BURNS McDONNELL

PROJECT PROFILE / **PORTFOLIO ANALYSIS AND REGULATORY ASSISTANCE**

BUILDING A STRONG, INDEPENDENT CASE TO STREAMLINE THE REGULATORY PROCESS

When utilities look to build new power sources, state regulators will make the final decision on rates utilities can charge. Growth of a utility depends on whether expansion is feasible and beneficial to its customers. Hired to guide an Indiana utility through the process, we provided services essential to support the process of making its case.

USING AN INDEPENDENT STUDY TO PRODUCE CREDIBLE ANALYSIS

As a utility company worked to identify a cost-effective future power supply portfolio for its customers, it faced complex choices.

PROJECT STATS

CLIENT
Vectren Energy Delivery of Indiana-South

LOCATION
Southwestern Indiana

COMPLETION DATE
Ongoing

SEEKING
$781M
TO FUND NEW PROJECT

142K
ELECTRIC CUSTOMERS

111K
GAS CUSTOMERS

Vectren South needed to replace its retired coal-fired plants. We supported its search to identify a cost-effective future power supply portfolio. With independent analysis to guide the decision, we helped Vectren present its case before the state commission.

Vectren South, one of three regulated, operating utilities owned by Vectren Corp., provides energy delivery to about 142,000 electric customers and 111,000 gas customers in southwestern Indiana. To assist with the process of selecting the right power supply portfolio, the utility brought on Burns & McDonnell to support its integrated resource planning (IRP) process and provide collaborative recommendations based on analysis and independent research. We also supported the regulatory filing presented before the Indiana Utility Regulatory Commission (IURC).

PORTFOLIO IDENTIFICATION STAGE

We assisted Vectren South as it evaluated potential future power supply portfolios. Under consideration were a variety of power supply planning initiatives, including generator retirements, replacement capacity, transmission reliability and congestion impacts. Subsequent to the portfolio identification, we evaluated bids in a competitive solicitation process seeking new combined cycle gas turbine facilities throughout Indiana. Bids were then evaluated based on criteria including cost, state of project development, experience and other risks.

Another important consideration in the evaluation of potential new power supply options was congestion (during higher load times) impacts. We used data to model the facility and associated interconnection upgrades in a security-constrained economic dispatch model representative of the Midcontinent Independent System Operator (MISO) market operations.

MAKING THE CASE

Every procurement of new power supply in the market includes costs beyond producing it. Our analysis sought to identify costs of delivering the power. Though relatively cheaper options from an upfront capital expenditure basis could be considered, the analysis revealed that, based on locations removed from Vectren South's system, it resulted in a higher cost to ratepayers.

Vectren South used the studies addressing congestion concerns to arrive at a self-build option for its system. As a public utility regulated by the IURC, permission was needed to set rates allowing the utility to generate $781 million to fund the project. The proposed strategy would retire four coal-fired units and replace them with a new combined cycle generating resource and reduce carbon emissions by more than 50 percent from current levels.

The case was filed in March 2018. We provided expert witness testimony and analysis support to Vectren South during the public comment period and formal testimony before the IURC. Our team manages the case responses and comments, and is presenting testimony leading up to the decision, which is due before the end of 2018.

COLLABORATIONS ARE CUSTOMIZED

We help our clients understand the trade-offs when building new plants by examining economic projections and considering demand over the long term. Our process is customized so utilities can select a preferred strategy based on relevant factors informing how best to spend capital.

While utility commissions don't require independent analysis, an independent evaluation provides unbiased direction to guide projects through formal hearings. What results, however, is a collaboration that produces more informed decisions and includes a partner experienced in the details of navigating the process.

SERVICES PROVIDED

- **Integrated resource planning and portfolio optimization**
- **RFP development and bid evaluation**
- **Generator interconnection assessment**
- **NERC compliance assessment**
- **Congestion analysis**
- **Economic pro forma valuation**
- **Expert witness testimony**

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