

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 A )  
COMPLIANCE PROJECT TO MEET )  
FEDERALLY MANDATED REQUIREMENTS )  
TO CLOSE ITS A. B. BROWN POND (THE )  
“BROWN POND COMPLIANCE PROJECT”); )  
(2) AUTHORITY TO TIMELY RECOVER 80% ) **CAUSE NO. 45280**  
OF THE APPROVED FEDERALLY MANDATED )  
COSTS INCURRED DURING CONSTRUCTION )  
AND OPERATION OF THE BROWN POND )  
COMPLIANCE PROJECT INCLUDING POST- )  
IN SERVICE CARRYING CHARGES (BOTH )  
DEBT AND EQUITY) (“PISCC”) AND )  
DEFERRED DEPRECIATION THROUGH )  
VECTREN SOUTH’S ENVIRONMENTAL COST )  
ADJUSTMENT MECHANISM; (3) AUTHORITY )  
TO DEFER FOR RECOVERY IN VECTREN )  
SOUTH’S ENSUING GENERAL RATE CASE )  
20% OF SUCH APPROVED FEDERALLY )  
MANDATED COSTS; AND (4) IN THE )  
ALTERNATIVE, APPROVAL TO INCLUDE THE )  
BROWN POND COMPLIANCE PROJECT IN )  
RATE BASE PURSUANT TO IC 8-1-2-23. )

**STIPULATION AND SETTLEMENT AGREEMENT**

This Stipulation and Settlement Agreement (the “Settlement Agreement”) is entered into by and among Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South” or the “Company”) and the Indiana Office of Utility Consumer Counselor (“OUCC”). Vectren South and the OUCC are collectively referred to herein as the “Settling Parties.” The Settling Parties, solely for

purposes of compromise and settlement, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of all matters raised in this proceeding, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order without modification or further condition that is unacceptable to any Settling Party. The Settling Parties agree that this Settlement Agreement resolves all disputes, claims and issues arising from the Commission proceeding currently pending in Cause No. 45280 as between the Settling Parties. The Settling Parties agree that Vectren South’s requested relief in this Cause should be granted in its entirety except as expressly modified herein.

1. Certificate of Public Convenience and Necessity. The Settling Parties agree the Commission should find that public convenience and necessity will be served by the compliance project to close the Brown Ash Pond in compliance with the Environmental Protection Agency’s (“EPA”) Coal Combustion Residual (“CCR”) rule (the “Brown Ash Pond Compliance Project”) and grant Vectren South a certificate of public convenience and necessity (“CPCN”) pursuant to Ind. Code ch. 8-1-8.4 for the Brown Ash Pond Compliance Project.

2. Federally Mandated Costs. The Settling Parties agree that, in light of Ind. Code 8-1-8.4-7(c)(3) and without waiver of the rights provided to the parties thereunder, Vectren South shall remove the inflated contingency of \$8.33 million (\$7.49 million prior to inflation)<sup>1</sup> from the total federally mandated costs. As a result, the Settling Parties agree that the total projected (inflated) federally mandated costs of \$156,200,000 are reasonable and should be approved. The Settling Parties agree that the Commission

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<sup>1</sup> Petitioner’s Exhibit No. 1, p. 22, lines 2-7.

should find that the Brown Ash Pond Compliance Project constitutes a compliance project that will allow Vectren South to comply directly or indirectly with “federally mandated requirements” under Ind. Code § 8-1-8.4-5 and that the associated costs, as modified herein, 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.

3. Credit for Cash Proceeds and Insurance Proceeds. The Settling Parties agree that total federally mandated costs will be offset by total cash proceeds to be received from the ash reuser (“Ash Payments” in Table 1 of Petitioner’s Exhibit No. 1, p. 20) plus total insurance proceeds to be received (Petitioner’s Exhibit No. 5, p. 5, lines 1-5) of at least \$25 million. These cash proceeds will be used to offset incurred operations and maintenance (“O&M”) Costs to excavate and convey the ash to the loading facility, as described in Vectren South’s direct testimony.

4. Timely Recovery Through ECA Mechanism. The Settling Parties agree that Vectren South should be authorized to timely recover 80% of the approved federally mandated costs incurred during construction and after placement in service and operation of the Brown Pond Compliance Project, including post-in-service carrying costs, both debt and equity, and deferred depreciation expense associated with the Brown Ash Pond Compliance Project through Vectren South’s Environmental Cost Adjustment (“ECA”) mechanism, as described in Petitioner’s Exhibit No. 5, p. 6.

5. Cost of Removal. The Settling Parties agree that the costs of removal associated with retirements of existing or future capital assets in connection with the Brown Ash Pond Compliance Project are not reflected in the total projected federally mandated costs and they will not be reflected in the ECA mechanism in future

proceedings. Such costs of removal, if incurred, will be addressed in future general base rate cases to the extent of their effect on net original cost rate base. In the event the Brown Ash Pond Compliance Project results in a retirement of existing assets, Vectren South will offset the incremental depreciation expense included in the revenue requirement calculation with the impact of the retired assets. (Petitioner's Exhibit No. 5, p. 8.)

6. Deferral Authority. The Settling Parties agree that Vectren South should be authorized to defer 20% of the approved federally mandated costs until such costs are reflected in Vectren South's retail electric rates pursuant to Ind. Code § 8-1-8.4-7(c)(2), as presented in Petitioner's Exhibit No. 5, p. 6.

7. Other Accounting and Ratemaking Treatment. The Settling Parties agree that the Commission should grant Vectren South's requested accounting and ratemaking treatment except as expressly modified herein.

8. Preservation of Rights Regarding Effect of Environmental Liability on Rates. In the event Vectren South is held liable for damages or made subject to enforcement action with respect to the handling of the ash from the Brown Ash Pond, the Settling Parties reserve their respective positions with respect to rate recovery related thereto and preserve their rights to defend such positions in future proceedings.

9. Scope and Effect of Settlement.

- a. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of

- a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.
- b. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Settling Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.
- c. The Settling Parties' entry into this Settlement Agreement shall not be construed as a limitation on any position they may take or relief they may seek in other pending or future Commission proceedings not specifically addressed in this Settlement Agreement.

10. Authority to Enter Settlement. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Settling Parties on the provisions contained herein.

11. Privileged Settlement Communications. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of

settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

12. Conditions of Settlement. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

13. Evidence in Support of Settlement. Vectren South and the OUCC shall offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms without any modification. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party. The Settling Parties hereby waive cross-examination of each other's witnesses.

14. Commission Approval. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Settlement

Agreement is withdrawn, the Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.

15. Proposed Order. The Settling Parties will work together to prepare an agreed upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

16. Publicity. The Settling Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

17. Waiver of Opposition. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

Accepted and Agreed on this 19th day of December, 2019.

(signature page follows)

Southern Indiana Gas and Electric Company  
d/b/a Vectren Energy Delivery of Indiana, Inc.

By: Walter R. James

Indiana Office of Utility Consumer Counselor

By: Louise H. Bradley

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