ORDER OF THE COMMISSION

Presiding Officers:
James F. Huston, Chairman
Carol Sparks Drake, Senior Administrative Law Judge

On February 1, 2019, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South” or “Petitioner”) filed a Verified Petition (“Petition”) with the Indiana Utility Regulatory Commission (“Commission”) seeking approval of an adjustment to its electric rates through its Clean Energy Cost Adjustment (“CECA”) and approval of Petitioner’s revised cost estimate for the Evansville Urban Facility.

On February 1, 2019, Vectren South also filed its case-in-chief, which included the direct testimony and attachments of the following witnesses:

- Wayne D. Games, Vectren South’s Vice President of Power Supply;
- Robert C. Sears, Vice President of Energy Solutions and Planning for Vectren Utility Holdings, Inc. (“VUHI”), the immediate parent company of Petitioner; and
- J. Cas Świz, VUHI’s Director, Rates and Regulatory Analysis.

On February 11, 2019, Petitioner and the Indiana Office of the Utility Consumer Counselor (“OUCC”) filed a Joint Motion for Adoption of Procedural Schedule that was granted in a Docket Entry issued on February 15, 2019.

On February 19, 2019, Vectren South filed a corrected Petitioner’s Exhibit No. 3, Attachment JCS-1, Schedule 12.

On March 29, 2019, the OUCC filed its case-in-chief, consisting of the direct testimony and attachments of Kaleb G. Lantrip, Utility Analyst in the OUCC’s Electric Division.

A public evidentiary hearing was held in this Cause at 1:30 p.m. on April 16, 2019, in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Vectren South and the
OUCC appeared at the hearing, by counsel, and participated.

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

1. **Notice and Commission Jurisdiction.** Notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Vectren South is a public utility, an energy utility, and an eligible business as defined in Ind. Code §§ 8-1-2-1(a), 8-1-2-5-2, and 8-1-8.8-6. The Commission has jurisdiction to approve Petitioner’s requested CECA under Ind. Code ch. 8-1-8.8. The Commission, therefore, has jurisdiction over Vectren South and the subject matter of this proceeding.

2. **Petitioner’s Organization and Business.** Vectren South is a public utility incorporated under the laws of the State of Indiana. Petitioner has authority to engage in and is engaged in rendering electric service within Indiana. Vectren South owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities that are used and useful for the production, storage, transmission, distribution, and furnishing of electric utility service to approximately 145,000 customers in southwestern Indiana. Petitioner is a wholly-owned subsidiary of VUHI, which is a wholly-owned subsidiary of Vectren Corporation, which is wholly-owned by CenterPoint Energy, Inc.

3. **Background to this Proceeding.** On August 16, 2017, the Commission issued an Order in Cause No. 44909 (the “44909 Order”) approving three clean energy projects identified as the Highway 41 Facility, Evansville Urban Facility, and the Urban Living Research Center (“ULRC”). These consist of three solar projects and two battery energy storage systems (“BESS”).

In the 44909 Order, the Commission also approved timely cost recovery through CECA filings, with depreciation rates of 10 years for Petitioner’s BESS investments and 25 years for the other investments consistent with the anticipated service lives of the assets. Petitioner’s CECA rates and charges are to be based on the annual revenue requirement calculation on all approved investments placed in-service, along with an annualized level of operations and maintenance (“O&M”) costs.

The cost estimates for the three clean energy projects approved in the 44909 Order totaled $16.2 million. The Commission found the estimated cost for each of these proposed solar facilities was reasonable and the best cost estimate available. The Commission required Petitioner to seek a modification of its reasonable and necessary determination for any increases from the cost estimates that were approved for each of the three projects. Vectren South is also required to notify the Commission of any deviation from the number or size of solar and BESS installations approved in Cause No. 44909.

4. **Relief Requested.** In its Petition, Vectren South indicates that as of December 31, 2018, two of the three projects the Commission approved in Cause No. 44909 are in service, those being the Highway 41 Facility and the Evansville Urban Facility; consequently, Vectren South requests approval of initial CECA rates to effectuate timely recovery of the costs incurred through 1. The Commission subsequently granted Vectren South a certificate of public convenience and necessity to construct a 50 MW solar project and recover associated costs through the CECA in Cause No. 45086 (Order approved March 20, 2019). In the Order in Cause No. 45086, the Commission approved a Stipulation and Settlement Agreement setting forth allocation factors applicable to a CECA proceeding. Per Mr. Swiz’s testimony in this Cause, no costs related to the solar project approved in Cause No. 45086 are included in the CECA cost recoveryVectren South seeks in this proceeding, but the approved allocation factors are applied.
December 31, 2018, in connection with its Highway 41 and Evansville Urban Facilities to be applicable and made effective for bills rendered during the billing cycle beginning June 1, 2019, or as soon thereafter as practicable. Vectren South notified the Commission that the approved estimated cost for the Evansville Urban Facility has increased from $5.4 million to $5.9 million and requests that the revised cost estimate for the Evansville Urban Facility be found reasonable and approved. Vectren South also notified the Commission of an anticipated deviation in the size of the solar facility and BESS located at the ULRC based on the final design of the ULRC that was completed following approval of the 44909 Order.

