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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY d/b/a)
VECTREN ENERGY DELIVERY OF)
INDIANA, INC. FOR APPROVAL OF A)
SPECIAL CONTRACT FOR ELECTRIC)
SERVICE WITH PGW, INC. AND)
ESTABLISHMENT OF CONFIDENTIAL)
PROCEDURES)

CAUSE NO. 44237

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APPROVED: FEB 13 2013

BY THE COMMISSION:

David E. Ziegner, Commissioner
Jeffrey A. Earl, Administrative Law Judge

On August 17, 2012, in accordance with Ind. Code §§ 8-1-2-4, 8-1-2-24, 8-1-2-25, and 8-1-2-38, Southern Indiana Gas and Electric Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "Petitioner") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") seeking approval from the Commission of the Special Contract for Electric Service ("PGW Contract") with Pittsburg Glass Works, LLC ("PGW") for the provision of electric utility service to PGW's plant located at 424 E Inglefield Road, Evansville, Indiana ("PGW Facility").

On September 28, 2012, pursuant to 170 IAC 1-1.1-15(3), Petitioner filed an Agreed Procedural Schedule and Motion to Vacate Prehearing Conference and Preliminary Hearing. On October 2, 2012, PGW filed a Petition to Intervene as Joint Petitioner. In an October 4, 2012 Docket Entry, the Presiding Officers granted PGW's Petition to Intervene, and adopted a procedural schedule for this proceeding in accordance with the agreement of the parties.

On October 9, 2012, Petitioner filed the verified direct testimony of Thomas L. Bailey, Petitioner's Director of Sales, in support of the Petition. Attached to Mr. Bailey's verified direct testimony were a public redacted version of the PGW Contract and a public redacted version of the affidavit of Fahmy S. Mechael, PGW's Vice President of Global Supply Chain (the "Mechael Affidavit"). On November 5, 2012, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Mr. Eric M. Hand, utility analyst.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record, the Commission held an Evidentiary Hearing in this Cause at 9:30 a.m. on December 4, 2012, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. Petitioner, PGW, and the OUCC participated in the hearing. No members of the general public appeared or sought to testify at the hearing.

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

1. **Notice and Jurisdiction.** Due and proper notice of the public hearing in this Cause was given and published by the Commission as required by law. Petitioner is a “public utility” as that term is defined in Ind. Code §8-1-2-1(a). Pursuant to Ind. Code §§8-1-2-4 and 8-1-2-25, the Commission has jurisdiction of Petitioner’s rates and charges for utility service. In addition, Ind. Code § 8-1-2-24 gives the Commission jurisdiction over special contracts for utility service between a public utility and a customer. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner’s Characteristics.** Petitioner is an operating public utility incorporated and existing under the laws of the State of Indiana. Petitioner is engaged in the business of rendering electric utility service within the State of Indiana. Petitioner owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities, which are used and useful for the production, transmission, distribution, and furnishing of electric utility service in Indiana.

3. **Relief Requested.** Petitioner requests Commission approval of the PGW Contract. Petitioner also requests the Commission find that certain provisions of the PGW Contract and the Mechael Affidavit contain trade secrets as defined in Ind. Code § 24-2-3-2 and are exempt from the public access and disclosure requirements contained in Ind. Code §§ 5-14-3-3 and 8-1-2-29.

4. **Petitioner’s Evidence.** Mr. Bailey testified that the PGW Contract was negotiated to preserve PGW as an electric customer in southern Indiana. He testified that the PGW Facility is an automotive glass business located in Evansville, Indiana that is important to both Vectren South and the economy of southwestern Indiana. The PGW Facility currently employs approximately 370 people and is one of Vectren South’s largest electric customers.

Mr. Bailey explained that PGW faces significant competition and price pressure because of the decline in the domestic automobile industry, foreign competition, and the overall combined forces of globalization and commoditization. He testified that the loss or reduction of PGW as a customer would adversely affect Vectren South’s other customers because most of Vectren South’s costs of providing electric utility service are fixed and will not be materially reduced if PGW ceases production at the PGW Facility. Mr. Bailey stated that if PGW can be induced to maintain production at the PGW Facility through rates under which Vectren South will recover more than the incremental cost of continuing to serve PGW, the other customers will be better off as a result of the preservation of PGW’s contribution to Vectren South’s fixed cost recovery. He said the PGW Contract will encourage PGW to continue operations at the PGW Facility and protect jobs in the Evansville area.

Mr. Bailey testified the PGW Contract will address electric costs that otherwise would be less competitive at the PGW Facility than other PGW automotive glass plants. Mr. Bailey pointed out the PGW Contract imposes a minimum purchase obligation on PGW for a specific term of years, further discouraging PGW from closing or reducing operations at the PGW Facility during the agreement’s terms. Mr. Bailey also sponsored the Mechael Affidavit, which further explained PGW’s operations and challenges.

