

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA )  
GAS AND ELECTRIC COMPANY d/b/a VECTREN )  
ENERGY DELIVERY OF INDIANA, INC. )  
("VECTREN SOUTH") FOR (1) ISSUANCE OF A )  
CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY FOR THE CONSTRUCTION OF A )  
COMBINED CYCLE GAS TURBINE GENERATION )  
FACILITY ("CCGT"); (2) APPROVAL OF )  
ASSOCIATED RATEMAKING AND ACCOUNTING )  
TREATMENT; (3) ISSUANCE OF A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY FOR )  
COMPLIANCE PROJECTS TO MEET FEDERALLY )  
MANDATED REQUIREMENTS ("CULLEY 3 )  
COMPLIANCE PROJECT"); (4) AUTHORITY TO )  
TIMELY RECOVER 80% OF THE COSTS )  
INCURRED DURING CONSTRUCTION AND )  
OPERATION OF THE CULLEY 3 COMPLIANCE )  
PROJECTS THROUGH VECTREN SOUTH'S )  
ENVIRONMENTAL COST ADJUSTMENT )  
MECHANISM; (5) AUTHORITY TO CREATE )  
REGULATORY ASSETS TO RECORD (A) 20% OF )  
THE REVENUE REQUIREMENT FOR COSTS, )  
INCLUDING CAPITAL, OPERATING, )  
MAINTENANCE, DEPRECIATION, TAX AND )  
FINANCING COSTS ON THE CULLEY 3 )  
COMPLIANCE PROJECT WITH CARRYING )  
COSTS AND (B) POST-IN-SERVICE ALLOWANCE )  
FOR FUNDS USED DURING CONSTRUCTION, )  
BOTH DEBT AND EQUITY, AND DEFERRED )  
DEPRECIATION ASSOCIATED WITH THE CCGT )  
AND CULLEY 3 COMPLIANCE PROJECT UNTIL )  
SUCH COSTS ARE REFLECTED IN RETAIL )  
ELECTRIC RATES; (6) ONGOING REVIEW OF )  
THE CCGT; (7) AUTHORITY TO IMPLEMENT A )  
PERIODIC RATE ADJUSTMENT MECHANISM )  
FOR RECOVERY OF COSTS DEFERRED IN )  
ACCORDANCE WITH THE ORDER IN CAUSE NO. )  
44446; AND (8) AUTHORITY TO ESTABLISH )  
DEPRECIATION RATES FOR THE CCGT AND )  
CULLEY 3 COMPLIANCE PROJECT ALL UNDER )  
IND. CODE §§ 8-1-2-6.7, 8-1-2-23, 8-1-8.4-1 *ET SEQ*, 8- )  
1-8.5-1 *ET SEQ.*, AND 8-1-8.8 -1 *ET SEQ.* )

CAUSE NO. 45052

VERIFIED PETITION

Petitioner Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Petitioner”) respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) to authorize Petitioner to implement its generation transition plan as set forth in its 2016 Integrated Resource Plan (“IRP”) as follows: (1) issue a certificate of public convenience and necessity (“CPCN”) to construct a combined cycle natural gas turbine generation facility (“CCGT”); (2) approve associated ratemaking and accounting treatment for that plant; (3) issue a CPCN for the construction of equipment and facilities necessary to comply with the United States Environmental Protection Agency’s (“EPA”) Effluent Limitation Guidelines (ELG) rule and the Coal Combustion Residuals (CCR) rule for Culley Unit 3, including installation of new ash handling and wastewater treatment facilities and the closure of the Culley west ash pond to enable construction of a new holding pond on that retired pond given space limitations at the Culley site (collectively the “Culley 3 Compliance Project”), (4) authorize Petitioner to timely recover 80% of the costs incurred during construction and operation of the Culley 3 Compliance Project through Petitioner’s environmental cost adjustment mechanism; (5) authorize Petitioner to create regulatory assets to record (A) 20% of the capital, operating, maintenance, depreciation, tax and financing costs (collectively, the revenue requirement) on the Culley 3 Compliance Project with carrying costs and (B) post-in-service carrying costs, both debt and equity, and deferral of depreciation associated with the Culley 3 Compliance Project and the CCGT until such costs are reflected in retail electric rates; (6) grant Petitioner’s request for ongoing review of the CCGT project; (7) authorize Petitioner to timely recover through its environmental cost adjustment mechanism the deferred costs related to environmental compliance authorized to be recorded as a regulatory asset in the Commission’s