5. **Petitioner’s Case-in-Chief.** Mr. Games described how Vectren South has complied with the reporting requirements outlined in the 44909 Order. He testified that Vectren South recently filed its annual year-end report updating the Commission on the status of construction and construction costs for the three clean energy projects approved in the 44909 Order. He stated that Petitioner also notified the Commission, as ordered, of the in-service date for the Highway 41 and Evansville Urban Facilities. Mr. Games provided a status update for each facility, including generation output and costs. He testified that the costs for the Highway 41 Facility through December 31, 2018, totaled approximately $7.4 million. The current estimate for the total cost of the Highway 41 Facility is $8.0 million, as compared to the original estimate of $8.8 million. Mr. Games stated the construction costs for the Evansville Urban facility as of December 31, 2018, totaled approximately $5.5 million, with the original estimate being $5.4 million. Mr. Games stated that the costs for both facilities include engineering, procurement, and construction (“EPC”) costs, owner's costs, EPC contingencies and overheads, interconnect, and interconnect contingencies and overheads.

Mr. Games supported Vectren South’s request to revise its cost estimate for the Evansville Urban Facility by increasing the original estimate approximately $500,000 to account for circumstances unknown at the time of the original filing in Cause No. 44909. Among other things, Mr. Games testified the Department of Natural Resources permit issued in February 2018 defined the site as a Historic Place on the National Register. This designation required a qualified archaeologist on site during all excavation work. In addition, other permit requirements required construction of a 1.1 acre wetland mitigation area and installation of a new entrance to reduce the impact of construction on traffic. Mr. Games further testified that with the increased estimate for the Evansville Urban Facility, Vectren South remains within its approved budget, as Vectren South projects it will spend $13.9 million of the $14.2 million approved for the Highway 41 and Evansville Urban Facilities collectively. Mr. Games stated the additional costs incurred for the Evansville Urban Facility were atypical but necessary to complete the facility. He also testified that Vectren South is in the process of making an application to the Public Utilities Commission of Ohio for certification of the Highway 41 and Evansville Urban Facilities so Petitioner may sell the related solar renewable energy credits (“SREC”) at the best price attainable for its customers. Mr. Games testified that this process is expected to be complete by mid-2019, at which time all of the SRECs that have been generated by the Highway 41 and Evansville Urban Facilities will be registered in the Generation Attribute Tracking System and made available for sale.

Mr. Sears provided an update on the ULRC, testifying that construction of this facility was unexpectedly postponed. Substantial completion of the ULRC is currently expected at the end of the first quarter of 2020. Mr. Sears also testified that the scope of the ULRC project has changed since this project was approved in Cause No. 44909. The rooftop space available for installation is less than what was originally anticipated due to rooftop space being restricted for placement of mechanical and other equipment, as well as the incorporation of walkways between the solar arrays. He testified the
space constraints affected the layout of the ULRC solar panels that could be achieved given the directional orientation of the buildings. Accordingly, the number of panels Vectren South will be able to fit on both rooftops has decreased, so the generating facility's capacity will be less than the anticipated 300 kWac. The specific kWac is unknown until the design phase has been completed. Mr. Sears testified that once the ULRC project is in-service, Vectren South will seek cost recovery in the appropriate CECA rider filing.

Mr. Swiz explained the ratemaking treatment Vectren South is proposing to recover the costs incurred during construction and operation of the solar and BESS projects, including depreciation expense, post-in-service carrying costs, taxes, and O&M expenses. More specifically, he testified that Vectren South seeks to implement the CECA mechanism as proposed in Cause No. 44909 and modified in Cause No. 45086. Mr. Swiz testified that Vectren South's adjustment to its authorized net operating income utilized in its fuel adjustment clause earnings tests, as set forth in Schedule 9 of Petitioner's Exhibit No. 3, Attachment JCS-1, is $834,765. He stated the request in this proceeding is for approval of costs incurred through December 31, 2018, to be recovered through the CECA, with such rates and charges implemented no earlier than June 1, 2019. Mr. Swiz testified the total revenue requirement for CECA 1 is $2,036,910, and he explained how this revenue requirement was calculated. Mr. Swiz stated the allocation factor percentages were applied to the total revenue requirement by rate class and used to determine the amount recoverable from each Rate Schedule. The allocation factors Petitioner used are those agreed upon in the Stipulation and Settlement Agreement in Cause No. 45086 and are as follows:

<table>
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<tr>
<th>Rate Schedule</th>
<th>Allocators</th>
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<tr>
<td>Rate RS</td>
<td>40.4145%</td>
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<tr>
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<tr>
<td>Rate SGS</td>
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<td>Rate DGS/MLA</td>
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<td>Rate OSS</td>
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The proposed CECA rates and charges were attached to Mr. Swiz's testimony as Petitioner's Exhibit No. 3, Attachment JCS-2.

