vectren South and Vectren North in its Transmission,  
23 Distribution, and Storage System Improvement Charge ("TDSIC") proceedings, Cause  
24 No. 44429 (Vectren South's Gas TDSIC), Cause No. 44430 (Vectren North's Gas

1 TDSIC), and Cause No. 44910 (Vectren South's Electric TDSIC). I have testified on  
2 behalf of Vectren South and Vectren North in its Gas Cost Adjustment ("GCA")  
3 proceedings, Cause No. 37366 (Vectren South) and Cause No. 37394 (Vectren North)  
4 and on behalf of Vectren South in its Fuel Adjustment Clause ("FAC"), Cause No. 38708.  
5 I have also testified before the Public Utilities Commission of Ohio on behalf of Vectren  
6 Ohio.

7 **Q. What is the purpose of your Direct Testimony in this proceeding?**

8 A. Pursuant to Ind. Code Ch. 8-1-8.4 ("Federal Mandate Statute"), I will discuss Vectren  
9 South's proposed accounting and ratemaking treatment for the proposed environmental  
10 compliance investments to extend the life of Culley Unit 3 (the "Mandated Projects"),  
11 described more fully in the direct testimony of Witnesses Games, Retherford and  
12 Fischer, and the completed investments approved in Cause No. 44446 to comply with  
13 the Mercury and Air Toxics Standards ("MATS"), National Pollutant Discharge  
14 Elimination System ("NPDES") and the Environmental Protection Agency ("EPA") Notice  
15 of Violation ("NOV") (collectively the "MATS Projects"), and associated deferrals  
16 authorized in that Cause.

17 In addition, I will discuss the proposal to implement a rate adjustment mechanism, the  
18 Environmental Cost Adjustment ("ECA"), which will recover these approved costs. I will  
19 discuss how the Mandated Projects and MATS Projects will be reflected as recoverable  
20 costs within the ECA Revenue Requirement calculation. I will propose initial ECA rates  
21 and charges, recovering the MATS Projects investments and deferrals as of December  
22 31, 2017, to be effective January 1, 2019. I will describe the proposed allocation of  
23 costs and tariff sheet, as well as other proposed changes to Vectren South's Tariff for  
24 Electric Service ("Tariff"). I will also discuss the proposed adjustment to the authorized  
25 return amount utilized in the FAC net operating income ("NOI") earnings tests (Ind. Code

1 § 8-1-2-42(d) and § 8-1-2-42.3) as a result of the proposed ECA, consistent with the  
2 Federal Mandate Statute.

3 Finally, I will discuss Vectren South's proposed accounting treatment for the proposed  
4 new combined cycle gas turbine ("CCGT"), described more fully in the direct testimony  
5 of Witness Wayne D. Games..

6 **Q. Are you sponsoring any attachments in support of your Direct Testimony?**

7 A. Yes. I am sponsoring the following attachments:

Exhibit	Description
<u>Petitioner's Exhibit No. 13</u> , Attachment JCS-1	(Illustrative) Revenue Requirement Schedules for the Environmental Cost Adjustment (ECA), Schedules 1-14
<u>Petitioner's Exhibit No. 13</u> , Attachment JCS-2	Proposed ECA Tariff Sheet
<u>Petitioner's Exhibit No. 13</u> , Attachment JCS-3	Other Tariff Sheet Changes

8

9 **Q. Were the attachments identified above prepared or assembled by you or under  
10 your direction or supervision?**

11 A. Yes.

12 **I. Mandated Projects and MATS Projects**

13 **Q. Please summarize Vectren South's accounting and ratemaking proposals specific  
14 to the Mandated Projects, and the statutory authority supporting these proposals.**

15 A. As summarized in the testimony of Witness Chapman, Vectren South is requesting a  
16 Certificate of Public Convenience and Necessity ("CPCN") for the construction of the  
17 Culley Unit 3 Mandated Projects. Witness Retherford describes those projects in detail.

1 The Federal Mandate Statute allows for timely recovery of eighty percent (80%) of the  
2 revenue requirement associated with approved federally mandated costs through a  
3 periodic retail rate adjustment mechanism (Ind. Code § 8-1-8.4-7(c)(1)). Vectren South  
4 is proposing to include these costs within the ECA, as described further below, with the  
5 remaining twenty percent (20%) of the revenue requirement deferred and recovered by  
6 the Company as part of its next general base rate case (Ind. Code § 8-1-8.4-7(c)(2)).

7 **Q. How does the Federal Mandate Statute define federally mandated costs?**

8 A. The Federal Mandate Statute defines federally mandated costs as those “costs that an  
9 energy utility incurs in connection with a compliance project, including capital, operating,  
10 maintenance, depreciation, tax, or financing costs.” (Ind. Code § 8-1-8.4-4(a))

11 **Q. Will the costs you just described be incurred as a result of a compliance project**  
12 **implemented to address federally mandated requirements, as defined in Ind.**  
13 **Code. Ch. 8-1-8.4?**

14 A. Yes. Witness Retherford explains in greater detail how these investments ensure that  
15 Vectren South can continue to operate Culley Unit 3 in accordance with current US EPA  
16 requirements.

17 **Q. Please summarize Vectren South's accounting and ratemaking proposals specific**  
18 **to the MATS Projects, and the statutory authority supporting these proposals.**

19 A. In Cause No. 44446, the Commission approved the costs incurred in connection with the  
20 projects described in that Cause to comply with the EPA's MATS rule as “federally  
21 mandated costs” under Ind. Code § 8-1-8.4-4. The Commission also held that the  
22 projects described in that Cause are “clean energy projects” and “clean coal technology”  
23 under Ind. Code Ch. 8-1-8.8 that are reasonable and necessary and eligible for financial  
24 incentives. Accordingly, the Commission authorized Vectren South to defer the federally

1 mandated costs and record them as a regulatory asset until the date of a Commission  
2 order authorizing recovery of the deferred costs in Vectren South's recoverable  
3 operating expenses. In that case, the Commission found that "before beginning  
4 recovery of the deferred costs, [Vectren South] must file a case setting forth the specific  
5 recovery mechanism and terms or seek recovery of the deferred costs in its next base  
6 rates case." Order dated January 28, 2015 in Cause No. 44446 ("MATS Order"), at p.  
7 12.

8 In this proceeding, Vectren South is requesting to recover the authorized deferred  
9 balance over a period of fifteen (15) years. This balance, initially estimated at December  
10 31, 2018, includes deferred depreciation, deferred operations and maintenance ("O&M")  
11 expense, and deferred post in-service carrying costs ("PISCC") as approved in the  
12 MATS Order. In addition, Vectren South is requesting, in accordance with the Federal  
13 Mandate Statute, to recover 80% of the revenue requirement on the MATS Projects  
14 within the proposed ECA, with the remaining 20% deferred until the next base rate case.

15 **Q. Did Vectren South specify in the MATS Order when the recovery of the MATS**  
16 **deferral would commence?**

17 A. Vectren South stated that recovery would most likely start with the expiration of the  
18 currently authorized coal cost amortization (approved in Cause No. 38708-FAC93).  
19 2019 will be the last year in which customer rates will include recovery of this coal cost  
20 amortization, and, as Vectren South's generation plan discussed by witness Chapman  
21 involves retirement of a significant portion of Vectren South's coal generating facilities,  
22 recovery of this deferral should commence prior to the retirement of the units.

23 **Q. Please explain the specific ratemaking and accounting treatment Vectren South is**  
24 **requesting in this case.**

1 A. Vectren South is proposing the following ratemaking and accounting treatment in  
2 accordance with the Federal Mandate Statute previously discussed:

3 1. Recovery of 80% of eligible revenue requirement amounts via a rate adjustment  
4 mechanism (ECA):

5 a. Financing costs on projects under construction

6 b. Post-in-service carrying costs ("PISCC")

7 c. Incremental depreciation and property tax expenses

8 2. Deferral of 20% of eligible revenue requirement amounts for subsequent recovery in  
9 a base rate case:

10 a. Financing costs on projects under construction

11 b. PISCC

12 c. Incremental depreciation and property tax expenses

13 3. Interim deferrals and subsequent recovery of incremental deferred amounts via the  
14 rate adjustment mechanism.

15 For the Mandated Projects, Vectren South proposes this ratemaking and accounting  
16 treatment begin with approval of the Mandated Projects as eligible compliance projects  
17 as defined in the Federal Mandate Statute. For the MATS Projects, Vectren South  
18 proposes this ratemaking and accounting authority begin January 1, 2019 with the  
19 approval of ECA rates and charges, as described further below, recovering the specified  
20 revenue requirement.

21 **Q. How will Vectren South capture these eligible costs for recovery within the**  
22 **proposed annual ECA filings?**

23 A. Consistent with these definitions and to effectuate the authorized recovery, Vectren  
24 South will prepare in each annual filing a revenue requirement calculation which will



1 accumulate all eligible costs incurred through December 31 of the previous calendar  
2 year. The annual revenue requirement will capture eligible new capital investments in  
3 plant related to the Mandated Projects and MATS Projects, multiplied by the applicable  
4 rate of return, discussed in greater detail later in my testimony, with depreciation, O&M,  
5 and property tax expenses associated with the Mandated Projects and MATS Projects  
6 added to the resulting total. As discussed later in my testimony, the revenue  
7 requirement on these Projects will represent the basis for the recovery of 80% of the  
8 eligible revenue requirement amounts requested in each annual ECA filing.

9 **Q. Please explain what is meant by “new capital investments”.**

10 A. New capital investments will capture any costs associated with investments in a  
11 compliance project. As stated within the Federal Mandate Statute, a “compliance  
12 project” includes “an addition, or an integrity, enhancement, or a replacement project  
13 undertaken by an energy utility to comply with a federal mandated requirement.” (Ind.  
14 Code § 8-1-8.4-2(b)).

15 **Q. What is included in “new capital investment”?**

16 A. Vectren South proposes to include the gross plant specific to the new capital  
17 investments for the Mandated Projects, both in service and Construction Work in  
18 Progress (“CWIP”), along with the completed and in service investments for the MATS  
19 Projects. The project costs for these new capital investments will include various direct  
20 and indirect costs, and financing costs incurred during construction, commonly referred  
21 to as Allowance for Funds Used During Construction (“AFUDC”). The accumulating of  
22 the eligible project costs and the request for CWIP ratemaking treatment will be  
23 discussed later in my testimony.

1 The depreciation that accumulates on these new capital investments once they go in  
2 service will also be included as a reduction to the gross plant. The accumulated  
3 depreciation will capture all depreciation expense on new capital investments starting  
4 with the in-service month, and any cost of removal incurred in the disposal of assets  
5 retired and replaced as a result of the these investments, consistent with the Federal  
6 Energy Regulatory Commission ("FERC") USOA requirements. This results in a "net  
7 plant" amount related to the new capital investments.

8 Finally, the investments placed in-service and not yet included for recovery within the  
9 ECA mechanism are eligible for PISCC at the weighted average cost of capital most  
10 recently approved by the Commission. The PISCC related to the new capital  
11 investments placed in-service will be included in the net plant calculation within the  
12 revenue requirement.

13 **Q. Please explain how the depreciation expense proposed for recovery will be**  
14 **calculated.**

15 A. Vectren South will include for recovery within the revenue requirement the depreciation  
16 expense associated with the new capital investments for the Mandated Projects and the  
17 MATS Projects. For the Mandated Projects, these investments will utilize a depreciation  
18 rate of five percent (5%), representing a twenty-year (20-year) life on these investments.  
19 The proposed depreciation rate aligns these investments with the estimated remaining  
20 life of Culley Unit 3. For the MATS Projects, these investments will utilize the currently  
21 approved depreciation rates applicable to the assets, as approved in Vectren South's  
22 last electric base rate case (Cause No. 43839). To the extent that the new investment  
23 associated with the Mandated Projects results in a retirement of an existing asset,  
24 depreciation expense included in the revenue requirement will be reduced by the  
25 depreciation expense amount attributed to those retired assets.

1 **Q. How will pre-tax return on new capital investment be calculated?**

2 A. The pre-tax return on the new capital investment will be calculated by multiplying the  
3 pre-tax rate of return, based on the weighted average cost of capital ("WACC"), by total  
4 new capital investment related to the approved projects.

5 **Q. What is the proposed WACC to be utilized in the ECA?**

6 A. Vectren South proposes to use a WACC in the ECA based upon the most recent  
7 approved WACC within the Company's TDSIC mechanism, Cause No. 44910. This  
8 WACC, approved by the Commission, represents an updated actual capital structure as  
9 of the cut-off date of each TDSIC filing, and includes the typical items captured in the  
10 Company's base rate case capital structure. This rate will be used in the ECA revenue  
11 requirement calculation, and the equity component will be grossed up for recovery of  
12 income taxes, both state and federal, at then current rates.<sup>1</sup>

13 **Q. Please explain the Company's proposal to defer the remaining 20% of eligible  
14 revenue requirement amounts not recovered in the ECA.**

15 A. As provided for in the Federal Mandate Statute, the remaining 20% of eligible revenue  
16 requirement amounts shall be deferred for recovery as part of the Company's next base  
17 rate proceeding. Consistent with the recoverable portion, the revenue requirement  
18 calculation discussed later in my testimony will be used to derive the 20% deferred for  
19 future recovery.

