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Citizen Groups Ask IURC to Reject Vectren Plan Too Big, Too Expensive, Too Risky

INDIANAPOLIS – Vectren is currently before the Indiana Utility Regulatory Commission (“IURC”) seeking permission to charge ratepayers $781M for the construction of a massive, new 850MW gas-fired power plant, and $95M for projects at the F.B. Culley Unit 3 coal-fired power plant to extend its life to at least 2036. On Friday August 10th, a group of citizen groups, including Citizens Action Coalition (“CAC”), Sierra Club, and Valley Watch, filed testimony asking the IURC to reject Vectren’s request.

Expert testimony was filed on behalf of the citizen groups by Tyler Comings, a Senior Researcher at Applied Economics Clinic housed at Tufts University’s Global Development and Environment Institute. Mr. Comings’ testimony concludes that Vectren has not provided the IURC with significant justification for its plan and recommends that the IURC deny Vectren’s request.

“The Company’s plan is neither low cost nor low risk according to its own analysis,” stated Mr. Comings. “The Company chose to ignore lower-cost and lower-risk plans and made many decisions throughout the process which were biased in favor of what the Company wanted to do.”

Examples of those biases included overestimating the costs of renewable energy resources, overestimating the costs of demand response and energy efficiency resources, overestimating the Company’s generation needs, limiting the solicitation for new resources to only gas-fired power plants, and creating highly flawed risk assessments and modeling with arbitrary scoring methods.

“Even if the Company had chosen a low-cost, low-risk plan based on its own analysis—there were many flaws in the Company’s modeling approach to the point that it should not be used to make a resource decision,” added Mr. Comings. “Perhaps most notably, the Company’s plan exposes ratepayers to significant market risk.”

The risk to ratepayers is due primarily to the fact that the proposed 850MW gas plant is simply far bigger than the Company requires to meet both the energy needs of its retail customers or the capacity requirements placed on the Company by the electrical grid’s operator, the Midcontinent Independent System Operator or MISO. In other words, Vectren is attempting to saddle its ratepayers with an enormous investment for capacity and power it does not need.

Should the IURC approve Vectren’s plan as proposed, the Company would have 22% more capacity than they are required to have in 2024, with a sizable surplus remaining through 2036. Vectren defends the need to oversize the plant on unsubstantiated speculation that additional load growth and economic development is set to occur in Evansville and throughout their service territory, yet Vectren refuses to provide the necessary details on such so that parties can independently assess this claim that will cost ratepayers dearly if it is not true.

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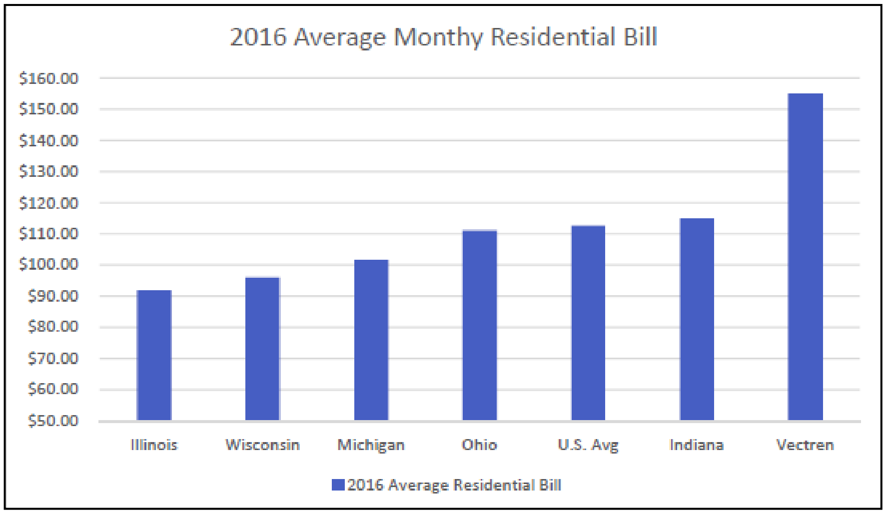
"Vectren's plan may be in its shareholders' best interests, but it is far from being in the best interest of its captive ratepayers," said Kerwin Olson, Executive Director of CAC. Mr. Olson also filed testimony in the case showing how Vectren customers pay the highest electric bills in the State, and as displayed in the graph, Vectren customers' monthly electric bills far exceed the average bill in Indiana, other Midwestern States and across the country. "It is the customers of Vectren who need to be protected, not a financially healthy monopoly in the midst of being acquired by an out-of-state holding company," concluded Mr. Olson.



"It is time for the IURC to finally step up, say no to Vectren, and deny this nearly one billion-dollar ratepayer rip-off. Vectren residential customers already pay the highest rates in Indiana. Ratepayers shouldn't be forced to subsidize alleged Vectren growth in the industrial sector," stated John Blair, President of Valley Watch. "Why should residential customers subsidize industrial customers at all?"

Vectren claims that the addition of the proposed gas plant would diversify the Company's energy mix. In reality, Vectren is asking customers to take on even more significant risk with a plan that moves Vectren from a near total reliance on coal-fired power to one which relies almost exclusively on a single, mega gas-fired plant. "The heavy reliance on one plant for providing energy and capacity creates significant risk. For instance, if the plant were on either a forced or planned outage then most of Vectren's energy would need to be purchased from the wholesale market," stated Mr. Comings.

"With solar and wind energy at record low prices and dropping, Vectren should invest in a clean energy future rather than spend nearly a billion in customer dollars on a fracked gas plant and obsolete coal plant," said Wendy Bredhold, Senior Campaign Representative with the Sierra Club Beyond Coal Campaign. "Their customers have already paid enough for Vectren's mistakes."

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The testimony is available upon request.

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