Mr. Swiz also discussed the cost of electricity generated by the Highway 41 Facility and the Evansville Urban Facility during the reporting period. Mr. Swiz stated the estimated cost per kWh for the Highway 41 Facility, including the BESS, is $0.39/kWh and the Evansville Urban Facility is $0.30/kWh. He testified that these costs are based on the project revenue requirements for each of the two 2 MW solar projects, divided by the projected kWh. Mr. Swiz stated that once Vectren South has the actual kWh generated by each of these projects for a full 12-month period, the cost per kWh will be calculated using the actual kWh generated.

6. **OUCC's Case-in-Chief.** OUCC witness Lantrip testified that he reviewed the petition, testimony, schedules, and exhibits in this Cause, as well as the testimony, settlement agreement, and final orders in Cause Nos. 44909 and 45086. He testified that the OUCC has no issues with Vectren South's updated projected cost for the Highway 41 Facility. He noted this updated projection is under the Commission's approved budget. Mr. Lantrip also stated the OUCC does not
oppose the updated cost estimate for an additional $500,000 for the Evansville Urban Facility since it will not cause the total expenditures on the solar/BESS projects to exceed what was approved in the 44909 Order. The current combined estimated cost of the three projects is $15.9 million compared to the approved combined project cost estimate of $16.2 million.

Mr. Lantrip testified that he agrees with Vectren South’s CECA allocation method. He noted that Vectren South raised this issue in Cause No. 45086. The allocation method going forward was clarified in the Stipulation and Settlement Agreement in that Cause. Mr. Lantrip recommended approval of Vectren South’s proposed CECA rates and allocation factors.

7. Commission Discussion and Findings. Based on the evidence presented, as discussed above, the Commission finds Petitioner’s requested relief in this proceeding is reasonable and should be approved. Specifically, Vectren South requests authority to recover costs and expenses incurred through December 31, 2018, for the Highway 41 Facility and Evansville Urban Facility through its CECA. While the cost of the Evansville Urban Facility increased beyond the estimates approved in the 44909 Order, Mr. Games provided a detailed explanation of the cost overruns and testified they were unanticipated but necessary to complete the project. OUCC witness Lantrip supported approval of these updated costs. Given this evidence, including the costs and expenses Mr. Games provided in Petitioner’s Exhibit No. 1, the Commission finds these costs and expenses are reasonable and within the amount the Commission approved in the 44909 Order.

Petitioner also presented substantial evidence supporting its initial CECA rates. After reviewing this evidence, Mr. Lantrip recommended the Commission approve Vectren South’s proposed CECA rates and allocation factors. Given Petitioner’s evidence supporting these initial rates, including the calculations Mr. Swiz provided in Petitioner’s Exhibit No. 3, Attachments JCS-1 through JCS-2, and the OUCC’s concurrence, the Commission approves the total annual revenue requirement to be recovered through the CECA of $2,036,910. The Commission also finds the allocation factors set forth in Petitioner’s Exhibit No. 3 are consistent with the allocation factors approved in Cause No. 45086. Accordingly, the Commission finds that Petitioner’s initial CECA rates, as set forth in Petitioner’s Exhibit No. 3, Attachment JCS-2, should be approved.

Additionally, Vectren South sought approval to update its estimate for the Evansville Urban Facility to increase the previously authorized amount from $5.4 million to $5.9 million. Mr. Games provided detail in his testimony regarding the reasons for the additional costs, which the Commission finds are reasonable; therefore, Petitioner’s updated cost estimate for the Evansville Urban Facility is approved.

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

1. Petitioner’s initial CECA rates, as set forth in Petitioner’s Exhibit No. 3, Attachment JCS-2, are approved, to effectuate the timely recovery of costs incurred through December 31, 2018, to be implemented no earlier than June 1, 2019.

2. Prior to implementing the approved CECA rates, Vectren South shall file the tariff and applicable rate schedules under this Cause for approval by the Commission’s Energy Division. Such rates shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected but shall not be implemented before June 1, 2019.
3. Petitioner’s revised cost estimate for Vectren South’s Evansville Urban Facility of $5,900,000 is approved.

4. Petitioner’s request for an adjustment to its authorized net operating income to reflect any approved earnings for purposes of Ind. Code § 8-1-2-42(d)(3) is approved.

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

HUSTON, KREVDA, AND ZIEGNER CONCUR; FREEMAN AND OBER ABSENT:

APPROVED: MAY 15 2019

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

Mary M. Becerra
Secretary of the Commission