20 **Q. Please explain the proposal to defer and subsequently recover depreciation  
21 expense associated with the Mandated Projects on an interim basis prior to  
22 inclusion in the ECA.**

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<sup>1</sup> The Commission has issued a generic proceeding to address the impact of the Tax Cuts and Jobs Act of 2017 (Cause No. 45032). Vectren South will utilize the currently approved 21% federal income tax rate, effective January 1, 2018, within the calculation of the WACC within the ECA.

1 A. Vectren South proposes to defer depreciation expense on the Mandated Projects, from  
2 each project's in service date until depreciation expense is included for recovery in the  
3 ECA. Commencing on the date each project is placed in service, the depreciation  
4 expense would be charged to FERC Account 403, Depreciation Expense, with a  
5 corresponding credit to FERC Account 108, Accumulated Provision for Depreciation of  
6 Electric Utility Plant. Concurrently, the deferral of depreciation would be recorded as a  
7 charge to FERC Account 182.3, Other Regulatory Assets, and a credit to FERC Account  
8 407.4, Regulatory Credits, until such point as the assets are included for recovery in the  
9 ECA. This proposed accounting for the deferral of depreciation is in accordance with  
10 GAAP and, specifically, Statement of Financial Accounting Standards ("SFAS") No. 71.  
11 SFAS71 specifies that, subject to the approval of a regulatory agency and the probability  
12 of collection from customers at a future date, the Company may establish a regulatory  
13 asset for future recovery in lieu of recording expense.

14 **Q. Will the Company defer depreciation expense associated with the MATS Projects?**

15 A. The deferral of depreciation expense on the MATS Projects, completed in 2017, was  
16 approved in the MATS Order. This deferral will cease once the MATS Projects are  
17 included for recovery in the ECA.

18 **Q. How does Vectren South propose recovering the regulatory assets in FERC**  
19 **Account 182.3 recorded through the interim deferral of such depreciation**  
20 **expenses on the Mandated Projects?**

21 A. Vectren South will amortize the cumulative deferred balances over time, and include the  
22 amortization amount in the ECA revenue requirements. Specific to deferred  
23 depreciation expense, Vectren South proposes to amortize the deferred balance through  
24 the ECA over the remaining life of the assets that generated the depreciation expense –  
25 20 years.

1 **Q. Please explain the proposal to defer and subsequently recover costs associated**  
2 **with the Mandated Project development.**

3 A. Vectren South has incurred and will continue to incur costs associated with the  
4 development of the solutions which generated the design and implementation of the  
5 Mandated Project plan. These costs will be included for recovery within the ECA, with  
6 the balance amortized over a period of three (3) years.

7 **Q. Please explain the projected expense recovery ratemaking treatment being**  
8 **requested related to the Mandated Projects and MATS Projects in the ECA.**

9 A. Vectren South is seeking authority through the establishment of the ECA to recover  
10 O&M, depreciation, and property tax expenses associated with the Mandated Projects  
11 and MATS Projects. To provide for timely recovery, Vectren South's proposed ECA will  
12 project an annualized level of expense related to these approved projects for the twelve-  
13 month effective period.

14 **Q. How will the O&M expense included for recovery be calculated?**

15 A. O&M expense included for recovery in the ECA will reflect an annualized level of  
16 expense related to the MATS Projects. This O&M expense is currently being deferred in  
17 accordance with the MATS Order, and represents incremental chemical costs and other  
18 expenses associated only with the MATS Projects. In the event the Mandated Projects  
19 result in incremental O&M expense, the Company proposes to include these costs for  
20 recovery within the ECA.

21 **Q. How will the depreciation expense included for recovery be calculated?**

22 A. Depreciation expense included for recovery in the ECA will reflect an annualized level of  
23 expense related to the gross new capital investments as of the cut-off date of the ECA  
24 filing. As the investment is placed in service, it will be classified in the appropriate FERC

1 Plant Account. For the MATS Projects, these investments will be depreciated using the  
2 depreciation rate approved for the Plant Account. For the Mandated Projects, these  
3 investments will be depreciated using the proposed 5% depreciation rate in this  
4 proceeding.

5 **Q. How will the property tax expense included for recovery be calculated?**

6 A. Property tax expense included for recovery in the ECA will reflect an annualized level of  
7 expense related to the gross new capital investment in service along with the CWIP  
8 balance as of the cut-off date of the filing. The annualized property tax expenses will be  
9 calculated by multiplying the plant investment balances by the then current or most  
10 recent tax rate for the projected period.

11 **Q. Please explain the CWIP ratemaking treatment being requested for the Mandated**  
12 **Projects.**

13 A. Vectren South proposes to implement CWIP ratemaking treatment related to the  
14 recovery of financing costs incurred during construction of eligible Mandated Project  
15 investments. Under CWIP ratemaking treatment, Vectren South will recover, through  
16 the ECA, financing costs incurred during the construction period attributable to eligible  
17 capital investments. CWIP ratemaking treatment allows a utility to recover its costs in a  
18 timely manner and avoid the impacts of regulatory lag by recovering financing costs as  
19 the capital costs are being incurred. In connection with CWIP ratemaking treatment,  
20 Vectren South will remove from the AFUDC-eligible balance the amount of investment  
21 included for recovery in the ECA, such that only the amount of Mandated Project  
22 investment not currently being recovered in the ECA would be eligible for AFUDC.

23 **Q. Please explain further how the AFUDC calculation will be adjusted to remove the**  
24 **investments that are currently recovered in the ECA.**

1 A. AFUDC captures the financing costs incurred on a project during its construction period.  
2 By utilizing CWIP ratemaking treatment, AFUDC is replaced by actual recovery of  
3 financing costs from customers via the ECA. Using a hypothetical example, assume that  
4 the ECA currently includes \$100 of investment in CWIP as of the cut-off date of the filing.  
5 The AFUDC calculation on this project, starting with the effective date of the ECA rates,  
6 will capture the total investment made on the project through the end of the current  
7 period – assume \$150 – less the \$100 currently included in the ECA, or \$50 in this  
8 example.

9 **Q. Please explain the PISCC ratemaking treatment being requested.**

10 A. Vectren South proposes to accrue PISCC on all eligible new capital investment from the  
11 date the investment is placed in service until the date when the investment is included in  
12 rates for recovery. The PISCC balance will be included as new capital investment, and  
13 will be multiplied by the pre-tax rate of return within the ECA revenue requirement.

14 **Q. What rates will be used to calculate PISCC on projects placed in service but not  
15 yet recovered in the ECA?**

16 A. The PISCC rate used is the overall WACC discussed earlier in my testimony.

17 **Q. Please describe the accounting associated with the PISCC accruals.**

18 A. At the point when a work order is placed in service, and prior to its inclusion for recovery  
19 in the ECA, PISCC will be accrued by multiplying the applicable rates by the new capital  
20 investment, net of retirements. This accrual will be recorded as a regulatory asset under  
21 FERC Account 182.3, with corresponding entries to income under FERC Account 419.1,  
22 Allowance for Other Funds Used During Construction (“AFUDC-Equity”) for the equity  
23 specific component of the PISCC, and FERC Account 432, Allowance for Borrowed

1 Funds Used During Construction ("AFUDC-Debt") for the debt specific component of the  
2 PISCC.

3 **Q. How will the amortization of the PISCC deferred balance be calculated?**

4 A. Vectren South proposes to amortize the deferred balance through the ECA over the life  
5 of the assets that generated the deferred PISCC, using the depreciation rates proposed  
6 for these investments – 20 years.

7 **Q. Is Vectren South requesting to accrue and subsequently recover PISCC on the**  
8 **20% deferred balance?**

9 A. No, Vectren South is not seeking the authority to accrue and subsequently recover in the  
10 next base rate case PISCC on the 20% deferred balance discussed previously.

11 **Q. Please explain the process that will be used to segregate and record the new**  
12 **investments for the Mandated Projects while they are under construction.**

13 A. To ensure proper accumulation of construction costs related to the Mandated Projects, a  
14 unique project number will be assigned to the capital work order. All project construction  
15 costs will be recorded as incurred to the assigned project number and maintained in the  
16 Company's Financial Information System ("FIS") Projects Accounting module. The  
17 project number will be required for the recording of all project construction costs into any  
18 of the FIS feeder systems. Each of the feeder systems, which include payroll, accounts  
19 payable, and material inventory, interface with the Projects Accounting module. Total  
20 incurred project construction costs can be accurately viewed and/or reported by the  
21 project number at any time as the project progresses. Each project will be sub-  
22 categorized in the system as recovery pursuant to the Federal Mandate Statute to help  
23 exclude any capital investment made that does not qualify for recovery under the ECA  
24 mechanism.



1 **Q. Were the approved MATS Projects segregated and recorded consistent with this**  
2 **approach?**

3 A. Yes. Vectren South was required to provide investment status updates to the  
4 Commission every six months which showed the cumulative spend on each component  
5 of the MATS Projects approved in the MATS Order. The approved accounting treatment  
6 required the segregation of these projects from standard construction work.

7 **Q. Will the requirements of the FERC USOA be followed in the recording of the**  
8 **project construction costs?**

9 A. Yes. Costs incurred during the construction phase will be reflected in FERC Account  
10 107, CWIP. When each project is completed, meaning the assets are now used and  
11 useful in providing utility service, the costs will be moved to FERC Account 106,  
12 Completed Construction Not Classified ("CCNC"). At the point where the final project  
13 costs are captured and the project manager formally defines the assets installed and  
14 removed, the costs will be transferred to FERC Account 101, Electric Plant In Service.  
15 As explained in more detail below, any existing assets retired as a result of the projects  
16 will create a reduction to FERC Account 101, with an offsetting entry to FERC Account  
17 108, Accumulated Provision for Depreciation of Electric Utility Plant.

18 **Q. What types of costs will be included as utility plant upon which the Company will**  
19 **earn a return?**

20 A. The proposed ratemaking treatment will apply to the construction costs of the projects,  
21 including engineering and project management, permitting, contractor costs, site  
22 preparation, equipment and installation, and other costs approved by the Commission.

23 **Q. What capitalized overheads will be included in the construction costs?**

1 A. An allocation for general oversight, management and administrative costs will be  
2 included, consistent with Company policy. Costs associated with accounting, legal  
3 services, human resource management, insurance and other similar costs are included  
4 as overhead costs that are allocated to construction projects. As part of the work papers  
5 in each ECA filing, Vectren South will segregate the applicable project costs included for  
6 recovery into categories of direct costs and indirect capital overheads.

7 **Q. Will AFUDC be recorded on the project construction costs?**

8 A. Yes, Vectren South proposes to record AFUDC in accordance with GAAP. As explained  
9 previously in my testimony, AFUDC will cease the earlier of the date the project is placed  
10 in service or the date that project expenditures are included in the ECA.

11 **Q. What AFUDC rate will be used?**

12 A. Vectren South will use the same AFUDC rate it uses for all other construction projects.  
13 This AFUDC rate is calculated each calendar month and represents the weighted cost of  
14 investor-supplied capital adjusted to include short-term debt, as provided by FERC  
15 accounting procedures. The periodic AFUDC rate is based on the actual cost rates for  
16 long-term debt during a particular period and the actual cost rate of short-term debt for  
17 the same period. The cost rates for common equity are the cost of common equity  
18 determined in the order in Vectren South's last electric rate case (Cause No. 43839)  
19 (10.4%).

20 **Q. Do Vectren South's AFUDC accrual procedures comply with the USOA?**

21 A. Yes.

22 **Q. Are there assets currently in utility plant in service that are being retired as a part**  
23 **of the projects?**

1 A. Yes, in certain situations, existing assets will be replaced, and will be retired against the  
2 accumulated provision for depreciation, net of removal costs or salvage recoveries.  
3 Actual retirements will be reflected in the filings, impacting the gross plant balance used  
4 to determine the recoverable depreciation expense.

5 **Q. Please explain the accounting of the retirements within utility plant in service.**

6 A. In accordance with "Electric Plant Instruction" 10(B)(2) of the USOA, the retirements of  
7 utility plant should be recorded against the accumulated depreciation applicable to such  
8 property. Any incremental cost of removal and any salvage proceeds shall be charged or  
9 credited to the same account. The accounting treatment results in no change to overall  
10 rate base upon which the Company will earn a return.

