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STATE OF INDIANA  
INDIANA UTILITY REGULATORY COMMISSION

REQUEST OF SOUTHERN INDIANA GAS AND )  
ELECTRIC COMPANY d/b/a VECTREN ENERGY ) CAUSE NO. 45086 S1  
DELIVERY OF INDIANA, INC., A CENTERPOINT )  
ENERGY COMAPANY, TO MODIFY THE )  
SETTLEMENT AGREEMENT APPROVED IN ) APPROVED: JAN 29 2020  
CAUSE NO. 45086. )

ORDER OF THE COMMISSION

**Presiding Officers:**  
**David E. Ziegner, Commissioner**  
**David E. Veleta, Senior Administrative Law Judge**

On September 16, 2019, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company (“Vectren South” or “Petitioner”) filed its Petition requesting that the Commission establish a sub-docket in the above captioned cause. Petitioner submitted for approval an Amendment to a Settlement Agreement that had previously been approved in this Cause, authorizing the issuance of a certificate of public convenience and necessity (“CPCN”) for Petitioner to construct, own, and operate a 50 MW solar project (“Solar Project”). The proposed Amendment modifies a single provision of the approved Settlement Agreement and has been executed by the Indiana Office of Consumer Counselor (“OUCC”) and the Citizens Action Coalition of Indiana, Inc. (“CAC”), being all of the parties to the Settlement Agreement. Petitioner submitted the Direct Testimony of J. Cas Swiz, Director, Rates and Regulatory Analysis, in support of the Amendment. Alliance Coal, LLC intervened in the underlying Cause and is a party in this sub-docket proceeding.

On September 24, 2019, the Indiana Utility Regulatory Commission (“Commission”) established the requested sub-docket proceeding in order to consider the Amendment.

A public evidentiary hearing was held in this Cause at 1:30 p.m. on January 14, 2020, in Hearing Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. The Parties appeared and participated in the hearing and Petitioner’s evidence was admitted into the record without objection.

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 and an eligible business as defined in Ind. Code §§ 8-1-2-1(a) and 8-1-8.8-6. The Commission has jurisdiction to approve Petitioner’s request related to the construction of its solar project under Ind. Code ch. 8-1-8.8 and Ind. Code ch. 8-1-8.5. Therefore, the Commission 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, plants, 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.

3. **Relief Requested.** In its Verified Petition, Vectren South requested that the Commission issue an Order approving an Amendment to the Settlement Agreement that was previously approved in this cause. Petitioner explains that the Amendment is necessary to remove a single term from the Settlement Agreement that provided for future adjustment of the agreed upon fixed rate because it was potentially problematic from a tax perspective and, absent removal of this provision, would likely make it impossible for Petitioner to proceed with the approved Solar Project.

4. **Evidence in Support of the Settlement Agreement Amendment.** Petitioner submitted the testimony of J. Cas Swiz, Director, Rates and Regulatory Analysis, sponsoring the Amendment to the Settlement Agreement. Mr. Swiz explained that under the Settlement Agreement, Petitioner had agreed to a non-traditional fixed rate for recovery of the Solar Project costs. The resulting rate was comparable to other market-based arrangements and was predicated in part on realizing the cash benefit of the solar investment tax credit ("ITC"). Mr. Swiz testified that the terms of the Settlement Agreement provided for certain limited future adjustments to the fixed rate, including an adjustment to either increase or decrease the agreed upon rate at the time Petitioner's return on equity ("ROE") was reset in a base rate proceeding. This so-called "ROE Provision" represented a minimal adjustment to the rate given that a 10 basis point change in the ROE would yield a bill impact for residential customers of approximately one cent per month.

Mr. Swiz explained that the Amendment to eliminate the ROE Provision was necessary because Petitioner had been advised that such an ROE based adjustment to the fixed rate could be interpreted, under current Internal Revenue Service ("IRS) Tax Code definitions, as cost-of-service, rate-of-return ratemaking, with the result being a determination that the Solar Project should be treated as Public Utility Property for tax purposes. This determination would mean that Petitioner would not be able to claim the ITC on the Solar Project and would potentially be in violation of IRS normalization rules. The Amendment removes the ROE Provision and thus addresses the potential tax issue. He stated that Petitioner would seek a Private Letter Ruling from the IRS to confirm that, with the removal of the ROE Provision, the fixed rate would not represent cost-of-service, rate-of-return ratemaking and the Solar Project would not be treated as Public Utility Property for tax purposes.

Mr. Swiz noted that the Amendment also provides a \$50,000 one-time contribution from shareholders to assist Petitioner's low-income electric customers. He concluded that the Amendment served the public interest by removing an impediment to proceeding with the Solar Project.

5. **Commission Discussion and Findings.** On March 20, 2019, we approved a Settlement Agreement that provided Petitioner with a CPCN to proceed to construct, own and

operate a 50 MW Solar Project. That Settlement Agreement was entered into by Petitioner, the OUCC and the CAC. That Settlement Agreement provided for a fixed rate over the life of the Solar Project that put in place a market-based rate and recognized the cash benefit of the ITC to Petitioner. In our Order we found that the Solar Project was consistent with Petitioner's 2016 IRP and provided fuel diversity in Petitioner's generation portfolio.

