

ORIGINAL

07/25


STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND)
ELECTRIC COMPANY d/b/a VECTREN) CAUSE NO. 44820
ENERGY DELIVERY OF INDIANA, INC. FOR)
APPROVAL OF A SPECIAL CONTRACT FOR)
ELECTRIC SERVICE WITH SABIC) APPROVED: NOV 09 2016
INNOVATIVE PLASTICS MT. VERNON, LLC)

ORDER OF THE COMMISSION

Presiding Officers:
James F. Huston, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On July 22, 2016, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South” or “Petitioner”) filed its Verified Petition seeking approval from the Indiana Utility Regulatory Commission (“Commission”) of an amendment to an electric service agreement between Vectren South and Sabic Innovative Plastics Mt. Vernon (“Sabic”).

Along with the Verified Petition, Vectren South filed the direct testimony and exhibits of Thomas L. Bailey, Director of Industrial Sales and Economic Development for Vectren Utility Holdings, Inc., the immediate parent company of Petitioner. On July 27, 2016, Sabic filed its Petition to Intervene, which was granted on August 9, 2016. On September 21, 2016, Petitioner filed corrections to Mr. Bailey’s testimony. The Office of the Utility Consumer Counselor filed its Notice of Intent Not to File Testimony on September 23, 2016. On October 19, 2016, Petitioner responded to the Commission’s October 18, 2016 Docket Entry.

The Commission held an evidentiary hearing on October 20, 2016, at 1:30 p.m. in Room 222 at the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner, Sabic, and the OUCC were present and participated. The testimony and exhibits of Petitioner were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and evidence presented, the Commission finds:

1. Notice and Jurisdiction. Due, legal, and timely notice of the hearing in this Cause was given as required by law. Vectren South is a public utility within the meaning of Ind. Code § 8-1-2-1(a). Under Ind. Code §§ 8-1-2-24 and 25, the Commission has jurisdiction over Petitioner’s rates and charges related to changes to customer-specific contracts. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner’s Characteristics. Petitioner is a corporation organized and existing under the laws of the State of Indiana. Its principal office is located at One Vectren Square in

Evansville, Indiana. Petitioner is engaged in rendering electric utility service to the public and owns and operates electric generating plant and distribution system for the production, transmission, delivery, and furnishing of this service to customers in southwestern Indiana.

3. Requested Relief. Petitioner requests approval of an amendment (“Amendment”) to an electric service agreement between Vectren South and Sabic.

4. Evidence Presented. Mr. Bailey testified that Vectren South and Sabic entered into a special contract for electric service that was approved by the Commission in Cause No. 43901 (“2011 Agreement”) and expired on May 2, 2016. The 2011 Agreement did not have a renewal provision because Sabic anticipated building its own gas-fired cogeneration unit by the time the contract was to expire. Mr. Bailey testified the cogeneration facility is expected to be operational in November 2016, at which time Sabic will receive electric service pursuant to Vectren South’s Backup, Auxiliary, and Maintenance Power Services Rate (“Rate BAMP”). He explained that because the 2011 Agreement expired in May of 2016, Vectren South and Sabic negotiated a new agreement to cover the gap between the time the 2011 Agreement expired and the cogeneration facility becomes operational. The new agreement (“2016 Agreement”) provides for the provision of electric service under Rate HLF, which is for a five-year term. Mr. Bailey testified that the Amendment will allow the 2016 Agreement to terminate once Sabic’s generating unit goes online and shows it is capable of serving Sabic’s load. The Amendment also provides that Rate HLF’s minimum demand obligation of 90% for a rolling 12-month period will be eliminated because Petitioner’s Rate BAMP has its own minimum demand obligation.

Mr. Bailey testified that Petitioner has served Sabic, which employs approximately 1,200 people in Posey County, Indiana, for approximately the past 50 years. Retention of the Sabic operations remains a priority for Petitioner, and the advance notice that the self-generation project would occur has allowed Vectren South to plan for the load reduction. He explained that the Mt. Vernon facility has to compete with other Sabic manufacturing sites that already have cogeneration facilities and that this change is one that has been anticipated for several years. Even with the significant load reduction, Mr. Bailey stated that Sabic will remain a major local employer and a top-five Vectren South electric customer contributing to the recovery of fixed costs.