11

12

## II. Environmental Cost Adjustment

13 **Q. Please generally explain how the ECA revenue requirement will be calculated.**

14 A. In each annual ECA filing, Vectren South will calculate a revenue requirement for the  
15 ECA mechanism. Filing schedules which reflect the proposed calculation through  
16 December 31, 2017 are included in Petitioner's Exhibit No. 13, Attachment JCS-1. The  
17 revenue requirement will be shown on Schedule 1 and will include the return on new  
18 capital investments, property tax, depreciation, and O&M expenses associated with  
19 approved investments, as well as recovery of the regulatory assets recorded through the  
20 interim deferral of depreciation expense, plan development expense, and PISCC.  
21 Vectren South will then multiply the annual revenue requirements by 80% to achieve the  
22 recoverable portion of the revenue requirement for approved investments. Per the  
23 Statute, 80% of approved costs may be recovered through a periodic rate adjustment  
24 mechanism. As described in greater detail later in testimony, the recoverable amounts

1 for the approved investments will be utilized to derive annual ECA rates and charges  
2 based on annualized billing determinants.

3 **Q. Please describe Schedule 1 (Revenue Requirement) of Attachment JCS-1.**

4 A. This schedule illustrates the calculation of the proposed revenue requirement Vectren  
5 South will seek to recover in its ECA filing. The revenue requirement calculation is  
6 divided on this schedule between the "Return on New Capital Investment", which  
7 calculates the pre-tax return on total net new investment (lines 1 through 8), and the  
8 "Incremental Expenses", which calculates the recoverable expenses, both projected and  
9 amortized from previously deferred balances (lines 9 through 16). All items on this  
10 schedule are recoverable as eligible costs under the Federal Mandate Statute, and are  
11 supported by the schedules that follow.

12 In addition, this schedule defines the accounting that will result with the implementation  
13 of the ECA rates and charges. This information is required to ensure the Company  
14 receives the return on its investments and granted by the Federal Mandate Statute in  
15 accordance with Financial Accounting Standards Board ("FASB") Accounting Standards  
16 Codification ("ASC") Topic 980. The manner of recovery set forth in the schedule is  
17 required by accounting rules to recognize the full return on investment, but it does not  
18 impact the statutory recovery via the ECA nor the amount deferred for future recovery in  
19 a base rate proceeding. The collection priority noted in the schedule shows that the first  
20 dollar collected will represent the full return (Line 8) and remaining amount covering a  
21 portion of the incremental expense (Line 16). The amounts included for recovery in the  
22 ECA will represent an amount equal to 80% of the total annual revenue requirement.  
23 The remaining amount equal to 20% of the total annual revenue requirement will be the  
24 amount deferred for future base rate recovery.

1 **Q. What is the total ECA revenue requirement proposed in this proceeding?**

2 A. The total ECA revenue requirement as of December 31, 2017 is \$13,260,515, of which  
3 80%, or \$10,608,412, is proposed to be included in the initial ECA rates. The remaining  
4 20%, or \$2,652,103, is proposed to be deferred until the next base rate case.

5 **Q. Please describe Schedule 2 (New Capital Investment).**

6 A. This schedule supports the Gross New Capital Investment, Accumulated Depreciation  
7 attributed to the new capital investment, and CWIP balances related to new capital  
8 investments as of the filing date. These cumulative amounts will be reflected on lines 1-  
9 4 on Schedule 1, and utilized in the return on new capital investment calculation. In  
10 each ECA filing, detail is provided to show these balances by FERC Plant Account, to  
11 link directly to approved depreciation rates.

12 As of December 31, 2017, Vectren South has invested approximately \$67 million related  
13 to the MATS Projects, with accumulated depreciation of approximately \$6 million, for a  
14 net balance of approximately \$61 million, which is included on Schedule 1.

15 **Q. Has Vectren South prepared work paper schedules showing the work order details  
16 that support these summarized amounts?**

17 A. Yes, the ECA filing includes work paper support by work order, which agrees to the  
18 summarized amounts listed on this schedule. In each ECA filing, this information will be  
19 provided to support the investments made by Vectren South.

20 **Q. Please describe Schedule 3 (Post In-Service Carrying Costs (PISCC)).**

21 A. This schedule summarizes the calculation of the PISCC balance on investments placed  
22 in service but not yet captured for recovery under previous ECA filings. This schedule  
23 will be used to support line 5 of Schedule 1, and the amount will be utilized in the return  
24 on new capital investment calculation. In addition, this schedule will be used to

1 determine the recoverable amortization expense on the cumulative deferred PISCC  
2 balance, included on line 15 of Schedule 1.

3 **Q. Please describe Schedule 4 (Pre-Tax Rate of Return).**

4 A. Schedule 4 contains two pages. Page 1 calculates the Pre-Tax return used in the return  
5 on calculation on line 7 of Schedule 1. Page 2 calculates the After Tax return used in  
6 the PISCC calculation on eligible investments applicable to the approved projects prior  
7 to the first filing date.

8 Page 1 reflects the WACC currently pending in Vectren South's TDSIC proceeding,  
9 Cause No. 44910-TDSIC2. This capital structure is inclusive of the items captured in the  
10 Company's base rate case capital structure: (1) long-term debt, (2) common equity, (3)  
11 customer deposits, (4) cost free capital, including deferred income taxes, and (5)  
12 investment tax credits. The balances and cost of debt are based on the actual amounts  
13 as of the measurement date, and the cost of equity has been set at 10.4% as approved  
14 in the order in Vectren South's last electric rate case (Cause No. 43839). The equity  
15 component is grossed up for recovery of income taxes, both state and federal, at current  
16 statutory tax rates. In addition, the actual measurement date weighted average cost of  
17 capital will be utilized to calculate PISCC for investments made from the measurement  
18 date through the next ECA filing.

19 Page 2, currently not populated, will reflect the WACC used to calculate PISCC on  
20 eligible investments, once approved in this proceeding. In the future, Page 2 will reflect  
21 the previously approved WACC, which will be used to calculate the deferred PISCC  
22 through the end of the measurement period.

23 **Q. Please describe Schedule 5 (Annualized Depreciation Expense on New Capital**  
24 **Investment).**

1 A. This schedule supports the annualized depreciation expense utilized on line 10 of  
2 Schedule 1. It is calculated by multiplying the gross new capital investment balance as  
3 of the filing cut-off date from Schedule 2, net of retirements, by the approved  
4 depreciation rate applicable to the respective classes of plant. The approved  
5 depreciation rates are set by FERC USOA Plant Account, which is the basis for the  
6 amounts included in the revenue requirements.

7 **Q. Please describe Schedule 6 (Amortization of Plan Development Expense).**

8 A. This schedule calculates the annualized level of deferred amortization expense included  
9 for recovery on line 13 of Schedule 1. As explained earlier in my testimony, the total  
10 deferred expense balance associated with the development of the Mandated Project  
11 plan will be included in subsequent ECA filings, and will be amortized over 3 years. This  
12 schedule will reflect both the balance to be recovered in the current filing, as well as the  
13 remaining balance that will be recovered in future ECA filings.

14 **Q. Please describe Schedule 7 (Annualized O&M Expense)**

15 A. This schedule reflects the projected incremental O&M expense associated with the  
16 Mandated Projects and MATS Projects for the ECA rate effective period, and included  
17 for recovery on line 11 of Schedule 1. In this filing, the ECA will include approximately  
18 \$2.8 million of annual O&M expense expected for the twelve months ended December  
19 31, 2019, which represents the incremental chemical costs associated with the MATS  
20 Projects. This projected amount will be reconciled against actual incurred O&M expense  
21 for the period, with any under- or over-recovery included within the subsequent ECA  
22 proceeding.

23 **Q. Please describe Schedule 8 (Deferred Balance Amortization for MATS Projects).**

1 A. This schedule calculates the annual level of amortization expense associated with the  
2 MATS Projects deferrals authorized in the MATS Order, and included for recovery on  
3 line 12 of Schedule 1. Vectren South estimates that the total deferred balance will be  
4 approximately \$40.5 million as of December 31, 2018. The Company proposes to use a  
5 15-year amortization period for this balance, which results in approximately \$2.7 million  
6 of annual amortization expense within the ECA. Once the MATS Projects are included  
7 for recovery in the ECA, the deferral authority granted in the MATS Order will cease. In  
8 the event the actual deferred balance differs from the projected amount included within  
9 the ECA, Vectren South will include an adjustment in subsequent ECA proceedings.

10 **Q. Please describe Schedule 9 (Amortization of Deferred Depreciation).**

11 A. This schedule calculates the annualized level of deferred depreciation amortization  
12 expense included for recovery on line 14 of Schedule 1. It is calculated by multiplying  
13 the cumulative deferred depreciation balance as of the filing cut-off date by the annual  
14 depreciation rate applicable to the respective classes of plant. As previously discussed,  
15 depreciation will be deferred on any in service work order not yet included for recovery in  
16 an ECA filing.

17 **Q. Please describe Schedule 10 (Deferred Revenue Requirement (20%)).**

18 A. This schedule captures a summary of the amounts which have been deferred in  
19 accordance with the Federal Mandate Statute. As previously discussed, 20% of the  
20 revenue requirement calculated on Schedule 1 will be deferred until such time as the  
21 costs can be recovered as part of Vectren South's next general rate case. Line 19 of  
22 Schedule 1 in each ECA filing will calculate the 20% deferral for the current filing, at  
23 which point Schedule 10 will show the cumulative balance inclusive of this amount.

24 **Q. Please describe Schedule 11 (NOI Adjusted for FAC Earnings Test).**



1 A. In accordance with the Federal Mandate Statute, Vectren South will adjust its statutory  
2 NOI earnings test by increasing its authorized NOI by incremental earnings from  
3 approved ECA filings. This calculates the after-tax return on investment that will be  
4 added to the authorized NOI by multiplying the net new capital investment from line 6 of  
5 Schedule 1 by the after-tax WACC on line 5 of Schedule 4.

6 **Q. Please describe Schedule 12 (Actual Variances by Rate Schedule).**

7 A. Schedule 12 calculates the over or under-recovery variance by comparing actual  
8 recoveries, exclusive of Indiana Utility Receipts Tax ("IURT"), to the approved recoveries  
9 from the ECA for the same time period. Actual recoveries represent billed ECA  
10 revenues from the Company's customer billing system by month and by Rate Schedule  
11 for this period. The over or under-recovery variance is determined by month and by  
12 Rate Schedule. The specific identification of the variance by Rate Schedule ensures  
13 that customers are paying for only the costs allocated to and approved for recovery from  
14 that Rate Schedule.

15 **Q. How will approved recoveries be determined for each ECA filing?**

16 A. As reflected on Schedule 14, approved recoveries will be defined within each ECA filing,  
17 and will represent the amounts the Company expects to collect each month. These  
18 approved recoveries will be calculated by taking the billing determinants by month  
19 multiplied by the applicable rates and charges for the ECA period. Any under recoveries  
20 resulting from instances in which ECA rates and charges are not in place for a full month  
21 will be recovered as an under-recovery variance in a subsequent ECA proceeding.

22 **Q. Please describe Schedule 13 (Allocation and Rate Derivation).**

23 A. Schedule 13 shows the allocation of the ECA revenue requirement and the derivation of  
24 ECA rates and charges by Rate Schedule, including the variance calculated on

1 Schedule 12. The schedule is divided into two sections to reflect the allocation  
 2 percentages applicable to ECA costs and the inclusion of the specifically identified  
 3 variances from Schedule 12 to derive the proposed ECA charges by Rate Schedule.

4 Lines 9 through line 16 show the derivation of the revenue requirement component of  
 5 the ECA. The allocation percentages listed in Column A reflect the four-coincident peak  
 6 (“4CP”) allocation percentages for Vectren South currently proposed within Cause No.  
 7 43406-RCRA15 and 43405-DSMA15:

Rate Schedule	Cause No. 43839		Shift in Demand (kW)	Modified 4CP	
	Demand (kW)	Original 4CP Allocation		Modified Demand (kW)	Modified 4CP Allocation
RS	464,042	40.4145%		464,042	43.1221%
B	1,406	0.1225%		1,406	0.1307%
SGS	19,622	1.7089%		19,622	1.8234%
DGS/MLA	300,282	26.1523%		300,282	27.9043%
OSS	23,196	2.0202%		23,196	2.1556%
LP/BAMP	218,745	19.0511%	39,190	257,935	23.9692%
HLF	120,912	10.5305%	(111,284)	9,628	0.8947%
	1,148,205	100.0000%	(72,094)	1,076,111	100.0000%

8  
 9 These allocation percentages are applied to the total ECA revenue requirement from  
 10 Schedule 1, Line 18 to determine the amounts recoverable from each Rate Schedule  
 11 (Column B). The amounts allocated to each Rate Schedule are divided by the estimated  
 12 energy (kWh) sales in Column C to determine the per unit ECA rates and charges  
 13 excluding IURT in Column D.

