

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

IURC CAUSE NO. 45086

**SETTLEMENT TESTIMONY
OF
THOMAS L. BAILEY
DIRECTOR OF INDUSTRIAL SALES & ECONOMIC DEVELOPMENT, VECTREN UTILITY
HOLDINGS, INC.**

ON

**SETTLEMENT TERMS RELATING TO RENEWABLE ENERGY CREDITS
CUSTOMER CONTRACTS AND CUSTOMER DESIRE
FOR RENEWABLE RESOURCES**

SPONSORING PETITIONER'S EXHIBIT NO. 12

1 **SETTLEMENT TESTIMONY OF THOMAS L. BAILEY**

2 **I. INTRODUCTION**

3 **Q. Please state your name and business address.**

4 A. My name is Thomas L. Bailey. My business address is One Vectren Square, Evansville,
5 Indiana 47708.

6
7 **Q. By whom are you employed and in what capacity?**

8 A. I am Director of Industrial Sales & Economic Development for Vectren Utility Holdings,
9 Inc. ("Vectren"), the immediate parent company of the Petitioner in this Cause, Southern
10 Indiana Gas & Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren
11 South" or the "Company").

12
13 **Q. Are you the same Thomas L. Bailey that previously testified on behalf of Vectren
14 South in this proceeding?**

15 A. Yes, I am.

16
17 **Q. What is the purpose of your testimony at this stage of the proceeding?**

18 A. My testimony supports the Stipulation and Settlement Agreement (the "Settlement
19 Agreement") entered into among Vectren South, the Indiana Office of Utility Consumer
20 Counselor ("OUCC") and Citizens Action Coalition of Indiana, Inc. ("CAC") (collectively,
21 the "Settling Parities") resolving all issues in Cause No. 45086. Specifically, my
22 testimony discusses and provides support for the terms of the Settlement Agreement
23 relating to the use of Renewable Energy Credits ("RECs"), as well as terms relating to
24 Vectren South's ability to enter into customer specific contracts with large customers that
25 desire to purchase energy produced by the Solar Project. I also broadly describe how
26 the terms of the Settlement Agreement benefit Vectren South's customers as a whole.

27
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29 **II. RENEWABLE ENERGY CREDITS**

30 **Q. What does the Settlement Agreement provide with respect to RECs generated by
31 the Solar Project?**

1 A. The Settlement Agreement provides that RECs obtained by Vectren South for energy
2 produced by the Solar Project will be utilized by Vectren South in the best interest of its
3 customers. The Settling Parties agree this could include retaining the RECs or, after
4 consultation with the OUCC and CAC, selling some amount of RECs to specific
5 customers or to the REC market. The net proceeds resulting from the sale of RECs, will
6 be used as an offset to revenue requirements and returned to customers through the
7 Clean Energy Cost Adjustment ("CECA").
8

9 **Q. In your opinion, is the Settling Parties' agreement with respect to use of RECs**
10 **generated by the Solar Project reasonable and in the public interest?**

11 A. Yes. The Settlement Agreement gives Vectren South latitude with regard to the use of
12 RECs in order to ensure that they are used in the best interest of customers and
13 promotes collaboration among the Settling Parties with respect to that issue. In general,
14 it is Vectren South's intention that RECs be available for use by local industries that are
15 interested in purchasing "green power." A number of Vectren South's large industrial
16 customers have publicly announced renewable energy and carbon reduction goals and
17 initiatives that require a certain percentage of their future energy consumption be green
18 power. These customers have been extremely supportive of the Solar Project because
19 they have told me that they prefer to work with their local utility partner to meet their
20 green power goals. If approved, the Settlement Agreement will give Vectren South the
21 ability to help these customers meet those goals.
22

23 If, however there is not sufficient local demand for the RECs in the future, Vectren South
24 will explore selling them on the market after consulting with the OUCC and CAC.
25 Revenues from such sales would be used to reduce customer costs.
26

27 **Q. Will other stakeholders be kept apprised with respect to the Company's use of**
28 **RECs?**

29 A. Yes. Under the Settlement Agreement, Vectren South will publicly report as part of its
30 annual CECA filing "the total RECs proceeds (in U.S. dollars), if any, associated with
31 solar generation at the Solar Project."
32
33