January 28, 2015 Order in Cause No. 44446 (“MATS Order”) and (8) authority to establish depreciation rates for the CCGT and the Culley 3 Compliance Project.

Public convenience and necessity require or will require the construction of the CCGT, and the CCGT is consistent with Petitioner’s 2016 IRP.

The Culley Compliance 3 Project is reasonably necessary to comply with EPA requirements under the ELG and CCR rules. Absent this project, Culley 3 would have to be retired no later than the end of 2023. That would leave Petitioner with a generation mix that included no coal going forward. All of the costs to be incurred in connection with construction and operation of the Culley 3 Compliance Project qualify as federally mandated costs under Ind. Code ch. 8-1-8.4.

In support hereof, Petitioner shows the Commission:

Petitioner’s Regulated Status

1. Petitioner is an operating public utility incorporated under the laws of the State of Indiana, with its principal office and place of business in the City of Evansville. Petitioner provides electric and gas utility service to the public in Indiana and is subject to regulation by this Commission in the manner and to the extent provided by the laws of the State of Indiana.

2. This petition pertains to Petitioner’s electric utility business. Petitioner renders retail electric utility service to approximately 145,000 customers in seven counties in southwestern Indiana, and owns, operates, manages and controls electric generating, transmission and distribution plant, property and equipment and related facilities which are used and useful for the convenience of the public in the production, transmission, delivery and furnishing of electric energy, heat, light and power for residential, commercial, industrial and municipal uses. Petitioner furnishes such electric utility service to retail customers located in

Vanderburgh, Posey, Gibson, Pike, Warrick, Dubois and Spencer Counties, with a major portion of such customers residing in and around the City of Evansville, Indiana.

3. Petitioner is a “public utility” under Ind. Code § 8-1-2-1 and § 8-1-8.5-1 and an “energy utility” under Ind. Code § 8-1-8.4-3 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana. Petitioner is an “eligible business” as defined in Ind. Code § 8-1-8.8-6. Petitioner is also subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”).

#### Background

4. Petitioner’s operations are subject to federal, state and local rules promulgated by, among others, the EPA and the Indiana Department of Environmental Management (“IDEM”). Such rules establish environmental compliance standards that govern Petitioner’s electric generating units.

5. Petitioner and the electric utility industry are subject to federal environmental laws and regulations, including the Clean Water Act (“CWA”), the Clean Air Act (“CAA”), ELG and CCR rules and EPA’s Mercury and Air Toxics Standards (“MATS”).

6. The ELG rule was promulgated under Section 301 of the CWA to govern the discharge of pollutants from existing point sources such as coal-fired steam electric generating facilities. The ELG rule prohibits the discharge of fly ash transport water and bottom ash transport water at existing facilities and sets stringent new arsenic, mercury, selenium and nitrate/nitrite discharge limits for scrubber wastewater, such as water from a flue gas desulfurization (“FGD”) scrubber. The ELG requirements are implemented through the renewal process for a power plant’s existing National Pollutant Discharge Elimination System

