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NEWS MAKING HEADLINES

12/3/11 through 1/7/12

CONSUMERS CRITICIZE VECTREN 'FEE' PROPOSAL AT PUBLIC HEARING

Evansville Courier & Press, November 28

The Vectren customers who spoke at a public hearing Monday night didn't have much bad to say about the utility company's planned upgrades at its Posey County power plant. But many of the speakers were strongly opposed to Vectren's plan for paying for the work. Earlier this fall, Vectren filed a request with the Indiana Utility Regulatory Commission to add a monthly charge of up to \$1.08 per residential customer. That fee would pay for a \$32 million project to upgrade the plant's turbine blades. Vectren says the improvements, known as dense pack technology, will allow its Posey County plant to burn less coal while producing the same amount of electricity. And, the company says, because the plant will use less coal the reduced fuel costs will more than offset the additional fee, meaning that even with the fee customer bills will be reduced slightly. Monday's hearing, attended by about 130 people plus members of the regulatory commission and attorneys, gave Vectren customers a chance to speak on the matter and have their comments included in the official case file. Commission Chairman James Atterholt was present, as were commissioners Kari Bennett and David Ziegner. Two commissioners, Larry Landis and Carolene Mays, were absent. Many who spoke said they oppose having Vectren's customers pay for the project. Among numerous state and local elected officials who spoke was Rep. Gail Riecken, D-Evansville, who said her constituents are especially upset about this case because it comes on the heels of an increase in Vectren's electricity rates earlier this year. "Vectren should be required to present alternative funding proposals ... I am sure there would be one less costly to consumers," Riecken told the utility commissioners. Monte Fetter, president of the Property Owners and Managers Association of Evansville, called attention to the fact that Vectren's electric rates are among the state's highest. Through his involvement with the Property Owners and Managers Association, Fetter said he is aware of cases in which renters' monthly utility costs exceed their monthly rent payments. Fetter suggested that Vectren pay for the dense pack project out of its own pocket rather than asking its customers to do so.

NIPSCO, SIERRA CLUB JOIN IN NEW CLEAN ENERGY INITIATIVE

Herald Argus (LaPorte), December 5

Northern Indiana Public Service Company (NIPSCO) and the Sierra Club, a national environmental service organization, are working together on a new clean energy initiative. Sierra Club members commended NIPSCO on Thursday for the company's efforts to improve a new feed-in tariff program, where customers who generate their own eco-friendly energy receive paybacks in the form of checks from NIPSCO. The new feed-in tariff program comes in the wake of NIPSCO's existing net-metering program, which currently provides those clean energy-generating customers with utility bill credits. Sierra Club Organizer Virginia Shannon said the partnership between the Sierra Club and NIPSCO started in April 2011 when the two groups collaboratively wrote the program's original proposal. "We are excited to see they (NIPSCO) filed to resolve the issues with it (the program)," Shannon said. "This means the program can come through and the concept can become a reality." NIPSCO's 30-day filing to the Indiana

Utility Regulatory Commission (IURC) was submitted Thursday to help NIPSCO fix technical issues with the feed-in tariff program and make it more accessible to customers. The program was designed to connect customers with solar, wind, hydro or biomass systems and make renewable energy a financially viable investment. Nick Meyer, director of external communications for NIPSCO, said residential and small business customers can benefit greatly from the net-metering program and even from the feed-in tariff program, which was specifically designed to cater to industrial and large business customers. Meyer said just because the feed-in tariff model was designed for larger energy consumers doesn't mean that small businesses or even residential customers can't take advantage of its rewards. Both programs are open to all NIPSCO customers.

DUKE AND AEP'S 765-KV PROJECT IN INDIANA GAINS MOMENTUM

EnergyOnline.com, December 9

Duke Energy announced yesterday that Pioneer Transmission, a 50-50 joint venture formed by Duke Energy and American Electric Power (AEP), will begin engineering, permitting and siting activities next year on the 765-kV Greentown-New Reynolds project, designated yesterday as one of 17 Multi-Value Projects (MVPs) included in the Midwest ISO (MISO) Transmission Expansion Plan. The Plan is designed to enhance regional power system reliability, improve market efficiency, enable public policy mandates and facilitate the integration of new generation resources, including renewable energy. The proposed transmission line will be constructed in Indiana and extend approximately 66 miles to connect the existing Greentown substation (east of Kokomo) with a new substation called New Reynolds (north of Lafayette). The specific route has yet to be finalized. The estimated cost of the 66-mile Greentown-New Reynolds project is \$245 million. Pioneer Transmission will build and own the New Reynolds substation to handle the interconnection of multiple power line voltages at this location. Pioneer Transmission plans to file a petition for public utility status with the Indiana Utility Regulatory Commission by year-end. The project is part of a larger, 240-mile transmission project in Indiana originally proposed by Pioneer Transmission in 2008 and estimated to cost \$950 million. The larger project will be evaluated by PJM and MISO next year.