14 Lines 17 through line 24 of Schedule 13 shows the derivation of the variance component  
 15 of the ECA rate, using the specific variance amounts by Rate Schedule from Schedule  
 16 12. The variance component of the ECA will be collected in a subsequent ECA filing  
 17 over twelve months.

1 Lines 1 through 8 sum the revenue requirement and variance amounts to determine the  
2 total rate (Column D). The calculated rates in Column D are grossed up for IURT to  
3 determine the rates proposed in the Tariff in Column E.

4 Vectren South proposes that these calculated rates reflected on Schedule 13 and  
5 included in the ECA tariff sheet discussed later in my testimony become effective no  
6 sooner than January 1, 2019, pending Commission approval.

7 **Q. Please describe Schedule 14 (Projected Recoveries by Month).**

8 A. Schedule 14 calculates the ECA recoveries by month. These are the expected monthly  
9 recoveries of the approved ECA revenue requirement to which actual ECA revenues will  
10 be compared for reconciliation purposes.

11 **Q. What procedural schedule does Vectren South propose for its periodic ECA**  
12 **filings?**

13 A. Vectren South proposes to file its ECA petitions and cases in chief annually, specifically  
14 on May 1 of each year, with new ECA rates and charges becoming effective August 1 of  
15 each year. Each filing will be based on capital investments and expenses through the  
16 twelve months ended December of the prior calendar year. Variances will be reconciled  
17 in each ECA filing and recovered over the subsequent twelve month rate effective  
18 period.

19 **Q. Is Vectren South requesting approval of a proposed ECA tariff sheet in this**  
20 **proceeding?**

21 A. Yes. Attachment JCS-2 includes the proposed Sheet No. 69, Appendix E,  
22 Environmental Cost Adjustment (ECA).

23 **Q. Are any changes required to the Rate Schedules in the Tariff?**

1 A. Yes. The Rate Schedules must be updated to reflect that the ECA will be applied  
2 monthly. Clean and redlined versions of the Tariff Sheet Index and Rate Schedules,  
3 reflecting this change, are shown in Petitioner's Exhibit No. 13, Attachment JCS-3.

4

5 **III. CCGT**

6 **Q. Please generally explain the proposed accounting and ratemaking authorization**  
7 **Vectren South seeks with respect to the CCGT.**

8 A. As summarized in the testimony of Witness Chapman, Vectren South is also requesting  
9 a CPCN for a new CCGT sized to replace its other coal units which will be retired at the  
10 end of 2023. Witness Games testifies in greater detail concerning the CCGT project.  
11 Vectren South is not seeking to adjust customers' rates to recover the costs of the  
12 CCGT prior to its next base rate case, required to be filed by the end of 2023 in  
13 accordance with the Order in Cause No. 44910. Vectren South is requesting accounting  
14 authority, starting with the date the CCGT is placed in service, for the deferral of  
15 depreciation and financing costs (PISCC) related to the CCGT investment until such  
16 time as these costs and the CCGT investment are reflected in the Company's retail  
17 electric rates.

18 **Q. What procedures exist regarding the accounting for financing costs during**  
19 **construction (AFUDC) and depreciation as of the in-service date of a construction**  
20 **project?**

21 A. Under FERC USOA requirements as stated previously in my testimony, the accrual of  
22 AFUDC on capital projects will cease and depreciation expense will begin at the point  
23 when the investment is in service.

1 **Q. Will Vectren South continue to incur capital costs on a construction project after**  
2 **its in-service date?**

3 A. Yes, it will. The cost of capital continues throughout the life of utility plant. This cost is  
4 recognized during the construction period by the inclusion of AFUDC as a component of  
5 construction costs. After new plant is placed in service and included in rate base, this  
6 cost is recovered through the opportunity to earn a fair return on the value of that plant  
7 investment. Moreover, once the project is placed in service, the depreciation relating to  
8 the project qualifies for inclusion in the utility's recoverable operating expenses for  
9 ratemaking purposes.

10 **Q. What specific relief is Vectren South seeking with respect to the accrual of PISCC**  
11 **and deferral of depreciation?**

12 A. Consistent with its request under the Federal Mandate Statute for the Mandated Projects  
13 earlier in my testimony, Vectren South requests that the Commission authorize the  
14 Company:

- 15 • To accrue PISCC, at the Company's current approved WACC<sup>2</sup>, on the CCGT from  
16 its in-service date(s) until the date of a Commission order authorizing recovery of a  
17 return in Vectren South's rates;
- 18 • To defer the accrual of depreciation expense on the CCGT from its in-service date(s)  
19 until the date of a Commission order authorizing recovery in Vectren South's rates of  
20 depreciation expense;
- 21 • To record PISCC and deferred depreciation as a regulatory asset in Account 182.3  
22 Other Regulatory Assets;

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<sup>2</sup> Cause No. 44910-TDSIC2.

- 1 • To amortize such regulatory asset as a recoverable expense for ratemaking  
2 purposes over the estimated life of the CCGT commencing on the date of the order  
3 authorizing recovery in Vectren South's rates of a return on the CCGT and  
4 depreciation expense; and
- 5 • To include the unamortized portion of the regulatory asset in Vectren South's rate  
6 base upon which it is permitted to earn a return.

7 **Q. Why is Vectren South requesting that the Commission authorize the proposed**  
8 **accounting treatment with respect to PISCC and the deferral of depreciation for**  
9 **the CCGT project?**

10 A. The request is necessary because of the magnitude of the CCGT. Unless the requested  
11 authorization is obtained, the Company will suffer a severe negative impact on its  
12 earnings during the period between the in-service date of the CCGT and the issuance of  
13 an order authorizing recovery in Vectren South's rates of a return on the CCGT and  
14 depreciation expense. The Company will also lose any opportunity to recover the  
15 carrying costs of the Project incurred during the interim period. This accounting change  
16 is also necessary to assist the Company in attracting permanent capital at reasonable  
17 rate as discussed by Witness Hardwick.

18 **Q. When you refer to the magnitude of the CCGT project, what do you mean?**

19 A. As noted by Witness Games, the estimated construction costs for the CCGT are  
20 approximately \$781 million. As of December 31, 2016, Vectren South's estimated  
21 electric rate base as reported in its annual IURC Report, Form PR, was approximately  
22 \$1.4 billion.

23 **Q. Please identify the depreciation rates Vectren South will reflect in its proposed**  
24 **treatment of the CCGT project.**

1 A. Vectren South initially proposes a thirty (30) year life on the CCGT, which results in a  
2 3.33 percent annual depreciation rate. Vectren South will evaluate adjustments to this  
3 rate in its next base rate case as part of a formal depreciation study.

4 **Q. What will be the financial effect if the accounting change proposed by the**  
5 **Company is not approved by the Commission?**

6 A. On an annual basis, the approximate \$781 million investment in the CCGT will result in  
7 approximately \$26 million of annual depreciation expense and approximately \$61 million  
8 of incremental financing costs (both debt and equity) lost as a result of the ceasing of  
9 AFUDC. The total annual amount would result in a negative impact to Vectren South  
10 until such time as Vectren South would be able to adjust its rates to reflect the recovery  
11 of the CCGT and the associated costs.

12 **Q. Will the Company's requested accounting treatment allow the Company to**  
13 **mitigate the negative impact?**

14 A. Yes. The requested treatment would allow Vectren South the opportunity to immediately  
15 offset the erosion to monthly pre-tax earnings by approximately \$48 million (due to the  
16 deferral of the \$26 million of depreciation expense and the continuation of \$22 million of  
17 the debt component of the PISCC). The difference from the total erosion mentioned  
18 above is due to how the credit side of the entry for the continuation of the equity  
19 component of the PISCC will be recorded in accordance with U.S. GAAP.

20 **Q. Why is the Company's proposed accounting treatment on the CCGT so**  
21 **important?**

22 A. In addition to the investments made in the CCGT, Vectren South is making large  
23 investments to comply with environmental regulations, as described by other Company  
24 witnesses. The proposed accounting treatment helps mitigate the negative impact on

1 income from the CCGT until it is reflected in rates, which helps the Company manage its  
2 financing requirements during this increased investment period.

3 **Q. How does Vectren South propose to recover fuel costs associated with the**  
4 **CCGT?**

5 A. Vectren South proposes to recover the fuel costs for the CCGT used for jurisdictional  
6 retail purposes, once the facility is in service and operational, through Vectren South's  
7 fuel adjustment clause ("FAC") subject to the normal approval process of the IURC in  
8 fuel cost proceedings.

9 **IV. Conclusion**

10 **Q. In your opinion, is Vectren South's proposed accounting and ratemaking**  
11 **treatment reasonable?**

12 A. Yes.

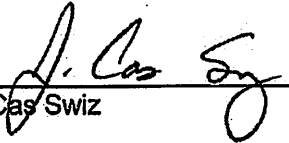
13 **Q. Does this conclude your prepared direct testimony?**

14 A. Yes, at this time.



**VERIFICATION**

The undersigned, J. Cas Swiz, affirms under the penalties of perjury that the answers in the foregoing Direct Testimony in Cause No. 45052 are true to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
J. Cas Swiz

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
ANNUAL REVENUE REQUIREMENT THROUGH DECEMBER 31, 2017**

Line	Description	Total Generation Plant	Reference	
<b><u>Return on New Capital Investment:</u></b>				
1	Gross New Capital Investment - As of End of Period	\$ 67,283,812	Schedule 2, Line 9, Col. M	
2	Accumulated Depreciation - As of End of Period	\$ (6,392,090)	Schedule 2, Line 21, Col. M	
3	Net New Capital Investment - As of End of Period	\$ 60,891,723	Line 1 + Line 2	
4	New Capital Investment CWIP - As of End of Period	\$ -	Schedule 2, Line 24, Col. M	
5	PISCC Deferred Balance - As of End of Period	\$ -	Schedule 3, Line 16, Col. M	
6	Total New Capital Investment - As of End of Period	\$ 60,891,723	Line 3 + Line 4 + Line 5	
7	Pre-Tax Rate of Return	7.86%	Schedule 4, Page 1, Line 17	
8	Annualized Return on New Capital Investment	\$ 4,786,089	Line 6 x Line 7	
<b><u>Incremental Expenses</u></b>				
9	Property Tax Expense - Annualized	\$ 396,974	(Line 1 x 0.59%) + (Line 4 x 0.20%)	<b>(A)</b>
10	Depreciation Expense - Annualized	\$ 2,604,546	Schedule 5, Line 8	
11	Operations and Maintenance Expense - Annualized	\$ 2,772,439	Schedule 7, Line 3	
12	Amortization Expense - MATS Deferral	\$ 2,700,467	Schedule 8, Line 3	
13	Amortization Expense - Plan Development Costs	\$ -	Schedule 6, Line 3	
14	Amortization Expense - Deferred Depreciation	\$ -	Schedule 9, Line 9	
15	Amortization Expense - Deferred PISCC	\$ -	Schedule 3, Line 19	
16	Total Incremental Expenses	\$ 8,474,426	Sum Lines 9-15	
17	<b>Annual Revenue Requirement - Compliance Component</b>	<b>\$ 13,260,515</b>	Line 8 + Line 16	
18	<b>Recoverable Compliance Component (80%)</b>	<b>\$ 10,608,412</b>	Line 17 x 80%	<b>(B)</b>
19	<b>To Be Deferred (20%)</b>	<b>\$ 2,652,103</b>	Line 17 x 20%	<b>(B)</b>

**Notes:**

**(A)** The annualized level of property taxes is calculated using an estimated Vectren South rate of 1.97% multiplied by the tax basis of the: (1) plant, estimated to be 30% of the gross new capital investment amount, and (2) CWIP, estimated to be 10% of the new capital investment CWIP amount.

**(B)** For accounting purposes only, the collection of 80% of the revenue requirement will cover in order of priority the full return on the investments [Line 8 - \$4,786,089 including the full equity and debt return, and then eligible operating expenses [Line 18 less Line 8 - \$5,822,323]. The collection priority will not impact the total amount authorized by the Commission for immediate recovery in the ELG [Line 18 - \$10,608,412], nor the amount deferred and authorized for future recovery in a base rate proceeding [Line 19 - \$2,652,103].