(“NPDES”) permit. Vectren South’s NPDES permits for the Culley and Brown power plants were finalized by IDEM in March 2017 to give effect to the federally mandated requirements under the ELG rule, and became effective shortly thereafter. EPA has since announced its intent to reconsider best available technology for bottom ash transport water and FGD wastewaters, but not fly ash transport water. In September 2017, EPA finalized a limited rule that postpones for two years the earliest date for compliance with the ELG rule from November 2018 to November 2020 for the prohibition on discharge of bottom ash transport water and the effluent limitations applicable to FGD wastewaters. The “no later than” deadline of December 31, 2023 remains in place, however. The earliest deadline for the prohibition of discharge fly ash transport water was not extended. The ELG requirements are incorporated by IDEM into Petitioner’s NPDES permits prior to the two-year extension and rely primarily on the final compliance deadline of December 31, 2023, which has not been extended by EPA. Moreover, even if EPA subsequently rescinds the requirement to convert bottom ash, bottom ash conversions would be required at both the Culley and Brown plants because the CCR rule still will force the closure of their ash ponds.

7. The CCR rule was promulgated by the EPA under Subtitle D of the Resource Conservation & Recovery Act (“RCRA”). The CCR rule establishes specific requirements that must be met in order to continue operation of an existing ash pond: (1) a safety factor assessment which must have been completed by October 2016, (2) a groundwater assessment, and (3) various location restrictions. If the requirements are not met, use of the ash pond must cease and closure of the ash pond must begin. The rule allows two options for ash ponds that are required to close: close in place or clean closure. Following passage of the Water Infrastructure Improvements for the Nation (“WIIN”) Act, states are authorized to implement the CCR rules

with an approved state program. IDEM is currently in the process of drafting its state CCR program. EPA has since announced it intends to reconsider parts of the CCR rule, including its authority to regulate “inactive” ponds and the elimination of alternative groundwater protection standards. However, EPA has not moved to administratively stay the provisions under reconsideration and they remain effective.

8. MATS imposes stringent limits on the emissions of hazardous air pollutants (“HAPS”) (including mercury, acid gases and non-mercury metals) from coal and oil-fired generating plants. The Commission approved Petitioner’s clean energy project investment in control technology at its Brown, Culley and Warrick Unit 4 generating stations to meet the requirements of MATS in Cause No. 44446.

9. The CAA imposes new source review (“NSR”) permitting requiring stationary sources of air pollution to obtain permits before construction starts. Vectren South and the EPA negotiated a resolution of certain violation notices issued by the EPA to Vectren South in 2011 and 2013 related to NSR permitting and opacity limits established by the CAA. The Commission approved Petitioner’s clean energy project investments in control technology at its Brown and Culley generating stations to meet the CAA requirements in Cause No. 44446.

#### Petitioner’s Existing Generation

10. To provide reliable electricity to its customers, Petitioner owns and operates 1,248 megawatts (“MW”) of total net generating capacity. Petitioner operates five (5) coal-fired baseload units as listed below:

<u>Unit</u>	<u>Capacity (MW)</u>	<u>Fuel</u>
A.B. Brown 1	245	Coal
A.B. Brown 2	245	Coal
F.B. Culley 2	90	Coal
F.B. Culley 3	270	Coal
Warrick 4	150 <sup>1</sup>	Coal

Petitioner procures 100% of its coal supply from mines located in Indiana.

11. Petitioner has already made substantial investments in its Culley Unit 3 generation facilities during the past decade to remain in compliance with changing air and water emissions standards. Specifically, investments have been made in a Dry Fly Ash system (allowing Vectren South to collect ash from all of its units in a dry form and transport it to a storage silo located at the Brown site near the Ohio River to be loaded onto barges to be transported to a cement manufacturing facility for beneficial reuse), a bag house, a scrubber and a selective catalytic reduction (“SCR”) system. These significant investments in Culley Unit 3 are reflected in Petitioner’s current base rates.

12. The Culley 3 Compliance Project will allow Petitioner to maintain Culley Unit 3 in compliance with the ELG and CCR rules, which will in turn allow Petitioner to maintain a diverse generating fleet beyond 2023 that contains natural gas base load generation (the new CCGT), coal fired base load generation, natural gas peaking generation, wind generation, solar generation and landfill gas generation.