As explained by Petitioner's witness, the Amendment modifies a single term of the Settlement Agreement in order to remediate a potential tax issue that could, absent the modification, undermine proceeding with the Solar Project. The OUCC and CAC have agreed to the Amendment, and it is unopposed in this sub-docket proceeding. Petitioner's witness testified that the Amendment modification has no material impact to the terms of the Settlement Agreement, includes a \$50,000 one-time contribution from shareholders to assist Petitioner's low-income electric customers, and is therefore in the public interest.

We find that the Amendment should be approved. We already found in this Cause that the Solar Project was in the public interest and the Amendment does not change that determination.


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

1. The Amendment to the previously approved Settlement Agreement among Petitioner, the OUCC and CAC is approved in its entirety, without change.
2. This Order shall be effective on and after the date of its approval.

**HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:**

**APPROVED:** JAN 29 2020

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

  
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**Mary M. Becerra**  
**Secretary of the Commission**

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., FOR: (1)	)	
AUTHORITY TO CONSTRUCT, OWN AND	)	
OPERATE A SOLAR ENERGY PROJECT AND A	)	
FINDING THAT SUCH PROJECT CONSTITUTES	)	
A CLEAN ENERGY PROJECT PURSUANT TO	)	
IND. CODE CH. 8-1-8.8; (2) ISSUANCE OF A	)	CAUSE NO. 45086
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	
NECESSITY FOR THE CONSTRUCTION OF THE	)	
SOLAR ENERGY PROJECT PURSUANT TO IND.	)	
CODE CH. 8-1-8.5; AND (3)-AUTHORITY TO	)	
TIMELY RECOVER COSTS INCURRED DURING	)	
CONSTRUCTION AND OPERATION OF THE	)	
PROJECT IN ACCORDANCE WITH IND. CODE §	)	
8-1-8.5-6.5 AND IND. CODE § 8-1-8.8-11.	)	

**AMENDMENT TO STIPULATION AND SETTLEMENT AGREEMENT AMONG  
VECTREN SOUTH, THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
AND CITIZENS ACTION COALITION OF INDIANA, INC.**

This Amendment to the Stipulation and Settlement Agreement approved in Cause No. 45086 is entered into by and among Southern Indiana Gas and Electric Co., d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South"), the Indiana Office of Utility Consumer Counselor ("OUCC") and the Citizens Action Coalition of Indiana, Inc. ("CAC") (together, the "Settling Parties"), and provides the following:

WHEREAS, given the special nature of Vectren South's 50 MW Solar Project, including the availability of the Investment Tax Credit ("ITC"), the Settling Parties agreed upon a levelized rate instead of traditional cost of service ratemaking whereby Vectren South established a PPA approach to charging customers for the energy and capacity provided by the Solar Project;

WHEREAS, over its 35-year life the Solar Project will not be placed into utility rate base and the levelized rate will not be adjusted regardless of actual costs other than as provided for in section 7 of the Settlement Agreement; and

WHEREAS, the use of the levelized rate is based in part on Vectren South's ability to obtain the ITC; and

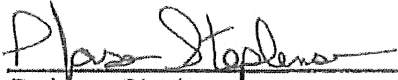
WHEREAS, the ITC is only available if the Internal Revenue Service ("IRS") agrees that the Solar Project does not constitute Public Utility Property, as evidenced by the use of a non-traditional rate that relies upon market based pricing;

NOW, THEREFORE, the Settling Parties have agreed upon this Amendment to ensure that the Solar Project is appropriately based on market pricing as represented by the levelized rate:

1. Section 7(a) is removed entirely from the Settlement Agreement so that future changes to Vectren South's return on equity as approved by the Commission will have no impact on the levelized rate.
2. Vectren South agrees that upon approval of this Amendment, and receipt of confirmation from the IRS that the Solar Project is eligible for ITC and does not violate tax normalization, it will provide \$50,000 to a low income electric customer assistance program.
3. The Amendment does not change any other terms of the Settlement Agreement.

Accepted and Agreed on this \_\_\_ day of August 2019.


SOUTHERN INDIANA GAS AND ELECTRIC  
COMPANY D/B/A VECTREN ENERGY  
DELIVERY OF INDIANA, INC.



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P. Jason Stephenson  
An Attorney for Southern Indiana Gas and  
Electric Company d/b/a Vectren Energy  
Delivery of Indiana, Inc.

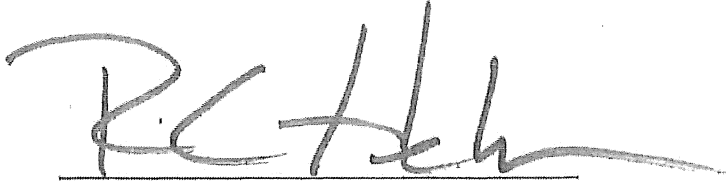
CITIZENS ACTION COALITION OF INDIANA, INC.



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Jennifer Washburn  
An Attorney for Citizens Action Coalition of  
Indiana, Inc.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

A handwritten signature in black ink, appearing to read 'RCH', with a horizontal line underneath it.

Randall C. Helmen  
An Attorney for the Indiana Office of Utility  
Consumer Counselor