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
NEW CAPITAL INVESTMENT

	A	B	C	D	E	F	G	H	I	J	K	L	M	
	Balance at 12/31/2016												Balance at 12/31/2017	
<b>Line</b>	<b>Gross New Capital Investment Balance</b>													
	<b>Gross Assets</b>													
1	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	Generation Plant - MATS Projects	\$ 66,572,786	\$ 66,532,902	\$ 66,658,226	\$ 66,675,041	\$ 66,786,074	\$ 66,886,595	\$ 66,919,653	\$ 67,034,917	\$ 67,097,500	\$ 67,199,056	\$ 67,293,923	\$ 67,312,415	
3	<b>Total Gross Assets</b>	\$ 66,572,786	\$ 66,532,902	\$ 66,658,226	\$ 66,675,041	\$ 66,786,074	\$ 66,886,595	\$ 66,919,653	\$ 67,034,917	\$ 67,097,500	\$ 67,199,056	\$ 67,293,923	\$ 67,312,415	
	<b>Retirements</b>													
4	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
5	Generation Plant - MATS Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6	<b>Total Retirements</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	<b>Gross New Capital Investment Balance</b>													
7	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
8	Generation Plant - MATS Projects	\$ 66,572,786	\$ 66,532,902	\$ 66,658,226	\$ 66,675,041	\$ 66,786,074	\$ 66,886,595	\$ 66,919,653	\$ 67,034,917	\$ 67,097,500	\$ 67,199,056	\$ 67,293,923	\$ 67,312,415	
9	<b>Total Gross New Capital Investment</b>	\$ 66,572,786	\$ 66,532,902	\$ 66,658,226	\$ 66,675,041	\$ 66,786,074	\$ 66,886,595	\$ 66,919,653	\$ 67,034,917	\$ 67,097,500	\$ 67,199,056	\$ 67,293,923	\$ 67,312,415	
	<b>= (Gross Assets + Retirements)</b>													
													To Schedule 1, Line 1	
	Balance at 12/31/2016													Balance at 12/31/2017
<b>Line</b>	<b>Accumulated Depreciation Balance</b>													
	<b>Depreciation Expense</b>													
10	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
11	Generation Plant - MATS Projects	\$ 3,803,094	\$ 4,017,518	\$ 4,232,086	\$ 4,446,894	\$ 4,661,918	\$ 4,877,298	\$ 5,092,905	\$ 5,308,761	\$ 5,524,918	\$ 5,741,352	\$ 5,958,117	\$ 6,175,073	
12	<b>Total Depreciation Expense</b>	\$ 3,803,094	\$ 4,017,518	\$ 4,232,086	\$ 4,446,894	\$ 4,661,918	\$ 4,877,298	\$ 5,092,905	\$ 5,308,761	\$ 5,524,918	\$ 5,741,352	\$ 5,958,117	\$ 6,175,073	
	<b>Retirements</b>													
13	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	Generation Plant - MATS Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
15	<b>Total Retirements</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	<b>Cost of Removal</b>													
16	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
17	Generation Plant - MATS Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
18	<b>Total Cost of Removal</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	<b>Accumulated Depreciation Balance</b>													
19	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
20	Generation Plant - MATS Projects	\$ (3,803,094)	\$ (4,017,518)	\$ (4,232,086)	\$ (4,446,894)	\$ (4,661,918)	\$ (4,877,298)	\$ (5,092,905)	\$ (5,308,761)	\$ (5,524,918)	\$ (5,741,352)	\$ (5,958,117)	\$ (6,175,073)	
21	<b>Total Accumulated Depreciation Balance</b>	\$ (3,803,094)	\$ (4,017,518)	\$ (4,232,086)	\$ (4,446,894)	\$ (4,661,918)	\$ (4,877,298)	\$ (5,092,905)	\$ (5,308,761)	\$ (5,524,918)	\$ (5,741,352)	\$ (5,958,117)	\$ (6,175,073)	
	<b>= Depreciation Expense - Retirements</b>													
													To Schedule 1, Line 2	
	Balance at 12/31/2017													
<b>Line</b>	<b>CWIP Balance</b>													
22	Generation Plant - Mandated Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
23	Generation Plant - MATS Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
24	<b>Total CWIP Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
													To Schedule 1, Line 4	

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
POST IN-SERVICE CARRYING COSTS (PISCC)

Line	Description	Reference	A	B	C	D	E	F	G	H	I	J	K	L	M	
1	PISCC Rate - Monthly	Schedule 4, Page 2, Line 5 / 12		0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	0.52%	
2	Debt - PISCC Rate - Monthly	Schedule 4, Page 2, Lines 1,3-4 / 12		0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	
3	Equity - PISCC Rate - Monthly	Schedule 4, Page 2, Line 2 / 12		0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	0.39%	
4	Mandated Projects Amortization Rate - Monthly (A)	Schedule 9, Line 5 / 12		0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	
5	MATS Projects Amortization Rate - Monthly (A)	Schedule 9, Line 6 / 12		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<b>PISCC Cumulative Deferred Balance - DEBT</b>																
Balance at 12/31/2016																Balance at 12/31/2017
6	Generation Plant - Mandated Projects	(B)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
7	Generation Plant - MATS Projects	(B)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
8	PISCC Deferred Balance	(B)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
<b>PISCC Cumulative Deferred Balance - EQUITY</b>																
Balance at 12/31/2016																Balance at 12/31/2017
9	Generation Plant - Mandated Projects	(B)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
10	Generation Plant - MATS Projects	(B)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
11	PISCC Deferred Balance	(B)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
<b>PISCC Cumulative Deferred Balance - DEBT + EQUITY</b>																
Balance at 12/31/2016																Balance at 12/31/2017
12	Generation Plant - Mandated Projects	Line 6 + Line 9	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
13	Generation Plant - MATS Projects	Line 7 + Line 10	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
14	PISCC Deferred Balance	Sum Lines 12-13	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
15	Less: Amortization of PISCC	(C)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
16	<b>Total PISCC Deferred Balance</b>	Line 14 + Line 15	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
<b>To Schedule 1, Line 5</b>																
<b>Annualized Amortization Expense</b>																
17	Generation Plant - Mandated Projects	Line 4 x Line 12 x 12														\$
18	Generation Plant - MATS Projects	Line 5 x Line 13 x 12														\$
19	Total Amortization Expense	Sum Lines 21-22														\$
<b>To Schedule 1, Line 15</b>																

(A) Based on Amortization Life of Plant as of December 31, 2017. Annual depreciation rate is 1 divided by Number of Years, as shown on Attachment JCS-1, Schedule 9.  
(B) Calculated as the PISCC rates (lines 2 & 3) multiplied by the monthly PISCC eligible balances. PISCC eligible balances are based on the gross plant placed in-service not yet captured for recovery in the ELG.  
(C) Captures actual recorded amortization expense for PISCC during period.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**  
**d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.**  
**VECTREN SOUTH**  
**ENVIRONMENTAL COST ADJUSTMENT**  
**PRE-TAX RATE OF RETURN AND AFTER TAX PISCC RATE AT OCTOBER 31, 2017**

<u>Line</u>	<u>After-Tax (A)</u>	<u>A</u> <u>Amount (\$000's)</u>	<u>B</u> <u>Weighting</u>	<u>C</u> <u>Cost</u>	<u>D = B x C</u> <u>WACC</u>
1	Debt	\$ 658,226	33.14%	4.83%	1.60%
2	Equity	\$ 888,794	44.75%	10.40%	4.65%
3	Cost Free Capital	\$ 428,119	21.56%	0.00%	0.00%
4	Other	\$ 10,820	0.54%	4.18%	0.02%
5	<b>Total</b>	<b>\$ 1,985,959</b>			<b>6.27%</b> (B)

**To Schedule 11, Line 2**

**Pre-Tax Equity Component Calculation**

6	After-Tax Cost of Equity per Line 2	4.65%		Line 2, Col. D
7	One		100.00%	
8	Less State Taxes		5.625%	(C)
9	Federal Taxable		94.38%	Line 7 - Line 8
10	One Less Federal Income Tax		79.00%	1 - 21%
11	Effective Gross-Up Factor		74.56%	Line 9 x Line 10
12	Pre-Tax Equity	6.24%		Line 6 / Line 11

**Forecast - Adjusted ROR (fixed ROE)**

<u>Pre-Tax</u>				
13	Debt		1.60%	from Line 1
14	Equity		6.24%	from Line 12
15	Cost Free Capital		0.00%	from Line 3
16	Other		0.02%	from Line 4
17	<b>Total Pre-Tax Rate of Return</b>		<b>7.86%</b>	Sum Lines 13-16

**To Schedule 1, Line 7**

(A) All data in Lines 1 through 5 represent the actual balances as of October 31, 2017. Balances and calculated rate of return were approved in Cause No. 44910-TDSIC-2.

(B)	<u>Proof</u>	Equity	Debt and Other	Total	
18	Total New Capital Investment	\$ 60,891,723	\$ 60,891,723		from Schedule 1, Line 6
19	Pre-Tax Return	6.24%	1.62%		from Lines 13-16
20	Return	\$ 3,799,644	\$ 986,446		Line 18 x Line 19
21	State Tax	\$ 213,730			5.625% x Line 20
22	Federal Taxable Return	\$ 3,585,914	\$ 986,446		Line 20 - Line 21
23	Federal Tax	\$ 753,042			Line 22 x 21%
24	After Tax Return \$	\$ 2,832,872	\$ 986,446	\$ 3,819,318	Line 20 - Lines 21 and 23
25	After Tax Return %			6.27%	Line 24 / Line 18

equals Line 5

(C) Represents a blended State Tax Rate: - January 1, 2018 - December 31, 2018 @ 5.625%  
- Based on 5.75% @ July 1, 2018 and 5.50% @ July 1, 2019

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
AFTER TAX PISCC RATE AT OCTOBER 31, 2017

<u>Line</u>	<u>After-Tax (A)</u>	<u>A</u> <u>Amount (\$000's)</u>	<u>B</u> <u>Weighting</u>	<u>C</u> <u>Cost</u>	<u>D = B x C</u> <u>WACC</u>
1	Debt	\$ 658,226	33.14%	4.83%	1.60%
2	Equity	\$ 888,794	44.75%	10.40%	4.65%
3	Cost Free Capital	\$ 428,119	21.56%	0.00%	0.00%
4	Other	\$ 10,820	0.54%	4.18%	0.02%
5	<b>Total</b>	<b>\$ 1,985,959</b>			<b>6.27%</b>

(A) All data in Lines 1 through 5 represent the actual balances as of October 31, 2017 (as presented in TDSIC-2 filing on JCS-1, Sch 4, Pg 1).

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
ANNUALIZED DEPRECIATION EXPENSE ON NEW CAPITAL INVESTMENT**

Line	Description	Balance at 12/31/2017	Reference
<b><u>Depreciable In-Service Balance</u></b>			
1	Generation Plant - Mandated Projects	\$ -	Schedule 2, Line 7, Col. M
2	Generation Plant - MATS Projects	\$ 67,283,812	Schedule 2, Line 8, Col. M
3	<b>Total</b>	<b>\$ 67,283,812</b>	Sum Lines 1-2
<b><u>Monthly Depreciation Rates</u></b>			
4	Generation Plant - Mandated Projects	0.00%	<b>(B)</b>
5	Generation Plant - MATS Projects	0.32%	<b>(A)</b>
<b><u>Annualized Depreciation Expense</u></b>			
6	Generation Plant - Mandated Projects	\$ -	Line 1 x Line 4 x 12
7	Generation Plant - MATS Projects	\$ 2,604,546	Line 2 x Line 5 x 12
8	<b>Total Annualized Depreciation Expense</b>	<b>\$ 2,604,546</b>	Sum Lines 6-7
<b>To Schedule 1, Line 10</b>			

- (A)** Current average of authorized depreciation rates. Supporting work papers will show a detailed calculation of depreciation rates by class of plant.
- (B)** Reflects no plant additions through current period for class of plant.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
AMORTIZATION OF PLAN DEVELOPMENT COSTS**

Line	Description	Total	Reference
1	Total Plan Development Costs <b>(A)</b>	\$ -	
2	Amortization Period (in years)	3	
3	Annual Amortization	\$ -	Line 1 / Line 2
		<b>To Schedule 1, Line 13</b>	
4	Amount Recovered in ECA-1	\$ -	
5	Amount Recovered in ECA-2	\$ -	
6	Amount Recovered in ECA-3	\$ -	
7	Amount Recovered in ECA-4	\$ -	
8	Amount Recovered in ECA-5	\$ -	
9	Amount Recovered in ECA-6	\$ -	
10	Total Recovered	\$ -	Sum of Lines 4-9
11	Remaining Balance to be Recovered	\$ -	Line 1 - Line 10

**Notes:**

**(A)** Per Cause No. 45052, ECA-1.



SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
ANNUALIZED OPERATIONS AND MAINTENANCE (O&M) EXPENSE

Line	Description	Amount	Reference
	<b><u>Generation Plant - Mandated Projects</u></b>		
1	Subtotal Mandated - for the projection period ended 12/31/2019	\$ -	
	<b><u>Generation Plant - MATS Projects</u></b>		
2	Subtotal MATS - for the projection period ended 12/31/2019	\$ 2,772,439	
3	<b>Total Generation Plant - for the projection period ended 12/31/2019</b>	\$ 2,772,439	To Schedule 1, Line 11