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<sup>1</sup> Represents Petitioner’s ½ interest in Warrick 4 – a 300 MW unit.

## Proposed CCGT

13. Vectren South is proposing to diversify its generation fleet based on its 2016 Integrated Resource Plan (“IRP”) by investing in a new CCGT sized to replace certain coal-fired units that will be retired at the end of 2023.<sup>2</sup> Petitioner is seeking a CPCN to construct a 2x1 F class technology CCGT with capacity of 800 to 900 MW, to be constructed on the ground adjacent to Petitioner’s Brown Generating Station. As a result, this brownfield site, as well as certain existing equipment, will continue to be used.

14. While historically Vectren South’s coal plants have been operated as base load units, over the years the market and regulatory conditions in which these facilities operate has changed. Increasingly, the Midcontinent Independent System Operator (“MISO”) dispatches other forms of generation before coal-fired generation. This has impacted both the efficiency and reliability of Petitioner’s coal-fired generation facilities. The CCGT was identified in the 2016 IRP as a lower cost option for Petitioner’s customers over a twenty-year period compared to continued reliance on coal-fired generation.

15. The proposed CCGT will be built on the Brown site, allowing Petitioner’s customers to realize cost savings generated by the benefits of re-using existing facilities and equipment. The site’s location near the Ohio River will allow for large sections of the new plant to be barged to a nearby unloading location and railed or trucked into the facility. Since the Brown site is located within Petitioner’s service territory, the economic benefits of the investment will inure to Petitioner’s customers. The ability to interconnect the CCGT with Petitioner’s transmission system is also expected to benefit Petitioner’s ratepayers by minimizing their exposure to transmission congestion charges.

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<sup>2</sup> Vectren South will continue to utilize Indiana coal in its Brown Units 1 and 2 and Culley generating facility until the end of 2023.



16. Consistent with the 2016 IRP, Petitioner plans to retire Culley Unit 2 and the Brown Units 1 and 2 once the CCGT is operational. Culley Unit 2's age and efficiency will not justify further capital investment to allow it to continue to operate in the future. Brown Units 1 and 2 would require significant capital investment, including construction of a new scrubber, to allow them to continue to operate in the future. While Petitioner has agreed to continue its joint operation of Warrick Unit 4 through December 31, 2023, as shown in its IRP, the continued operation of that unit is not economic and is further complicated because ALCOA, following its recent organizational and operational changes, is not able to unconditionally commit to use of the jointly owned unit as part of its future operations. Based on the 2016 IRP and updated IRP modeling completed in 2017, Petitioner plans to retire 73% of its current coal-fired generation fleet and diversify its generation portfolio by adding the CCGT at the end of 2023. This will allow Petitioner to move to a diverse generation portfolio for the long term benefit of its customer base.

#### Proposed Culley Unit 3 Compliance Project

17. Petitioner requests approval to construct, install and operate equipment and facilities to enable ELG and CCR (and NPDES permit) compliance at Culley Unit 3. The Culley NPDES permit requires that Culley cease the discharge of fly ash and bottom ash transport water by December 2020, and meet applicable FGD wastewater discharge limitations by February 2021. If Vectren South agrees to meet the more stringent alternative discharge limits (*i.e.* effectively zero liquid discharge), Petitioner does not have to meet the FGD wastewater discharge limits until December 31, 2023. Petitioner intends to convert the current wet system for handling bottom ash to a dry system. After conversion, Culley bottom ash will be collected and disposed of in a landfill or hauled back to a surface mine in accordance with applicable

surface mining regulations, or recycled. Petitioner proposes to construct a spray dryer evaporator system at Culley to meet the new FGD wastewater discharge limitations, which will function effectively as a zero liquid discharge system, allowing Petitioner to utilize the alternative compliance date of December 31, 2023 for treatment of scrubber wastewaters.