1 **III. CUSTOMER SPECIFIC CONTRACTS**

2 **Q. What does the Settlement Agreement provide with respect to entering into**
3 **contracts with customers that want to purchase green energy generated by the**
4 **Solar Project?**

5 A. The Settlement Agreement provides if a specific customer elects to pay directly for
6 energy and/or RECs produced by the Solar Project, Vectren South will sell this energy
7 and the corresponding RECs at a rate equal to the Levelized Rate, pursuant to a specific
8 contract or rate approved by the Commission. However, each of the Settling Parties
9 reserves the right to recommend a different rate for Commission approval. All proceeds
10 from contracts for the sale of energy and/or RECs produced by the Solar Project will be
11 used as an offset to the Company's revenue requirements and returned to customers
12 through the CECA.

13
14 **Q. In your opinion, will the foregoing terms provide Vectren South with the flexibility**
15 **to meet the needs of its large customers?**

16 A. Yes. This provision of the Settlement Agreement provides Vectren South with the ability
17 to sell energy and/or RECs generated by the Solar Project at an attractive rate. As
18 indicated in my direct testimony some of Vectren South's customers have published
19 global initiatives, which include investment in dedicated renewable resources as part of
20 meeting renewable energy goals by a specific target date. Vectren South also has had
21 site selectors inquire as part of their Request for Information ("RFI") process whether the
22 Company has solar assets and is willing to allow a prospective customer to enter into an
23 agreement to purchase renewable energy generated by those assets. The terms of the
24 Settlement Agreement allow Vectren South to be responsive to the needs of both
25 existing customers and prospective customers while promoting collaboration among the
26 Settling Parties with respect to the sale of RECs.

27
28 **Q. What is the basis for your statement that the Settlement Agreement provides**
29 **Vectren South with the ability to sell energy and/or RECs generated by the Solar**
30 **Project at an attractive rate?**

31 A. As indicated in my direct testimony, Vectren South had interest from customers in
32 entering into contracts to purchase energy produced by the Solar Project at rates in the
33 7 to 8 cents per kWh range. In fact, the Letter of Intent with AstraZeneca to enter into a

Purchase Power Agreement ("PPA") for renewable energy provides that the PPA would be a long-term contract with a levelized cost of energy expected to be in the range of \$0.075/kWh to \$0.08/kWh. The Levelized Rate agreed upon in the Settlement Agreement is approximately 30% less than the range quoted in the AstraZeneca Letter of Intent. I believe the lower rate will increase customer interest in pursuing agreements to purchase energy from the Solar Project.

IV. BENEFITS OF THE SETTLEMENT AGREEMENT TO RESIDENTIAL CUSTOMERS

Q. What do you believe to be the principle benefit of the Settlement Agreement to residential customers?

A. As indicated in my direct and rebuttal testimony, Vectren South's residential customers have indicated that they want the Company to add renewable resources to its portfolio. Obviously, Vectren South understands that these customers want such resources to be added at a price that is economical. Moreover, customers expect renewable resources to be a part of Vectren South's generation portfolio. The Settlement Agreement is responsive to customer preference by providing for the addition of a significant renewable resource to Vectren South's portfolio at a Levelized Rate of \$0.05452 per kWh. This rate is not subject to annual escalation.

Q. In your opinion, are the terms of the Settlement Agreement beneficial to Vectren South's customers?

A. Yes. As indicated in my direct and rebuttal testimony, customers large and small support the addition of renewable resources to Vectren South's generation portfolio. The Solar Project provides Vectren South's large customers with the green power they need to reach their renewable energy goals without forcing them to take on the long term operation and maintenance expense of building their own on-site renewable energy generation or seeking some other off-system arrangement. The Solar Project provides Vectren South's residential customers with the green power they want in their utility's portfolio without paying any upfront fees. In sum, Commission approval of the Settlement Agreement will represent a significant step towards providing Vectren South with the means to meet the renewable needs of its customers.

1

2 **V. CONCLUSION**

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4 **Q. Does this conclude your settlement testimony?**

5 **A. Yes, at the present time.**