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
AMORTIZATION OF DEFERRED BALANCE - MATS PROJECTS**

Line	Description	Total	Reference
1	Total MATS Deferred Costs as of 12/31/2018	\$ 40,507,010	
2	Amortization Period (in years)	15	
3	Annual Amortization	<b>\$ 2,700,467</b>	Line 1 / Line 2
		<b>To Schedule 1, Line 12</b>	
4	Amount Recovered in ECA-1	\$ -	
5	Amount Recovered in ECA-2	\$ -	
6	Amount Recovered in ECA-3	\$ -	
7	Amount Recovered in ECA-4	\$ -	
8	Amount Recovered in ECA-5	\$ -	
9	Amount Recovered in ECA-6	\$ -	
10	Total Recovered	\$ -	Sum of Lines 4-9
11	Remaining Balance to be Recovered	\$ 40,507,010	Line 1 - Line 10

**Notes:**

**(A)** Per Cause No. 45052, ECA-1.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
AMORTIZATION OF DEFERRED DEPRECIATION

Line	Description	A	B	C	D	E	F	G	H	I	J	K	L	M
		Balance at 12/31/2016	1/31/2017	2/28/2017	3/31/2017	4/30/2017	5/31/2017	6/30/2017	7/31/2017	8/31/2017	9/30/2017	10/31/2017	11/30/2017	Balance at 12/31/2017
	<b>Deferred Depreciation Balance (A)</b>													
1	Generation Plant - Mandated Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Generation Plant - MATS Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Less: Amortization of Deferrals (B)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	<b>Total Deferred Depreciation Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Depreciation Rates (C)</b>													
5	Generation Plant - Mandated Projects													5.00%
6	Generation Plant - MATS Projects													N/A
	<b>Deferred Depreciation Amortization Expense</b>													
7	Generation Plant - Mandated Projects													Line 1 x Line 5 \$ -
8	Generation Plant - MATS Projects													Line 2 x Line 6 \$ -
9	<b>Deferred Depreciation Amortization Expense</b>													Sum Lines 7-8 \$ -

To Schedule 1, Line 14

(A) Calculated by taking the gross new plant investment, less retirements, placed in-service but not yet included in Compliance recovery.

(B) Captures actual recorded amortization expense for PISCC during period.

(C) Based on Amortization Life of Plant as of December 31, 2017. Annual depreciation rate is 1 divided by Number of Years.  
Mandated - 20 years

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
DEFERRED REVENUE REQUIREMENT (20%)

<u>Line</u>	<u>Description</u>	<u>Amount (A)</u>	<u>Reference</u>
1	ECA-1 - through 12/31/2019	<u>\$ 2,652,103</u>	<u>(A)</u>
2	<b>Total Deferred Revenue Requirement</b>	<b><u>\$ 2,652,103</u></b>	Sum Lines 1 - 2

**Notes:**

(A) Attachment JCS-1, Schedule 14, Line 16, Sum of Jan-Dec 2019

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
NOI ADJUSTED FOR FAC EARNINGS TEST

<u>Line</u>	<u>Description</u>	<u>Total Amount</u>	<u>Reference</u>
1	Total New Capital Investment - As of End of Period	\$ 60,891,723	From Schedule 1, Line 6
2	<u>After-Tax Rate of Return</u>	<u>6.27%</u>	From Schedule 4, Page 1, Line 5
3	NOI Adjustment for FAC Earnings Test - ECA-1	\$ 3,817,911	Line 1 x Line 2

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
ACTUAL VARIANCES BY RATE SCHEDULE THROUGH DECEMBER 31, 2017

Line	Description	Rate Schedule							Total	Reference
		A	B	C	D	E	F	G		
<b>Actual Recoveries (Inclusive of IURT)</b>		RS	B	SGS	DGS / MLA	OSS	LP / BAMP	HLF		
1	Jan-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
2	Feb-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
3	Mar-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
4	Apr-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
5	May-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
6	Jun-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
7	Jul-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
8	Aug-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
9	Sep-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
10	Oct-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
11	Nov-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
12	Dec-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(A)
13	Total Actual Recoveries Inclusive of IURT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Sum Lines 1-12
<b>Actual Recoveries (Exclusive of IURT)</b>		RS	B	SGS	DGS / MLA	OSS	LP / BAMP	HLF		
14	Jan-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 1 x 0.9851
15	Feb-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 2 x 0.9851
16	Mar-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 3 x 0.9851
17	Apr-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 4 x 0.9851
18	May-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 5 x 0.9851
19	Jun-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 6 x 0.9851
20	Jul-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 7 x 0.9851
21	Aug-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 8 x 0.9851
22	Sep-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 9 x 0.9851
23	Oct-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 10 x 0.9851
24	Nov-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 11 x 0.9851
25	Dec-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 12 x 0.9851
26	Total Actual Recoveries Exclusive of IURT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Sum Lines 14-25
<b>Approved Recoveries (Exclusive of IURT) (A)</b>		RS	B	SGS	DGS / MLA	OSS	LP / BAMP	HLF		
27	Jan-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
28	Feb-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
29	Mar-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
30	Apr-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
31	May-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
32	Jun-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
33	Jul-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
34	Aug-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
35	Sep-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
36	Oct-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
37	Nov-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
38	Dec-17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(B)
39	Total Approved Recoveries Exclusive of IURT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Sum Lines 27-38
40	<b>Total Variance (C)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Line 39 - Line 26
	Under/(Over) Recovery									

(A) Actual Recoveries represent billed ECA revenues from the company's customer billing system by month and by rate schedule.  
(B) Based on prior ECA approvals  
(C) To Attachment JCS-1, Schedule 13

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**  
**d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.**  
**VECTREN SOUTH**  
**ENVIRONMENTAL COST ADJUSTMENT**  
**ALLOCATION AND RATE DERIVATION**

	A	B	C	D	E
Line	Revenue Requirement + Recovery Variance by Rate Schedule	Amount	Energy (kWh)	Rate per kWh Excluding IURT	Rate per kWh Including IURT
1	<b>Rate RS</b>	\$ 4,574,571	1,378,677,155	\$ 0.003318	\$ 0.003368
2	<b>Rate B</b>	\$ 13,865	8,406,440	\$ 0.001649	\$ 0.001674
3	<b>Rate SGS</b>	\$ 193,434	65,588,567	\$ 0.002949	\$ 0.002994
4	<b>Rate DGS/MLA</b>	\$ 2,960,203	1,146,527,175	\$ 0.002582	\$ 0.002621
5	<b>Rate OSS</b>	\$ 228,675	93,850,272	\$ 0.002437	\$ 0.002473
6	<b>Rate LP/BAMP</b>	\$ 2,542,751	2,158,079,643	\$ 0.001178	\$ 0.001196
7	<b>Rate HLF</b>	\$ 94,913	82,752,000	\$ 0.001147	\$ 0.001164
8	Total Revenue Requirement and Recovery Variance	\$ 10,608,412			

	4CP Allocators	Amount	Energy (kWh)	Rate per kWh Excluding IURT
9	Revenue Requirement by Rate Schedule			
	Rate RS	43.1221%	\$ 4,574,571	1,378,677,155
10	Rate B	0.1307%	\$ 13,865	8,406,440
11	Rate SGS	1.8234%	\$ 193,434	65,588,567
12	Rate DGS/MLA	27.9043%	\$ 2,960,203	1,146,527,175
13	Rate OSS	2.1556%	\$ 228,675	93,850,272
14	Rate LP/BAMP	23.9692%	\$ 2,542,751	2,158,079,643
15	Rate HLF	0.8947%	\$ 94,913	82,752,000
16	Revenue Requirement (Schedule 1, Line 18)	100.0000%	\$ 10,608,412	

	Amount	Energy (kWh)	Rate per kWh Excluding IURT
17	Under/(Over) Recovery Variance by Rate Schedule		
	Rate RS	\$ -	1,378,677,155
18	Rate B	\$ -	8,406,440
19	Rate SGS	\$ -	65,588,567
20	Rate DGS/MLA	\$ -	1,146,527,175
21	Rate OSS	\$ -	93,850,272
22	Rate LP/BAMP	\$ -	2,158,079,643
23	Rate HLF	\$ -	82,752,000
24	Under/(Over) Recovery Variance (Schedule 12, Line 40)	\$ -	

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.  
VECTREN SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
PROJECTED RECOVERIES BY MONTH**

Line	Rate Schedule	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Annual Total			
<b>Projected Energy (kWh) (A)</b>																	
1	RS - Residential Service	148,606,728	115,202,147	96,473,702	82,876,463	96,831,655	131,563,433	163,480,623	146,625,091	101,997,612	81,114,721	89,186,158	124,718,821	1,378,677,155			
2	B - Water Heating Service	943,566	833,042	717,650	735,381	656,579	601,990	606,803	584,579	575,906	616,960	684,909	840,076	8,406,440			
3	SGS - Small General Service	6,038,864	5,676,140	5,191,782	4,755,135	4,855,112	5,771,742	6,382,420	6,010,937	5,133,042	4,782,559	5,195,635	5,795,198	65,588,567			
4	DGS - Demand General Service / Municipal Levee Authority	91,790,819	84,250,094	86,357,856	84,800,868	93,735,161	108,843,307	116,869,208	116,684,552	97,256,108	88,474,741	81,543,542	96,119,918	1,146,627,175			
5	OSS - Off-Season Service	10,350,685	9,487,858	8,100,035	6,698,436	6,175,948	7,564,828	7,773,268	7,346,203	6,420,012	6,814,668	7,978,688	9,646,693	93,892,272			
6	LP/BAMP - Large Power Service / Backup Auxiliary and Maintenance Power	165,242,597	165,642,169	169,497,687	176,635,736	186,100,998	186,344,452	191,134,331	201,527,497	190,727,202	185,228,217	173,921,281	166,077,476	2,158,079,643			
7	HLF - High Load Factor Service	6,690,000	6,408,000	6,996,000	6,840,000	6,852,000	6,726,000	6,788,000	6,822,000	6,858,000	7,224,000	7,104,000	7,446,000	82,752,000			
		ECA Revenue Requirement	ECA Variance Recovery	ECA Total													
		(\$ per kWh)	(\$ per kWh)	(\$ per kWh)													
8	RS - Residential Service	\$ 0.003916	\$ -	\$ 0.003916	\$ 493,090	\$ 362,291	\$ 300,108	\$ 274,991	\$ 321,296	\$ 436,539	\$ 542,443	\$ 486,510	\$ 338,437	\$ 269,146	\$ 295,907	\$ 413,828	\$ 4,574,571
9	B - Water Heating Service	\$ 0.001649	\$ -	\$ 0.001649	\$ 1,556	\$ 1,374	\$ 1,184	\$ 1,213	\$ 1,083	\$ 993	\$ 954	\$ 950	\$ 1,018	\$ 1,146	\$ 1,386	\$ 1,386	\$ 13,865
10	SGS - Small General Service	\$ 0.002949	\$ -	\$ 0.002949	\$ 17,810	\$ 16,740	\$ 15,312	\$ 14,024	\$ 14,319	\$ 17,022	\$ 18,823	\$ 17,727	\$ 15,138	\$ 14,105	\$ 15,323	\$ 17,091	\$ 193,434
11	DGS - Demand General Service / Municipal Levee Authority	\$ 0.002582	\$ -	\$ 0.002582	\$ 236,993	\$ 217,524	\$ 222,966	\$ 218,946	\$ 242,014	\$ 281,021	\$ 301,227	\$ 301,266	\$ 251,104	\$ 228,434	\$ 210,536	\$ 248,171	\$ 2,960,203
12	OSS - Off-Season Service	\$ 0.002437	\$ -	\$ 0.002437	\$ 25,708	\$ 23,118	\$ 19,739	\$ 16,299	\$ 15,048	\$ 17,190	\$ 18,955	\$ 17,905	\$ 15,650	\$ 16,117	\$ 19,441	\$ 23,505	\$ 228,675
13	LP/BAMP - Large Power Service / Backup Auxiliary and Maintenance Power	\$ 0.001170	\$ -	\$ 0.001170	\$ 194,697	\$ 195,167	\$ 199,710	\$ 208,121	\$ 219,273	\$ 219,560	\$ 225,203	\$ 237,449	\$ 224,724	\$ 218,245	\$ 204,522	\$ 195,660	\$ 2,542,751
14	HLF - High Load Factor Service	\$ 0.001147	\$ -	\$ 0.001147	\$ 7,673	\$ 7,350	\$ 8,024	\$ 7,845	\$ 7,859	\$ 7,714	\$ 7,783	\$ 7,825	\$ 7,866	\$ 8,286	\$ 8,148	\$ 8,540	\$ 84,913
15	<b>Total Recoveries including Variance</b>	\$ 977,527	\$ 843,624	\$ 787,043	\$ 741,439	\$ 820,891	\$ 980,039	\$ 1,115,433	\$ 1,069,651	\$ 853,869	\$ 785,350	\$ 795,444	\$ 908,201	\$ 10,608,412			
16	20% Deferred (based on Revenue Requirement piece only)	\$ 244,382	\$ 210,881	\$ 196,761	\$ 185,360	\$ 205,223	\$ 245,010	\$ 278,858	\$ 267,413	\$ 213,467	\$ 188,837	\$ 188,861	\$ 227,050	\$ 2,652,103			

**Notes:**  
(A) Source: Vectren South 2019 Budget  
(B) Exclusive of LURY  
(C) Proposed Rates multiplied by Estimated Billing Determinants (A)



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## **APPENDIX E** **ENVIRONMENTAL COST ADJUSTMENT**

### **APPLICABILITY**

The Environmental Cost Adjustment ("ECA") shall be applicable to all Customers on the Rate Schedules set forth in the ECA Rates section below.