18. Since the Culley East pond will be closing under the CCR rule as discussed below, Petitioner must construct a new lined process water and stormwater retention pond. Based on site limitations and the resulting project engineering, Petitioner proposes to construct this new lined retention pond on a portion of the closed Culley West ash pond. To enable the described project to proceed, Petitioner also requests authority to incur the necessary costs to close the Culley West ash pond to comply with the CCR rule. Petitioner's Culley West pond ceased receiving ash prior to October 2015 and is considered "inactive" under the CCR rule. The Culley West pond posted a Notice of Intent to initiate closure on December 17, 2015 as required for facilities that were covered by the "inactive" category under the CCR rule as of October 2015. Petitioner must close the ash pond within five (5) years of initiating closure, or by December 2020. Petitioner intends to commence preliminary closure activities in late 2018, including constructing a new process water pond on top of a portion of the closed West pond due to the limited space available at the Culley site. The new process water pond is required to be constructed in order to control stormwater, including coal pile run-off, and receive other process waters that are currently routed to the Culley East pond, which cannot be operated beyond 2023 per CCR closure requirements.

#### Approval of Culley 3 Compliance Project

19. The Culley 3 Compliance Project is being undertaken to comply with EPA's ELG and CCR rules. The Culley 3 Compliance Project constitutes a compliance project undertaken

by Petitioner related to the direct or indirect compliance by Petitioner with one (1) or more federally mandated requirements under Ind. Code § 8-1-8.4-5.

20. The estimated capital cost of the Culley 3 Compliance Project is reasonable and is estimated to be approximately \$90 million, inclusive of overheads. Petitioner has worked with engineering experts to conduct testing of the Culley 3 Compliance Project to ensure their installation will be effective in making the generation facilities compliant with applicable regulations. As a result of the testing process, Petitioner was able to identify compliance solutions with a lower capital cost than a number of other alternatives. The costs of the testing are included in the estimated total capital cost and Petitioner requests their recovery in the same manner as the other capital, operating, maintenance, depreciation, tax or financing costs associated with the Culley 3 Compliance Project.

21. The construction, installation and use of the Culley 3 Compliance Project will enable Petitioner to ensure the future use of its Culley Unit 3 generating capacity to provide clean, safe and reliable electric service while complying with continually evolving environmental regulations. Petitioner's proposed investments in the Culley 3 Compliance Project will allow it to maintain a diverse generating fleet while helping to support Indiana's coal economy. Therefore, the Culley 3 Compliance Project is reasonable and necessary and the public convenience and necessity will be served by the Culley 3 Compliance Project. Accordingly, Petitioner should be granted a certificate of public convenience and necessity and all other necessary Commission approval in order to proceed with the construction and use of these projects. Petitioner should also be provided the ratemaking treatment for its costs as requested herein.

### Approval of CCGT

22. The estimated capital cost of the new CCGT is reasonable and is estimated to be \$780 million, inclusive of overheads. Based on the 2016 IRP, Petitioner has undertaken a robust planning process, including review of bids for the cost components of construction of the CCGT as well as bids from competitive developers of generation for both ownership and purchased power.

23. The CCGT is consistent with Petitioner's 2016 IRP. The project will allow Petitioner to continue to provide generating capacity and system reliability on an efficient and economical basis to meet the need for electricity within its service area which greatly enhances reliability.

24. The proposed CCGT is consistent with the Commission's analysis for expansion of electric generating capacity.

25. Petitioner has the managerial and technical expertise to construct the proposed CCGT.

26. Therefore, the CCGT is reasonable and necessary and the public convenience and necessity will be served by the CCGT. Accordingly, Petitioner should be granted a certificate of public convenience and necessity and all other necessary Commission approval in order to proceed with the construction and use of this project. Petitioner should also be provided the ratemaking treatment for its costs as requested herein.

### Ongoing Review

27. Pursuant to Ind. Code §8-1-8.5-6, Petitioner requests ongoing review of the CCGT, including review of progress reports and any revisions to the cost estimates, as the construction proceeds, and associated ratemaking treatment consistent with such review.

