OUCC
Indiana Office of Utility Consumer Counselor

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Agreement Reached in Vectren Electric Infrastructure Case

The Indiana Office of Utility Consumer Counselor (OUCC), industrial customers, and Vectren Energy Delivery have reached a settlement agreement on the utility's proposed seven-year electric infrastructure plan.

The agreement was filed Thursday with the Indiana Utility Regulatory Commission (IURC), which may approve, modify, or deny it after reviewing testimony and evidence from the case's parties.

Vectren has requested approval of the seven-year plan under the state's Transmission, Distribution, and Storage System Improvement Charge (TDSIC) statute. The law was approved by the Indiana General Assembly in 2013.

The TDSIC statute allows energy utilities to recover specific infrastructure costs through rates on an expedited basis. Rates may be adjusted every six months subject to OUCC review and IURC approval. The statute designates the types of projects that qualify for inclusion in a seven-year plan along with corresponding rate recovery.

If approved, the agreement will reduce the construction costs for Vectren's proposed capital improvements by at least $67.5 million. Those costs – to primarily pay for replacement of poles, lines, substations, and other infrastructure – will be subject to recovery from customers through rate tracker increases over the next seven years.

Total capital costs eligible for rate recovery over the next seven years will be capped at $446.5 million if the agreement is approved. The agreement also includes annual caps to mitigate against substantial cost increases in any given year.

Vectren originally proposed a $514 million plan in this case. Its initial proposal also included $250 million in "potential substitution projects."

Additional customer benefits include:

- Removal of certain projects that the OUCC views as beyond the scope of the TDSIC statute. The largest such project to be removed is Vectren's $39 million proposal to recover advanced metering infrastructure (AMI) deployment costs. The agreement does not preclude Vectren from seeking recovery of AMI costs in a future rate case.

- A more level approach to the recovery of distribution costs through monthly residential and small commercial customer bills. Under Vectren's original plan, costs for the eligible projects would have been recovered from each customer through a monthly fixed charge. The settlement agreement caps the tracker rate increases' fixed portions at $7.00 at the end of the plan's seven-year term. Remaining distribution costs will be based on a customer's usage and recovered through the bill's volumetric portion.

- The guarantee that if Vectren initiates any prepaid electric services or time-of-use rate options during the next seven years, it will offer them only on a voluntary basis.

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“Over the last four years, the TDSIC statute has been tested in several cases before the IURC and before the Indiana Court of Appeals. The Court’s opinions and previous IURC orders give clear guidance as to which infrastructure projects are eligible for TDSIC rate recovery,” said Indiana Utility Consumer Counselor Bill Fine. “Based on those decisions and parameters, we have negotiated an agreement at arms-length that will allow eligible projects to go forward in the most cost-effective way that they can. At the same time, the utility will be able to strengthen its portion of the grid to ensure more reliable service in the future.”

Vectren provides electric utility service in seven southwestern Indiana counties. Its Indiana natural gas utilities are not at issue in this case; seven-year infrastructure plans for natural gas received IURC approval in 2014.

If the agreement is approved, Vectren will be the third of the state’s five investor-owned electric utilities to implement a seven-year infrastructure plan.

While Vectren’s recoverable costs would be capped at $446.5 million under the agreement, approved plans for Duke Energy and Northern Indiana Public Service Co. (NIPSCO) include capital costs of $1.4 billion and $1.25 billion, respectively. Costs for the Duke Energy and NIPSCO plans were reduced under settlement agreements among the OUCC and additional parties.

(IURC Cause No. 44910)