### **DESCRIPTION**

The ECA shall recover, as approved by the Commission in Cause No. 45052:

- (1) Costs associated with Company's Mandated Projects pursuant to Ind. Code § 8-1-8.4-7.
- (2) Costs associated with Company's MATS Projects pursuant to Ind. Code § 8-1-8.4-7.

### **Reconciliation**

Company's actual ECA costs shall be reconciled annually with actual ECA recoveries, with any differences being reflected as a charge or credit in a subsequent ECA.

### **Allocation Percentages**

ECA costs shall be allocated to the Rate Schedules based on the percentages approved in Cause No. 45052 and shown in the ECA Rates section below.

### **ECA RATES**

The ECA shall be applied to each kWh of electric usage as applicable. The current ECA rates and charges by Rate Schedule are set forth below:

<b><u>Rate Schedule</u></b>	<b><u>Allocation Percentage (4CP)</u></b>	<b><u>Charge Adjusted</u></b>	<b><u>ECA Rate (\$ per kWh)</u></b>
RS	43.1221%	Energy	\$0.003368
B	0.1307%	Energy	\$0.001674
SGS	1.8234%	Energy	\$0.002994
DGS/MLA	27.9043%	Energy	\$0.002621
OSS	2.1556%	Energy	\$0.002473
LP/BAMP	23.9692%	Energy	\$0.001196
HLF	0.8947%	Energy	\$0.001164

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**TARIFF SHEET INDEX**  
(Continued)

<b><u>TARIFF SHEET NO.</u></b>	<b><u>DESCRIPTION</u></b>	
	<b><u>RIDER</u></b>	<b><u>RIDERS</u></b>
50		RESERVED FOR FUTURE USE
51	IP-2	INTERRUPTIBLE POWER SERVICE
52	NM	NET METERING RIDER
53		RESERVED FOR FUTURE USE
54	DLC	DIRECT LOAD CONTROL RIDER
55	IC	INTERRUPTIBLE CONTRACT RIDER
56	IO	INTERRUPTIBLE OPTION RIDER
57	AFS	ALTERNATE FEED SERVICE RIDER
58	ED	ECONOMIC DEVELOPMENT RIDER
59	AD	AREA DEVELOPMENT RIDER
60	TS	TEMPORARY SERVICE RIDER
61	SAS	STANDBY OR AUXILIARY SERVICE RIDER
62	DR	MISO DEMAND RESPONSE RIDER
63-64		RESERVED FOR FUTURE USE
	<b><u>APPENDIX</u></b>	<b><u>ADJUSTMENTS</u></b>
65	A	FUEL ADJUSTMENT CLAUSE (FAC)
66	B	DEMAND SIDE MANAGEMENT ADJUSTMENT (DSMA)
67		RESERVED FOR FUTURE USE
68	D	OTHER CHARGES
69	E	ENVIRONMENTAL COST ADJUSTMENT (ECA)
70-72		RESERVED FOR FUTURE USE
73	I	MISO COST AND REVENUE ADJUSTMENT (MCRA)
74	J	RELIABILITY COST AND REVENUE ADJUSTMENT (RCRA)
75	K	TRANSMISSION, DISTRIBUTION AND STORAGE SYSTEM IMPROVEMENT CHARGE (TDSIC)
76-78		RESERVED FOR FUTURE USE
	<b><u>RATE</u></b>	<b><u>PURCHASE RATES</u></b>
79	CSP	COGENERATION AND SMALL POWER PRODUCTION

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**RATE RS**  
**RESIDENTIAL SERVICE**  
**(Continued)**

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Riders are available to qualified Customers:

- Rider NM – Net Metering Rider
- Rider DLC – Direct Load Control Rider

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

Effective:

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## **RATE B** **WATER HEATING SERVICE**

### **AVAILABILITY**

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion.

### **APPLICABILITY**

This Rate Schedule shall be applicable to Customers electing service hereunder for separately metered service used for water heating, subject to the conditions set forth below. This Rate Schedule is closed to new Customers.

### **CHARACTER OF SERVICE**

Service provided hereunder shall be alternating current, sixty hertz, Single Phase, three-wire 120/240 or 120/208 nominal volts, or any other mutually agreed upon voltages.

### **RATES AND CHARGES**

The monthly Rate and Charges for service hereunder shall be:

**Customer Facilities Charge:**

\$ 5.00 per month

**Energy Charge:**

\$0.04939 per kWh for all kWh used per month

**Fuel Charge:**

\$0.03889 per kWh for all kWh used per month

**Variable Production Charge:**

\$0.00475 per kWh for all kWh used per month

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Rider is available to qualified Customers:

- Rider DLC – Direct Load Control Rider

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

Effective:

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## **RATE SGS** **SMALL GENERAL SERVICE**

### **AVAILABILITY**

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion.

### **APPLICABILITY**

This Rate Schedule shall be applicable to any Non-Residential Customer with a Prior Year Maximum Demand or, if new Customer, an estimated Maximum Demand, of 10kW, or less electing service hereunder. Company shall determine Customer's estimated Maximum Demand by review of the connected load or other suitable means.

### **CHARACTER OF SERVICE**

Service provided hereunder shall be alternating current, sixty hertz, Single Phase, three-wire 120/240 or 120/208 nominal volts, or any other mutually agreed upon voltages.

### **RATES AND CHARGES**

The monthly Rates and Charges for service hereunder shall be:

#### **Customer Facilities Charge:**

\$11.00 per month

#### **Energy Charge:**

\$0.09130 per kWh for the first 1,000 kWh used per month  
\$0.06928 per kWh for the next 1,000 kWh used per month  
\$0.03820 per kWh for all over 2,000 kWh used per month

#### **Fuel Charge:**

\$0.03889 per kWh for all kWh used per month

#### **Variable Production Charge:**

\$0.00475 per kWh for all kWh used per month

#### **Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge.

#### **Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

#### **Riders:**

The following Riders are available to qualified Customers:

- Rider NM – Net Metering Rider
- Rider DLC – Direct Load Control Rider

#### **Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

Effective:

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**RATE DGS**  
**DEMAND GENERAL SERVICE**  
(Continued)

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge plus the Demand Charge.

**Transformer Ownership Discount:**

Customers with a Maximum Demand of 100 kW or greater and receiving service at Company's available Primary Voltage may own, operate and maintain all transformer facilities. A discount of forty-five and one-tenth cents (\$0.451) for each kW of Billing Demand will apply to such customers.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Riders are available to qualified Customers:

- Rider IP-2 – Interruptible Power Service
- Rider NM – Net Metering Rider
- Rider DLC – Direct Load Control Rider
- Rider IO – Interruptible Option Rider
- Rider AFS – Alternate Feed Service Rider
- Rider ED – Economic Development Rider
- Rider AD – Area Development Rider
- Rider TS – Temporary Service Rider
- Rider DR – MISO Demand Response

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**DETERMINATION OF BILLING DEMAND**

The Billing Demand for the current month shall be the Maximum Demand, but not less than 60% of the highest Maximum Demand for the Prior Year.

**SEPARATE METERING**

When the lighting and power demands are metered separately, the Maximum Demand of the Month shall be the arithmetical sum of the Maximum Demand of each meter. The energy use of the lighting and power meters shall also be added.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

Effective:

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## **RATE OSS** **OFF-SEASON SERVICE**

### **AVAILABILITY**

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion.

### **APPLICABILITY**

This Rate Schedule shall be applicable to any Non-Residential Customer with a Prior Year Maximum Demand of more than 10kW whose service address is an Eligible Premises. An Eligible Premises is one which permanently and exclusively uses electric equipment for space heating, takes all service through one meter, and which received service under Rate OSS on or before May 3, 2011 and who elects service hereunder.

### **CHARACTER OF SERVICE**

Service provided hereunder shall be alternating current, sixty hertz, single or Three Phase, nominal voltages 120/240, 120/208, 240, 277/480, 480 volts, or any other mutually agreed upon voltages.

### **RATES AND CHARGES**

The Monthly Rates and Charges for service hereunder shall be:

**Customer Facilities Charge:**

\$15.00 per month

**Demand Charge:**

\$5.00 per kW per month for all kW of Billing Demand.

**Energy Charge:**

\$0.04626 per kWh for all kWh used per month.

**Fuel Charge:**

\$0.03889 per kWh for all kWh used per month

**Variable Production Charge:**

\$0.00475 per kWh for all kWh used per month

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge plus the Demand Charge.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

Effective:

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**RATE LP**  
**LARGE POWER SERVICE**  
(Continued)

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Riders are available to qualified Customers:

- Rider IP-2 – Interruptible Power Service
- Rider DLC – Direct Load Control Rider
- Rider IC – Interruptible Contract Rider
- Rider IO – Interruptible Option Rider
- Rider AFS – Alternate Feed Service Rider
- Rider ED – Economic Development Rider
- Rider AD – Area Development Rider
- Rider DR – MISO Demand Response

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**DETERMINATION OF BILLING DEMAND**

Unless otherwise specified in the Contract, the Billing Demand for the current month shall be the Maximum Demand, but not less than 60% of the highest Maximum Demand for the Prior Year and in no event less than 300 kVa.

Off-peak demands which will be disregarded in determining the Billing Demand shall be those demands created on Saturdays, Sundays, and holidays designated by Company and between 8:00 P.M. and 7:00 A.M. on any other day, provided that the Billing Demand for the month shall never be less than 50% of the Maximum Demand during such month regardless of when such Maximum Demand occurred.

Company reserves the right, upon thirty days notice to Customer, to change the off-peak demand periods when peak load conditions on Company's system make such modification necessary. Company shall not be required to increase the capacity of any service facilities in order to furnish off-peak demands.

**CONTRACT**

For service hereunder, a written Contract is required for an initial term of not less than three (3) years or for a longer period where unusual expenditures by Company may be necessary to provide service, and such Contract shall continue for annual successive terms unless cancelled. The Contract may be cancelled by either party by providing written notice to the other party not less than one (1) year prior to the date of termination.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

Effective:



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## **RATE HLF** **HIGH LOAD FACTOR SERVICE**

### **AVAILABILITY**

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion. This service is available only from facilities operating at Transmission Voltage.

### **APPLICABILITY**

This Rate Schedule shall be applicable to any Non-Residential Customer supplied at a single point of delivery with a Contract Demand of not less than 4,500 kVa electing service hereunder.

This Rate Schedule is not applicable to Customer where 1) an alternate source of power is used, 2) for resale to others, or 3) as a supplement to service furnished under any other Rate Schedule.

### **CHARACTER OF SERVICE**

Service provided hereunder shall be alternating current, sixty hertz, Three Phase, nominal voltages 69,000, 138,000 volts or any other mutually agreed upon voltages. Customer shall furnish and maintain all necessary transforming, controlling and protective equipment.

### **RATES AND CHARGES**

The monthly Rates and Charges for service hereunder shall be:

#### **Demand Charge:**

\$20.728 per kVa per month for all kVa of Billing Demand

#### **Fuel Charge:**

\$0.03644 per kWh for all kWh used per month

#### **Variable Production Charge:**

\$0.00445 per kWh for all kWh used per month

#### **Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Demand Charge, but not less than \$93,276.00 per month.

#### **Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

Effective:

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**RATE MLA**  
**MUNICIPAL LEVEE AUTHORITY SERVICE**  
(Continued)

**Transformer Ownership Discount:**

This discount is available to any Customer electing service under this Rate Schedule, when Customer owns, operates and maintains all transformer facilities and receives service at Company's available Primary Voltage. Customer's current monthly bill will be decreased by forty-five and one-tenth cents (\$0.451) for each kW of Billing Demand.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Riders are available to qualified Customers:

- Rider NM – Net Metering Rider
- Rider IO – Interruptible Option Rider
- Rider AFS – Alternate Feed Service Rider
- Rider ED – Economic Development Rider
- Rider TS – Temporary Service Rider
- Rider DR – MISO Demand Response

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**DETERMINATION OF BILLING DEMAND**

Billing Demand shall be the higher of Maximum Demand and Monthly Contract Demand. The Monthly Contract Demand shall be the demand amount agreed upon between Customer and Company in a Contract.