### Ratemaking and Accounting

28. Upon approval of the projected federally mandated costs associated with the proposed Culley 3 Compliance Project described herein and in Petitioner's case-in-chief, Indiana Code § 8-1-8.4-1 *et seq.* authorizes Petitioner to recover 80% of the costs of the Culley 3 Compliance Project through a periodic rate adjustment mechanism. Petitioner requests authority to recover these federally mandated costs by: (1) recovering eighty percent (80%) of the approved federally mandated costs, including capital, operating, maintenance, depreciation, tax or financing costs through a periodic rate adjustment mechanism that allows the timely recovery of the approved federally mandated costs; and (2) deferring twenty percent (20%) of the approved federally mandated costs, including depreciation, allowance for funds used during construction on the overall cost of capital most recently approved by the Commission, for recovery at the time of Petitioner's next general rate case.

29. Petitioner requests authority (1) to continue the accrual of post in service carrying costs, both debt and equity, and to defer the accrual of depreciation expense on the CCGT and the Culley 3 Compliance Project from their respective in-service dates until the date of a Commission order authorizing recovery of a return and including depreciation expense thereon in Vectren South's recoverable operating expenses; (2) to record such post-in-service carrying costs (both debt and equity) and deferred depreciation as regulatory assets in Account 182.3 Other Regulatory Assets; (3) to amortize such regulatory assets as a recoverable expense for ratemaking purposes over the estimated life of each of the CCGT and the Culley 3 Compliance Project commencing on the date of the order authorizing recovery of a return on the CCGT and Culley 3 Compliance Project, respectively, and including depreciation expense thereon in Vectren South's recoverable operating expenses; and (4) to include the unamortized portion of

the regulatory assets in Vectren South's rate base upon which it is permitted to earn a return. Allowance for Funds Used During Construction ("AFUDC") would be computed using the Federal Energy Regulatory Commission Uniform System of Accounts ("FERC USoA") requirements, along with the accrual of post-in-service carrying costs ("PISCC") once the investments are placed in-service. The PISCC will be computed by applying Petitioner's overall cost of capital approved in its last base rate case, *Southern Indiana Gas and Elec. Co. d/b/a Vectren Energy Delivery of Indiana, Inc.*, Cause No. 43839 (IURC 4/27/2011).

30. Petitioner also requests the Commission authorize Petitioner to approve depreciation rates for the CCGT and the Culley 3 Compliance Project, which rates will be described in more detail as part of its case-in-chief.

31. Petitioner also requests authority to implement a periodic rate adjustment mechanism for recovery of costs deferred in accordance with the MATS Order. In the MATS Order, the Commission found the clean energy projects and clean coal technology undertaken by Petitioner to comply with MATS and the CAA were reasonable and necessary and eligible for financial incentives under Indiana Code § 8-1-8.8-1 et seq. The Commission authorized Petitioner to defer the costs incurred in connection with the clean energy projects and clean coal technology and record them as a regulatory asset until the date of a Commission order authorizing recovery of the deferred costs in Petitioner's recoverable operating expenses. Before beginning recovery of the deferred costs, Petitioner was ordered to file a case setting forth the specific recovery mechanism and terms or seek recovery of the deferred costs in its next base rates case. Petitioner is providing evidence to support its proposed specific recovery mechanism in this case.

Applicable Law

32. Petitioner considers the provisions of the Public Service Commission Act, as amended, may be applicable to this proceeding, including Ind. Code §§ 8-1-2-6.7, 8-1-2-12, 8-1-2-23, 8-1-8.4-1 *et seq.*; 8-1-8.5-1 *et seq.*, and 8-1-8.8-1 *et seq.*

Petitioner's Counsel

33. Petitioner's duly authorized representatives to whom all correspondence and communications in this Cause should be sent are:

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Prehearing Conference and Preliminary Hearing Requested

34. To facilitate Petitioner's ability to proceed with the Culley 3 Compliance Project in a timely manner, Petitioner requests the Commission promptly conduct a prehearing conference to establish a procedural schedule in this Cause. Petitioner anticipates that construction must begin on the Culley 3 Compliance Project by August 2019, with equipment to be ordered in the first quarter of 2019; and construction of the CCGT is anticipated to begin by July 2019.

