July 9, 2019

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Re: Reply to Vectren's Response to Our Concerns about Vectren's All-Source RFP Timing, Design, and Evaluation Criteria

Dear President and CEO Prochazka and Manager Rice,

Thank you for your response on July 1st to our letter dated June 24th. While appreciated, our concerns remain. First, we'd like to note that it is not just us who we believe ought to have received more notice about the issuance of the RFP, but potential bidders. NIPSCO publicized its RFP 52 days before formally issuing the RFP; it appears Vectren did no advance publication of its RFP before its formal issuance. Either way, it will ultimately be customers who receive the brunt end of an RFP that is too restrictive to provide meaningful data and opportunities. Meeting with intervenor parties is not a substitute for notice to bidders nor the opportunity for stakeholders and customer groups to comment upon and influence the RFP. Besides, any meetings we have had with Vectren about the 2019-2020 IRP process have solely related to separate issues distinct from an All-Source RFP. We hope that the response level will still be robust, but remain concerned about the timing and the low level of publicity the RFP has gotten, as well as the fact that we were not allowed an opportunity to review and offer changes to the actual RFP before it was released. In other words, we were denied the opportunity to participate in the process. With respect to timing, contrary to your assertion, we are not making any assumptions about when negotiations with parties will start, but rather are repeating the language in the RFP, which says that mid 2020 is the "Due Diligence and Negotiations Period". If Vectren intends something else, it ought to say so in a public-facing document and directly to bidders so that they are well aware.

We are still confused by the rationale for weighing bids in favor of operational control. This might make sense for certain units like thermal generators, but does not make sense for other assets, especially PPAs. Indeed, we are not sure (a) why negative LMPs always raise customer costs, if they are balanced out by negative LMPs at load nodes, insofar as revenue and cost would net out, and (b) how Vectren would use operational control to address the issue if it is a problem. Market participants, including Vectren, are not allowed to withhold units in an effort to raise LMPs.

We strongly disagree with the assertion in Vectren's letter that the RFP provides transparency around the bid evaluation process. Giving a set of qualitative criteria does not provide interested stakeholders with any meaningful information about why those criteria were selected. Further, some of the criteria Vectren put forth are better modeled within the actual IRP model, e.g., pre-2023 projects. This criterion in particular presumes that Vectren already knows exactly when a need will occur, how significant that need will be, and that any resource additions could not possibly lower system costs even if they are not needed for capacity reasons. We strongly feel that the more objective, pure optimization that can take place and the less qualitative whittling down of bids that happens, the better. The only caveat to that is around the use of the Aurora model. The fact that the State Utility Forecasting Group (SUFG) licenses the model has no bearing on its lack of transparency. SUFG is not using Aurora for regulatory purposes. Our consultants have had direct conversations with Aurora's vendor in which they were told that in order to see the full set of inputs around any given run, e.g., constraints on the objective function, model settings, etc., that intervenors would be required to pay several thousands of dollars for a read-only license. This is our main concern with the use of Aurora. It is a black box even to those who understand modeling but lack the many thousands of dollars it would take to license the model, merely to see the model inputs, outputs, and settings. Presumably, this will be an issue if and when Vectren files for relief at the Commission, if Commission staff, the Office of Utility Consumer Counselor, and other intervenors cannot read or access the data upon which Vectren relies.[1] We ask that Vectren continue conversations with its vendors to resolve this issue; otherwise, this vendor may not be the appropriate choice for a regulatory forum.

Finally, the locational elements of a project, including congestion cost, should be evaluated for what they are for each project and not for failing to meet some arbitrary distance limit from Vectren service territory.

While we appreciate Vectren's response sent on July 1st, it offered just explanations and justifications, not solutions to address legitimate concerns raised by key stakeholders. We ask again that Vectren carefully consider our concerns and offer adjustments to the RFP process so that stakeholders can adequately and meaningfully participate in the Vectren 2020 IRP stakeholder process.

Thank you for your attention to this matter.

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[1] 170 IAC 4-7-2(c)(2) requires the IRP's technical appendix to include "documentation sufficient to allow an interested party to evaluate the data and assumptions in the IRP", specifically including:

A. energy and demand forecasts and input data used to develop the forecasts
B. characteristics and costs per unit of resources examined in the IRP
C. input and output files from capacity planning models, in electronic format.

In the Matter of the Submission by Hoosier Energy Rural Elec. Coop., Inc. of Its 2017 Integrated Res. Plan, No. 45058, 2018 WL 2329333, at *2 (May 16, 2018) (acknowledging that 170 IAC 4-7-2(c)(2) requires disclosure of market price assumptions, production statistics for generating assets, and model data); *see also* 170 IAC 4-7-2.6 (requiring a utility to discuss modeling methods and modeling inputs as part of the public advisory process).

Sincerely,

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