

OFFICIAL EXHIBITS

December 4, 2018

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IURC
PETITIONER'S
EXHIBIT NO. 1-28-22 Redirect AT 2
DATE AT REPORTER

President and Chief Executive Officer Carl Chapman
Director of Resource Planning Matthew Rice
Southern Indiana Gas & Electric Company d/b/a Vectren Energy Delivery
One Vectren Square
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Re: Vectren's 2019 Integrated Resource Plan Stakeholder Process

Dear President and CEO Prochazka, President and CEO Chapman, and Director Rice,

We look forward to beginning our participation in Southern Indiana Gas & Electric Company's ("Vectren") 2019 Integrated Resource Plan ("IRP") stakeholder process. We reach out today in earnest to provide specific recommendations, which we believe would enhance the accuracy of Vectren's cost assumptions for various technologies and facilitate meaningful stakeholder participation.

In past litigated resource proceedings, one of the major disputes has been the price assumptions for various sources of capacity and energy. *See*, for example, IURC Cause Nos. 44446 (Brown Units 1 and 2, Culley Unit 2 Mercury and Air Toxics Standard compliance projects), 44927 (Vectren 2018-2020 Demand Side Management Plan), 45052 (Certificate of Public Convenience and Necessity for an 850 MW gas-fired power plant, Culley Unit 3 projects), and comments filed on Vectren's 2016 IRP.

As Vectren is likely aware, Northern Indiana Public Service Company ("NIPSCO") used an independent consultant to conduct an all-source request for proposal ("RFP") for capacity and energy with the following key design elements (see slide 12 of July 24, 2018 NIPSCO Presentation):

Key Design Elements of the All-Source RFP

- **Technology – All solutions regardless of technology**
- **Size**
 - Minimum total need of 600 megawatts ("MW") for the portfolio but without a cap
 - Allows smaller resources to offer their solution as a piece of the total need
 - Also encourages larger resources to offer their solution for consideration

- **Ownership Arrangements**
 - Seeking bids for asset purchases (new or existing) and purchase power agreements
 - Resource must qualify as Midcontinent Independent System Operator (“MISO”) internal generation (not pseudo-tied) or load (demand response or “DR”)
- **Duration**
 - Requesting delivery beginning June 1, 2023 but will evaluate deliveries before 2023
 - Minimum contractual term and/or estimated useful life of 5 years (except for DR, which is 1 year)
- **Deliverability**
 - Must have firm transmission delivery to MISO Zone 6
 - Must meet N-1-1 reliability criteria or show cost estimate to achieve that quality
- **Participants & Pre-Qualification**
 - Marketed RFP to broad bidder audience and Bidder Conference
 - Platts Megawatt Daily, North American Energy Marketers Association (NAEMA), NIPSCO Press Release
 - Required credit-worthy counterparties to ensure ability to fulfill resource obligation

In the months leading up to its IRP submission to the IURC, NIPSCO provided stakeholders access to and the opportunity to comment on and recommend improvements to the proposed RFP under a nondisclosure agreement. Stakeholders were also able to review the RFP responses under a nondisclosure agreement to ensure the IRP accurately categorized its tranches of various resource technologies.

Beyond the RFP itself, stakeholders were provided access to and the opportunity to comment on and recommend improvements to the inputs to the model and the model settings. NIPSCO also ran a requested alternative energy efficiency modeling proposal, called the decrement load analysis. In short, although we are still conducting our review of NIPSCO’s IRP, we appreciated the collaboration between stakeholders and NIPSCO, and we felt there was value added to the process on both sides as a result.

We reach out to you today to ask Vectren to follow a similar process prior to the IRP submission, including and especially the use of an all-source RFP or Request for Information (“RFI”) for capacity and energy inputs given that these inputs have been the source of many of our controversies. In addition, by providing us with access and the ability to improve, inform, fine-tune, and verify the accuracy of the various inputs, outputs, and framework of the modeling, the true spirit of the public IRP stakeholder process will be realized, and Vectren will benefit as a result.

Thank you for your consideration. We look forward to working with you.

Sincerely,

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