WHEREFORE, Petitioner Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. requests that the Commission promptly conduct a prehearing

conference and preliminary hearing, establish a procedural schedule and conduct an evidentiary hearing in this Cause and thereafter issue an Order:

(a) making findings as to the best estimate for the construction of the proposed CCGT;

(b) making findings that the construction of the CCGT is consistent with the Commission's plan for expansion of electric generating capacity or Petitioner's 2016 Integrated Resource Plan;

(c) making findings that public convenience and necessity require or will require the construction of the CCGT as proposed herein;

(d) making the required findings under Ind. Code §8-1-8.5-5(e);

(e) granting Petitioner a certificate of public convenience and necessity for the construction of the CCGT pursuant to Ind. Code § 8-1-8.5-1 *et seq.*;

(f) making findings that public convenience and necessity will be served by the Culley 3 Compliance Project;

(g) granting Petitioner a certificate of public convenience and necessity for the Culley 3 Compliance Project, pursuant to Ind. Code § 8-1-8.4-1 *et seq.*;

(h) finding that the Culley 3 Compliance Project constitutes a compliance project that will allow Petitioner to comply directly or indirectly with "federally mandated requirements" under Ind. Code § 8-1-8.4-5 and finding that the associated costs are "federally mandated costs" under Ind. Code § 8-1-8.4-4 and therefore eligible for cost recovery set forth in Ind. Code § 8-1-8.4-7;

(i) making the required findings under each of the factors set forth in Ind. Code §8-1-8.4-6(b);



(j) authorizing Petitioner to timely recover 80% of the approved federally mandated costs incurred for the Culley 3 Compliance Project through Vectren South's environmental cost adjustment mechanism pursuant to Ind. Code § 8-1-8.4-7;

(k) authorizing Petitioner to create a regulatory asset to record, with carrying costs, 20% of the approved federally mandated costs incurred for the Culley 3 Compliance Project until such costs are reflected in Petitioner's retail electric rates pursuant to Ind. Code § 8-1-8.4-7(c)(2);

(l) authorizing Petitioner to accrue post-in-service carrying costs, both debt and equity, related to the CCGT and Culley 3 Compliance Project after their respective in-service dates using the overall cost of capital approved in Petitioner's last base rate case.

(m) authorizing Petitioner to defer depreciation and operating and maintenance expenses relating to the CCGT and Culley 3 Compliance Project until such expenses are recovered through either a rate adjustment mechanism or in base rates;


(n) providing for ongoing review of the CCGT;

(o) authorizing Petitioner to implement a periodic rate adjustment mechanism for recovery of costs deferred in accordance with the MATS Order;

(p) approving depreciation rates for the CCGT and the Culley 3 Compliance Project;  
and

(q) making such further orders and providing such further relief to Petitioner as may be appropriate.

SOUTHERN INDIANA GAS AND  
ELECTRIC COMPANY d/b/a VECTREN  
ENERGY DELIVERY OF INDIANA, INC.

By:   
Jon K. Luttrell  
Senior Vice President, Utility Operations and  
President of Vectren Utility Holdings, Inc.

Verification

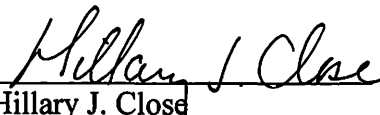
The undersigned Jon K. Luttrell affirms, under penalty of perjury, that he is Senior Vice President Senior Vice President, Utility Operations and President of Vectren Utility Holdings, Inc.; that in such capacity he has executed the foregoing Petition; and that the representations contained therein are true to the best of his knowledge, information and belief.

  
Jon K. Luttrell

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing Petition was served via electronic transmission, this 20<sup>th</sup> day of February, 2018, addressed to:

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