Mr. Bailey testified that although a cogeneration project of this magnitude inherently requires dynamic and fluid planning and a collaborative partnership with the local utility, the parties’ agreement should not minimize the importance of contractual minimum demand obligations by other customers not in Sabic’s strategic position. He stated that with Sabic committed to at least three more years of service under Rate BAMP and an auxiliary load of firm service, Vectren South has agreed not to impose a multi-year minimum demand requirement based on pre-self-generation operations that would overlap the term of Rate BAMP. He noted that while the load reduction is a material event that has the potential to strand capacity previously dedicated to Sabic, it also comes at a time when Petitioner is evaluating its future resource planning needs.

Mr. Bailey concluded that under these circumstances, approval of the Amendment is reasonable and will allow Sabic an unencumbered transition to Rate BAMP without financial strain based upon the commercial operational timing of the cogeneration unit.

5. Commission Discussion and Findings. Petitioner seeks approval of the Amendment under the provisions of Ind. Code § 8-1-2-24 and -25. Ind. Code § 8-1-2-24(a) provides:

Nothing in this chapter shall be taken to prohibit a public utility from entering into any reasonable arrangement with its customers or consumers, or with its employees, or with any municipality in which any of its property is located, for the division or distribution of its surplus profits, or providing for a sliding scale of charges or other financial device that may be practicable and advantageous to the parties interested. No such arrangement or device shall be lawful until it shall be found by the commission, after investigation, to be reasonable and just and not inconsistent with the purpose of this chapter. Such arrangement shall be under the supervision and regulation of the commission.

Ind. Code § 8-1-2-25 provides as follows:

The commission shall ascertain, determine and order such rates, charges and regulations as may be necessary to give effect to such arrangement, but the right and power to make such other and further changes in rates, charges and regulations as the commission may ascertain and determine to be necessary and reasonable, and the right to revoke its approval and amend or rescind all orders relative thereto, is reserved and vested in the commission, notwithstanding any such arrangement and mutual agreement.

Therefore, customer-specific contracts, including tailored-rate contracts such as the Amendment to the 2016 Agreement presented for review in this proceeding, are lawful if the Commission finds the provisions to be reasonable and just, practicable and advantageous to the parties, and not inconsistent with the purposes of the Public Service Commission Act.

Based on the evidence presented, we find that the Amendment satisfies the legal requirements imposed by Ind. Code §§ 8-1-2-24 and -25. The Amendment is advantageous to the parties and practicable because it enables Vectren South to transition Sabic's electric service to a rate that appropriately reflects the addition of a cogeneration facility to Sabic's operations. Because Vectren South and Sabic both anticipated this transition, the Amendment provides a needed and reasonable rate structure to bridge the gap in time between the expiration of the 2011 Agreement and operation of the cogeneration facility. Petitioner's current and future electric customers will also benefit from the contribution that Sabic will continue to make to Petitioner's fixed-cost recovery under the Rate BAMP agreement that will govern the provision of service upon termination of the 2016 Agreement. Sabic will benefit from the rate stability under Rate HLF until its generating unit is operational. The Commission further notes that the OUCC did not oppose the Amendment.

Accordingly, we find the Amendment to the 2016 Agreement entered into between Vectren South and Sabic to be just and reasonable, practicable and advantageous to the parties, and not inconsistent with the purposes of the Public Service Commission Act. We also find that the Amendment is in the public interest and therefore approve it.

IT IS THEREFORE ORDERED BY THE INDIANA REGULATORY COMMISSION THAT:

1. The Amendment to the 2016 Agreement between Petitioner and Sabic is approved.
2. To the extent this Order requires future actions or filings, those requirements may be modified for good cause by the Presiding Officers.
3. This Order shall be effective on and after the date of its approval.

STEPHAN, FREEMAN, HUSTON, AND ZIEGNER CONCUR; WEBER ABSENT:

APPROVED: NOV 09 2016

I hereby certify that the above is a true and correct copy of the Order as approved.



Mary M. Becerra
Secretary of the Commission