Mr. Bailey testified the PGW Contract will not be effective until approval by the Commission. He explained the PGW Facility will be served under Rate LP, Large Power Service, except to the extent expressly modified by the PGW Contract. The rates and charges consist of: (a) a Customer Facilities Charge; (b) a Demand Charge; (c) a Transmission Voltage Discount for delivery at 69kV or higher; (d) an Energy Charge for all kWh used per month; and (e) a Variable Production Charge per kWh per month. Absent submission of a mutually agreed upon extension to the Commission for approval prior to the end of the initial term, the PGW Contract will expire and PGW will revert to the standard applicable Rate LP rates. PGW will pay a monthly minimum purchase obligation unless excused by an event of force majeure, regardless of PGW's actual usage. The PGW Contract also contains provisions to promote the retention of employees at the PGW Facility and relating to payments by PGW if the PGW Contract is terminated under certain circumstances.

Mr. Bailey stated Vectren South's revenues under the terms of the PGW Contract will exceed the incremental cost to Vectren South of continuing to serve the PGW Facility. He noted that because PGW is an existing customer, no new investment is required to continue to serve PGW. According to Mr. Bailey, the PGW Contract will not adversely impact the adequacy or reliability of service to other customers. He stated that the rates contained in the PGW Contract are practical and advantageous to PGW and Vectren South, in the public interest, and not inconsistent with the purpose of Indiana utility regulation. He emphasized that the PGW Contract provides benefits to Vectren South's customers and the southwestern Indiana economy. He explained that the PGW Contract was the result of arm's lengths negotiations between two parties that are sophisticated in negotiating energy contracts and represent a result that is the best deal both sides felt could be obtained.

5. **OUCC's Evidence.** Mr. Hand testified that he reviewed Mr. Bailey's testimony, supporting affidavits, and the unredacted PGW Contract. He testified the PGW Contract would replace the current contract between Vectren South and PGW for electric utility service to the PGW Facility. He also compared the rates of the special contract (present and proposed) to the LP Tariff, and provided informal questions to PGW. In his testimony he described the PGW Contract and his review of its benefits. Mr. Hand noted the PGW Contract specifies that PGW will be responsible for "core" DSM costs. He concluded that he did not have any concerns regarding the PGW Contract.

6. **Commission Discussion and Findings.** Vectren South seeks approval of the PGW Contract under the provisions of Ind. Code § 8-1-2-24 ("Section 24") and § 8-1-2-25 ("Section 25"). Section 24 states:

Nothing in this chapter shall be taken to prohibit a public utility from entering into any reasonable arrangement with its customers or consumers, or with its employees, or with any municipality in which any of its property is located, for the division or distribution of its surplus profits, or providing for a sliding scale of charges or other financial device that may be practicable and advantageous to the parties interested. No such arrangement or device shall be lawful until it shall be found by the commission, after investigation, to be reasonable and just and not inconsistent with the purpose of this chapter. Such arrangement shall be under the

supervision and regulation of the commission.

Section 25 states:

The commission shall ascertain, determine and order such rates, charges and regulations as may be necessary to give effect to such arrangement, but the right and power to make such other and further changes in rates, charges and regulations as the commission may ascertain and determine to be necessary and reasonable, and the right to revoke its approval and amend or rescind all orders relative thereto, is reserved and vested in the commission, notwithstanding any such arrangement and mutual agreement.

Therefore, discounted rate contracts are lawful if the Commission finds their provisions to be reasonable and just, practicable and advantageous to the parties, and not inconsistent with the purposes of the Public Service Commission Act.

The PGW Contract specifies the terms, conditions, and rates of the electric service to be provided to the PGW Facility. An inspection of the Confidential Information demonstrates that the rates provide for the recovery of incremental costs of serving PGW plus a contribution to the recovery of Vectren South's fixed costs. The PGW Contract is the result of arm's length negotiations and will result in a direct benefit to Vectren South's other customers for the reasons discussed by Mr. Bailey, including the preservation of PGW's contribution to Vectren South's fixed cost recovery.

Based on the evidence submitted, we find the PGW Contract and the rates and terms and conditions contained therein are just and reasonable, practical and advantageous to the parties, and not inconsistent with the purposes of the Public Service Commission Act. In addition, we find that the PGW Contract is in the public interest. Therefore, we approve PGW Contract.

7. **Confidential Information.** On November 9, 2012, Petitioner and PGW filed a Motion for Protection of Confidential and Proprietary Information supported by an affidavit showing documents to be submitted to the Commission were trade secret information within the scope of Ind. Code §§ 5-14-3-4(a)(4) and 24-2-3-2. The Presiding Officers issued a Docket Entry on October 19, 2012, finding such information to be confidential on a preliminary basis, after which such information was submitted under seal. We find all such information is confidential pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2, and is exempt from public access and disclosure by the Commission.

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

1. The provisions of the Special Contract for Electric Service between Vectren South and Pittsburg Glass Works, LLC are approved.

2. The documents identified in Vectren South's Motion for Protection of Confidential and Proprietary Information are confidential pursuant to Ind. Code §§ 5-14-3-4 and

24-2-3-2, and are exempt from public access and disclosure by the Commission pursuant to Ind. Code § 5-14-3-3 and Ind. Code § 8-1-2-29. .

3. This Order shall become effective on and after the date of its approval.

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

APPROVED: FEB 13 2013

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


Brenda A. Howe
Secretary to the Commission