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Comments on the Vectren South 2016 IRP by Mark Bryant, Valley Watch Member.

Dear Director Borum, Chief Technical Advisor Pauley, and Assistant General Counsel Comeau,

The State of Indiana requires many power producers under the jurisdiction of the Indiana Utility Regulatory Commission (IURC) to file an Integrated Resource Plan (IRP) periodically. At the same time, Indiana allows some of these companies that operate under the jurisdiction of the IURC to operate as a state protected monopoly business entity that denies or restricts competition from other power generation and power distribution businesses. The monopoly business model restricts or prohibits competition of other businesses from entering into the utility power sales and distribution business with the idea that competition would not allow for an adequate energy delivery supply at a cost the public could afford. It should be noted that Vectren South has the highest residential electric rates in Indiana and the Mid West.

As a token gesture to the captured ratepayer, the Indiana General Assembly passed legislation that allows all stakeholders some access to the monopoly power utility planning operation by virtue of an Integrated Resource Plan (IRP) review, submission and commenting process. In order to fulfill that statutory requirement, the Southern Indiana Gas and Electric Company dba Vectren South, recently submitted its 2016 IRP to the IURC outlining their plans for their twenty year planning time horizon.

Currently, there are a few headline grabbing debates in the power generation utility industry. Among these are exactly how should utilities compensate distributed generation stakeholders for the power they inject into the monopoly power utility infrastructure and what should the optimum power generation fleet mix be going forward; either keep their existing antiquated and toxic coal fired generating facilities or scrap most of the existing coal fired facilities and build out a fleet of newer and less polluting power generation systems.

In the past, the Vectren South Monopoly (VSM) utility IRP relied mostly upon many different computer generated modeling portfolios to determine its optimum energy generation fleet mix. The IRP Vectren South submitted in 2016 is a departure from past IRP submissions in that there are many more third party generated portfolio proposals for its twenty year plan. Ultimately, it was determined that one of the third party portfolios was picked to serve as VSM's general operating guideline for the next twenty years.

The change in portfolio development VSM used suggests that the computer generated portfolio models (Strategist?) used have serious shortcomings when evaluating large and complex data sets. The preferred VSM portfolio also suggests that replacement of most of its existing coal fired fleet in the medium term (ten years) with gas fired power generation facilities will be the most efficient in terms of cost in the next twenty years.

VSM officials included in their evaluation of different portfolios a Local Economic Impact Study (LEIS) produced by Southern Indiana area academics. The shortcomings of the LEIS quickly came to light when VSM officials were questioned about the LEIS during an IRP meeting. At that time, Vectren officials stated that second order derivative costs to the community at large from illness, disease and mitigation practice costs as a result of power generation operations were excluded from the LEIS and thus excluded from evaluation within any proposed portfolio.

The preferred VSM portfolio may also suffer from misaligned values assigned to renewable energy power production and storage costs that may be arbitrary. This conclusion is based on the consideration that renewable power generation and storage technologies, whether small or utility scale, have shown very large cost declines in recent years and unlike their gas fired counterparts do not require recurring fuel costs.

These issues imply that the conclusion and suggested portfolios obtained by a faulty input variable mix have skewed the output results of the VSM 2016 IRP based upon those same variables. It should be noted that even a small error in a variable at the beginning of the twenty year IRP time horizon would result in a much greater cumulative effect of the error over a twenty year time period and greatly change the cost and performance metrics of any one portfolio. Any misstated input variable may then result in an impaired generated portfolio mix within VSM's 2016 IRP.

VSM's forward looking 2016 IRP fails to account for very expensive second derivative costs such as community wide environmental and pollution mitigation practices and health care expenses incurred by the community at large. The inaccurate accounting of these variables may grossly misstate the costs and benefits of renewable generation and storage technologies. It is impossible to know exactly how VSM (and most investor owned utilities) derived these portfolios due to the opaque nature of VSM to completely share information with all stakeholders in the preparation of their IRP.

Vectren South, the monopoly utility that serves about 150,000 (one-hundred and fifty-thousand) customers in Southern Indiana, should make public all methods, values and procedures it used to produce the IRP that it has presented to the IURC in order that the conclusions of VSM may be independently verified. VSM does a great disservice to the captured ratepayer by allowing a process to go forward when all stakeholders fail to have access to essential planning information.

As VSM has failed to disseminate and disclose necessary details of its methods and processes used to determine its preferred 2016 IRP portfolio, this commenter concludes that the Vectren South Monopoly has produced an IRP that fails to adequately represent the interests of all Vectren South stakeholders. This is also a plea for the IURC to compel especially monopoly investor owned utilities for complete information sharing with all stakeholders to allow for a comprehensive review of their IRP conclusions.

Thank you for your consideration of these remarks.

Mark Bryant

Valley Watch Member