

April 6, 2020

Mary M. Becerra  
Secretary to the Commission  
Indiana Utility Regulatory Commission  
PNC Center  
101 W. Washington Street, Suite 1500 East  
Indianapolis, IN 46204

RE: Southern Indiana Gas and Electric Company's (SIGECO's) 30-Day Administrative Filing No. 50331

Dear Ms. Becerra:

Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company ("SIGECO", "Vectren" or the "Company"), hereby responds to the objection filed by the Indiana Office of Utility Consumer Counselor ("OUCC") to Vectren's Thirty-Day Administrative Filing (the "Filing") for Rate CSP. Vectren's response is in accordance with 170 IAC 1-6-7. The Filing has been assigned the tracking number 50331 by the Indiana Utility Regulatory Commission ("Commission"). Vectren made the Filing pursuant to 170 IAC 4-4.1-8, 170 IAC 4-4.1-9, and 170 IAC 4-4.1-10, and 170 IAC 4-4.1-4. The OUCC objects to the Filing on the following grounds:

OBJECTION: Vectren's 30-Day Filing fails to calculate an adjusted monthly capacity payment ("Ca") utilizing a reasonable in-service year of the avoidable or deferrable unit pursuant to 170 I.A.C. 4- 4.1-9(b). According to Vectren's most recent Integrated Resource Plan, the next avoidable or deferrable unit will be in 2023. Therefore,  $\Delta t = 3$  years. The OUCC notes Vectren used  $\Delta t = 3$  years in its 2018 filing.

$$C_a = C * (1 + i_p/1+i_r)^{\Delta t}$$

$$C_a = \$6.08 * (1 + .022 /1+.0791)^3$$

$$C_a = \$5.17$$

**OUCC's Objection is not based on appropriate grounds under 170 IAC 1-6-7**

Under 170 IAC 1-6-7, the following are the appropriate grounds for objections to the Filing:

- (A) [The filing] is a violation of:
  - (i) applicable law;
  - (ii) a prior commission order; or
  - (iii) a commission rule.
- (B) Information in the filing is inaccurate.
- (C) The filing is:

- (i) incomplete; or
- (ii) prohibited under section 4 of this rule.

The OUCC fails to cite or discuss the standard for objections to 30-day filings contained in 170 IAC 1-6-7, and thus is not objecting on these bases. Instead, the OUCC is objecting based on the idea that the interpretation of the reasonable in-service year is somehow open to preference. Vectren's Filing is not in violation of any applicable law, Commission order, or Commission rule; information in the filing is accurate; and the filing is complete and not prohibited under section 4 of the rule. Vectren's Filing, therefore, should be presented to the Commission for consideration.

### **OUCC's Objection Fails to recognize the intent of near-term Capacity Payments**

The OUCC claims that Vectren "fails to calculate an adjusted monthly capacity payment ("Ca") utilizing a reasonable in-service year of the avoidable or deferrable unit pursuant to 170 I.A.C. 4- 4.1-9(b)." The OUCC's recommendation to use an in-service year from Vectren's latest IRP is inconsistent with the intent of this Filing. Vectren's IRP looks to the long-term generation needs of the utility, whereas the Filing calculates near-term capacity payment rates. The generation needs reflected in Vectren's last IRP are driven by retirements of existing units and are thus independent from the Rate CSP customer decisions today. The OUCC wants to interpret the "avoidable or deferrable unit" as the new generation scheduled to be in-service in 2023, per Vectren's last IRP. Vectren disagrees that this is the unit for which the monthly avoided cost of capacity is being calculated in this filing<sup>1</sup>. Therefore, Vectren contends the appropriate calculation of an adjusted capacity payment ( $C_a$ ) should utilize a  $\Delta t$  of 0 years.

Rate CSP monthly capacity payments are a proxy for the avoided cost of a unit installed today. As stated in 170 IAC 4-4.1-9(a), C is defined as the "unadjusted monthly capacity payment per kilowatt of contracted capacity year of completion of unit." Vectren interprets the unit referred to here as a combustion turbine with a 2020 in-service date as the unit used to determine the current year capacity payment. Consistent with prior annual Rate CSP filings approved by the Commission<sup>2</sup>, this Filing uses a current in-service year of 2020 to determine the capacity purchase rate for the applicable 12-month period that the Rate CSP Rate is in effect (April 2020 through March 2021). The cost of the generation investment, and ongoing operating expenses, are expressed in 2020 dollars consistent with 170 IAC 4-4.1-9(a). This rate is updated annually for the current year's rates to reflect current year avoided costs, not avoided costs for a future in-service date. Therefore, the appropriate way to calculate the unadjusted monthly capacity payment per kW should be as provided in Vectren's Filing, which is included below:

$$C_a = 6.08 * (1 + .022 / 1 + .0791)^0 \text{ or } C_a = 6.08$$

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<sup>1</sup> It is important to note that Vectren purchased capacity in the Midcontinent Independent System Operator, Inc.'s Planning Resource Auction for the 2019-2020 Planning Year.

<sup>2</sup> Vectren's last 30-day filing for updates to Rate CSP (50256) followed this same approach and was approved by the Commission on April 3, 2019.

## Conclusion

OUCC's objection to Vectren's Filing is without merit. Vectren has utilized the correct inputs to this formula and correctly calculated the unadjusted monthly capacity payment per kW. Vectren's Filing is neither incomplete, prohibited under 170 IAC 1-6-4, inaccurate, nor in violation of applicable law, Commission order, or Commission rule. For the reasons set forth herein, Vectren's Filing should be presented to the Commission for consideration.

Sincerely,

A handwritten signature in blue ink that reads "Heather O. Watts". The signature is written in a cursive style and is positioned above a solid black horizontal line.

Heather Watts  
Director, Regulatory Legal Indiana/Ohio

cc:  
Indiana Office of Utility Consumer Counselor