**SEPARATE METERING**

When the lighting and power demands are metered separately, the Maximum Demand of the Month shall be the arithmetical sum of the Maximum Demand of each meter. The energy use of the lighting and power meters shall also be added.

**CONTRACT**

For service hereunder, a written contract is required for an initial term of not less than two (2) years and such contract shall continue for annual successive terms unless cancelled. The contract may be cancelled by either party by giving written notice to the other party not less than one (1) year prior to the date of termination.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

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**TARIFF SHEET INDEX**  
(Continued)

**TARIFF SHEET NO.**

**DESCRIPTION**

	<b><u>RIDER</u></b>	<b><u>RIDERS</u></b>
50		RESERVED FOR FUTURE USE
51	IP-2	INTERRUPTIBLE POWER SERVICE
52	NM	NET METERING RIDER
53		RESERVED FOR FUTURE USE
54	DLC	DIRECT LOAD CONTROL RIDER
55	IC	INTERRUPTIBLE CONTRACT RIDER
56	IO	INTERRUPTIBLE OPTION RIDER
57	AFS	ALTERNATE FEED SERVICE RIDER
58	ED	ECONOMIC DEVELOPMENT RIDER
59	AD	AREA DEVELOPMENT RIDER
60	TS	TEMPORARY SERVICE RIDER
61	SAS	STANDBY OR AUXILIARY SERVICE RIDER
62	DR	MISO DEMAND RESPONSE RIDER
63-64		RESERVED FOR FUTURE USE

**APPENDIX ADJUSTMENTS**

65	A	FUEL ADJUSTMENT CLAUSE (FAC)
66	B	DEMAND SIDE MANAGEMENT ADJUSTMENT (DSMA)
67		RESERVED FOR FUTURE USE
68	D	OTHER CHARGES
69	E	<del>ENVIRONMENTAL COST ADJUSTMENT (ECA)</del>
70-72		RESERVED FOR FUTURE USE
73	I	MISO COST AND REVENUE ADJUSTMENT (MCRA)
74	J	RELIABILITY COST AND REVENUE ADJUSTMENT (RCRA)
75	K	TRANSMISSION, DISTRIBUTION AND STORAGE SYSTEM IMPROVEMENT CHARGE (TDSIC)
76-78		RESERVED FOR FUTURE USE

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**RATE PURCHASE RATES**

79	CSP	COGENERATION AND SMALL POWER PRODUCTION
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## **RATE RS** **RESIDENTIAL SERVICE**

(Continued)

### **Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge.

### **Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

### **Riders:**

The following Riders are available to qualified Customers:

- Rider NM – Net Metering Rider
- Rider DLC – Direct Load Control Rider

### **Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

### **TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

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## **RATE B** **WATER HEATING SERVICE**

### **AVAILABILITY**

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion.

### **APPLICABILITY**

This Rate Schedule shall be applicable to Customers electing service hereunder for separately metered service used for water heating, subject to the conditions set forth below. This Rate Schedule is closed to new Customers.

### **CHARACTER OF SERVICE**

Service provided hereunder shall be alternating current, sixty hertz, Single Phase, three-wire 120/240 or 120/208 nominal volts, or any other mutually agreed upon voltages.

### **RATES AND CHARGES**

The monthly Rate and Charges for service hereunder shall be:

#### **Customer Facilities Charge:**

\$ 5.00 per month

#### **Energy Charge:**

\$0.04939 per kWh for all kWh used per month

#### **Fuel Charge:**

\$0.03889 per kWh for all kWh used per month

#### **Variable Production Charge:**

\$0.00475 per kWh for all kWh used per month

#### **Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge.

#### **Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

#### **Riders:**

The following Rider is available to qualified Customers:

- Rider DLC – Direct Load Control Rider

#### **Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

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## RATE SGS SMALL GENERAL SERVICE

### AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion.

### APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer with a Prior Year Maximum Demand or, if new Customer, an estimated Maximum Demand, of 10kW, or less electing service hereunder. Company shall determine Customer's estimated Maximum Demand by review of the connected load or other suitable means.

### CHARACTER OF SERVICE

Service provided hereunder shall be alternating current, sixty hertz, Single Phase, three-wire 120/240 or 120/208 nominal volts, or any other mutually agreed upon voltages.

### RATES AND CHARGES

The monthly Rates and Charges for service hereunder shall be:

#### **Customer Facilities Charge:**

\$11.00 per month

#### **Energy Charge:**

\$0.09130 per kWh for the first 1,000 kWh used per month  
\$0.06928 per kWh for the next 1,000 kWh used per month  
\$0.03820 per kWh for all over 2,000 kWh used per month

#### **Fuel Charge:**

\$0.03889 per kWh for all kWh used per month

#### **Variable Production Charge:**

\$0.00475 per kWh for all kWh used per month

#### **Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge.

#### **Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- [Appendix E – Environmental Cost Adjustment](#)
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

#### **Riders:**

The following Riders are available to qualified Customers:

- Rider NM – Net Metering Rider
- Rider DLC – Direct Load Control Rider

#### **Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

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**RATE DGS**  
**DEMAND GENERAL SERVICE**  
(Continued)

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge plus the Demand Charge.

**Transformer Ownership Discount:**

Customers with a Maximum Demand of 100 kW or greater and receiving service at Company's available Primary Voltage may own, operate and maintain all transformer facilities. A discount of forty-five and one-tenth cents (\$0.451) for each kW of Billing Demand will apply to such customers.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- ~~Appendix E – Environmental Cost Adjustment~~
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Riders are available to qualified Customers:

- Rider IP-2 – Interruptible Power Service
- Rider NM – Net Metering Rider
- Rider DLC – Direct Load Control Rider
- Rider IO – Interruptible Option Rider
- Rider AFS – Alternate Feed Service Rider
- Rider ED – Economic Development Rider
- Rider AD – Area Development Rider
- Rider TS – Temporary Service Rider
- Rider DR – MISO Demand Response

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**DETERMINATION OF BILLING DEMAND**

The Billing Demand for the current month shall be the Maximum Demand, but not less than 60% of the highest Maximum Demand for the Prior Year.

**SEPARATE METERING**

When the lighting and power demands are metered separately, the Maximum Demand of the Month shall be the arithmetical sum of the Maximum Demand of each meter. The energy use of the lighting and power meters shall also be added.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

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## **RATE OSS** **OFF-SEASON SERVICE**

### **AVAILABILITY**

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion.

### **APPLICABILITY**

This Rate Schedule shall be applicable to any Non-Residential Customer with a Prior Year Maximum Demand of more than 10kW whose service address is an Eligible Premises. An Eligible Premises is one which permanently and exclusively uses electric equipment for space heating, takes all service through one meter, and which received service under Rate OSS on or before May 3, 2011 and who elects service hereunder.

### **CHARACTER OF SERVICE**

Service provided hereunder shall be alternating current, sixty hertz, single or Three Phase, nominal voltages 120/240, 120/208, 240, 277/480, 480 volts, or any other mutually agreed upon voltages.

### **RATES AND CHARGES**

The Monthly Rates and Charges for service hereunder shall be:

**Customer Facilities Charge:**

\$15.00 per month

**Demand Charge:**

\$5.00 per kW per month for all kW of Billing Demand.

**Energy Charge:**

\$0.04626 per kWh for all kWh used per month.

**Fuel Charge:**

\$0.03889 per kWh for all kWh used per month

**Variable Production Charge:**

\$0.00475 per kWh for all kWh used per month

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Customer Facilities Charge plus the Demand Charge.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

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**RATE LP**  
**LARGE POWER SERVICE**  
(Continued)

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- ~~Appendix B – Demand Side Management Adjustment~~
- ~~Appendix E – Environmental Cost Adjustment~~
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

**Riders:**

The following Riders are available to qualified Customers:

- Rider IP-2 – Interruptible Power Service
- Rider DLC – Direct Load Control Rider
- Rider IC – Interruptible Contract Rider
- Rider IO – Interruptible Option Rider
- Rider AFS – Alternate Feed Service Rider
- Rider ED – Economic Development Rider
- Rider AD – Area Development Rider
- Rider DR – MISO Demand Response

**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**DETERMINATION OF BILLING DEMAND**

Unless otherwise specified in the Contract, the Billing Demand for the current month shall be the Maximum Demand, but not less than 60% of the highest Maximum Demand for the Prior Year and in no event less than 300 kVa.

Off-peak demands which will be disregarded in determining the Billing Demand shall be those demands created on Saturdays, Sundays, and holidays designated by Company and between 8:00 P.M. and 7:00 A.M. on any other day, provided that the Billing Demand for the month shall never be less than 50% of the Maximum Demand during such month regardless of when such Maximum Demand occurred.

Company reserves the right, upon thirty days notice to Customer, to change the off-peak demand periods when peak load conditions on Company's system make such modification necessary. Company shall not be required to increase the capacity of any service facilities in order to furnish off-peak demands.

**CONTRACT**

For service hereunder, a written Contract is required for an initial term of not less than three (3) years or for a longer period where unusual expenditures by Company may be necessary to provide service, and such Contract shall continue for annual successive terms unless cancelled. The Contract may be cancelled by either party by providing written notice to the other party not less than one (1) year prior to the date of termination.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

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## RATE HLF HIGH LOAD FACTOR SERVICE

### AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and power supplies, which determinations shall be within Company's reasonable discretion. This service is available only from facilities operating at Transmission Voltage.

### APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer supplied at a single point of delivery with a Contract Demand of not less than 4,500 kVa electing service hereunder.

This Rate Schedule is not applicable to Customer where 1) an alternate source of power is used, 2) for resale to others, or 3) as a supplement to service furnished under any other Rate Schedule.

### CHARACTER OF SERVICE

Service provided hereunder shall be alternating current, sixty hertz, Three Phase, nominal voltages 69,000, 138,000 volts or any other mutually agreed upon voltages. Customer shall furnish and maintain all necessary transforming, controlling and protective equipment.

### RATES AND CHARGES

The monthly Rates and Charges for service hereunder shall be:

**Demand Charge:**

\$20.728 per kVa per month for all kVa of Billing Demand

**Fuel Charge:**

\$0.03644 per kWh for all kWh used per month

**Variable Production Charge:**

\$0.00445 per kWh for all kWh used per month

**Minimum Monthly Charge:**

The Minimum Monthly Charge shall be the Demand Charge, but not less than \$93,276.00 per month.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

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**RATE MLA**  
**MUNICIPAL LEVEE AUTHORITY SERVICE**  
(Continued)

**Transformer Ownership Discount:**

This discount is available to any Customer electing service under this Rate Schedule, when Customer owns, operates and maintains all transformer facilities and receives service at Company's available Primary Voltage. Customer's current monthly bill will be decreased by forty-five and one-tenth cents (\$0.451) for each kW of Billing Demand.

**Adjustments:**

The following Adjustments shall be applied monthly:

- Appendix A – Fuel Adjustment Clause
- Appendix B – Demand Side Management Adjustment
- Appendix E – Environmental Cost Adjustment
- Appendix I – MISO Cost and Revenue Adjustment
- Appendix J – Reliability Cost and Revenue Adjustment
- Appendix K – Transmission, Distribution, and Storage System Improvement Charge

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**Riders:**

The following Riders are available to qualified Customers:

- Rider NM – Net Metering Rider
- Rider IO – Interruptible Option Rider
- Rider AFS – Alternate Feed Service Rider
- Rider ED – Economic Development Rider
- Rider TS – Temporary Service Rider
- Rider DR – MISO Demand Response

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**Other Charges:**

The Other Charges set forth in Appendix D shall be charged to Customer, if applicable.

**DETERMINATION OF BILLING DEMAND**

Billing Demand shall be the higher of Maximum Demand and Monthly Contract Demand. The Monthly Contract Demand shall be the demand amount agreed upon between Customer and Company in a Contract.

**SEPARATE METERING**

When the lighting and power demands are metered separately, the Maximum Demand of the Month shall be the arithmetical sum of the Maximum Demand of each meter. The energy use of the lighting and power meters shall also be added.

**CONTRACT**

For service hereunder, a written contract is required for an initial term of not less than two (2) years and such contract shall continue for annual successive terms unless cancelled. The contract may be cancelled by either party by giving written notice to the other party not less than one (1) year prior to the date of termination.

**TERMS AND CONDITIONS OF SERVICE**

Service under this Rate Schedule shall be governed by Company's General Terms and Conditions and the Commission's Regulations.

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