GRAND JURY INDICTS FORMER STATE UTILITIES CHIEF HARDY

Indianapolis Business Journal, December 12

A Marion County grand jury has indicted David Lott Hardy, the state's former utilities chief, on three counts of official misconduct. Hardy was fired from his job as chairman of the Indiana Utility Regulatory Commission by Gov. Mitch Daniels in October 2010. Hardy allegedly allowed IURC administrative law judge Scott Storms to preside over cases involving Duke Energy Corp. even while Storms was talking with the utility about a job. "We look forward to vigorously prosecuting this case to its conclusion," Marion County Prosecutor Terry Curry, a Democrat, said Monday in a prepared statement. The grand jury indicted Hardy on Friday. Official misconduct is a class D felony, which can carry a sentence of 6 months to 3 years and a maximum \$10,000 fine. The indictment states that Hardy "knowingly" aided and abetted Storms by communicating with employees of Duke Energy regarding Storms' prospective employment "while allowing Storms to continue to participate in proceedings involving Duke Energy." The two other indictments accuse Hardy of failing to disclose "ex-parte," or private, communication with top Duke officials about cost overruns at Duke's Edwardsport coal-gasification plant, which is under construction. The communications came as ratepayer groups were fighting Duke's request to recover additional money from ratepayers to cover cost escalations. The indictment cites three incidents in which Hardy allegedly received communications from Duke about

Edwardsport in 2008 and 2010, including discussions with Duke Chairman James E. Rogers and with former Duke Indiana head James Turner. The ethics scandal cost both Hardy and Storms their jobs—Storms was fired after later accepting a job at Duke. The case also presented a public relations challenge to Daniels, a Republican, who appointed Hardy as chairman of the commission and has publicly supported the Duke Edwardsport plant. Initially projected to cost \$1.8 billion, the plant's price tag has risen to \$3 billion. Watchdog groups, including Citizens Action Coalition, want Duke to absorb the cost of overruns rather than tapping ratepayers for the increased expenses. Curry said the official misconduct indictment is significant particularly in light of the \$3 billion Edwardsport project's implications to Duke and to its ratepayers. *Please click [here](#) to read the Marion Co. Prosecutor's news release on the indictment.*

INDIANA REGULATORS OK NIPSCO ELECTRIC RATE HIKE

Time of Northwest Indiana, December 23

State regulators issued a final order in NIPSCO's 3-year old electric rate case Wednesday, approving a settlement reached between the utility and some consumer groups that would hike an average residential customer's bill 4.5 percent. The increased revenue will be used to pay for reliability and environmental improvements as well as paying off the bill for the \$330 million Sugar Creek gas-fired generating plant in southern Indiana the utility bought three years ago, according to NIPSCO. "This decision is a pivotal step in furthering our commitment to enhance reliability and customer service for our customers, while providing a modern energy infrastructure to support northern Indiana jobs and economic growth," NIPSCO Chief Executive Jimmy Staton said. The Indiana Utility Regulatory Commission also approved an energy-conservation discount program for large industrial users that could hike residential customer bills by up to 1.7 percent later in 2012, according to previous NIPSCO estimates. Under Wednesday's order, an average customer using 688 kilowatts of electricity per month would see their bill increase to \$78.21 from \$74.88 currently, an increase of \$3.33 or 4.5 percent, according to NIPSCO. That increase will take place immediately and will be contained in the next batch of customer bills, NIPSCO spokesman Nick Meyer said. When the utility filed the current rate case in November 2010, it asked for a 7.9 percent rate increase. NIPSCO has 457,000 electric and 786,000 natural gas customers in northern Indiana. It is a subsidiary of utility holding company NiSource Inc., of Merrillville. The rate case settled Wednesday affects only electric rates. Commercial and industrial customers will see rates increase on average by 4.8 percent to 11 percent under the IURC's order, according to NIPSCO. The energy-conservation discount program for large industrial users also will benefit residential customers during peak use times because it may decrease expensive power purchases, according to NIPSCO. As of Wednesday, the utility could not say for certain what the overall impact on customer bills might be, Meyer said. Several consumer groups signed off on the settlement reached in July, including the Indiana Office of Utility Consumer Counselor, large industrial users like ArcelorMittal USA and U.S. Steel, and eight Northwest Indiana communities concerned about street-lighting costs. But the city of Hammond and the Citizens Action Coalition opposed the deal.

CONSUMER ADVOCACY GROUP OPPOSES VECTREN FEE REQUEST

Evansville Courier & Press, December 22

The agency that represents utility consumers' interests is recommending that state regulators deny Vectren's request to add a new charge to its customers' electric bills. This fall, Vectren filed a request with the Indiana Utility Regulatory Commission to add a monthly charge of up to \$1.08 per residential customer. That fee would pay for a \$32 million project to upgrade the plant's turbine blades. Vectren says the improvements, known as dense pack technology, will

allow its Posey County plant to burn less coal while producing the same amount of electricity. The company says the reduced fuel costs will more than offset the additional fee, meaning that even with the fee customer bills will be reduced slightly. Upon reviewing the case, the Indiana Office of Utility Consumer Counselor has come to the conclusion that the charge is unnecessary. The agency included this opinion in testimony filed Wednesday with the IURC. "Vectren is asking for additional revenue that it does not need. The utility has the revenue that it needs for this project," said Anthony Swinger, spokesman for the Office of Utility Consumer Counselor. The Office of Utility Consumer Counselor's job is to represent the interests of utility customers in cases that come before the state utility commission. Chase Kelley, spokeswoman for Vectren, said the utility company stands by its request. "We look forward to proving our case to the IURC as the regulatory process continues," Kelley wrote in an email.

STEELMAKER, OTHERS OPPOSE INDIANA GASIFICATION CONTRACT

Times of Northwest Indiana, December 24

A flurry of appeals have been filed in response to state regulators' Nov. 22 approval of a 30-year deal to have a state agency buy synthetic natural gas and charge NIPSCO and other utility customers for any losses. The issue as laid out in appeals filed by ArcelorMittal USA, as part of a group of industrial customers, consumer groups and utilities, revolves around exemptions for large industrial customers. ArcelorMittal, through the industrial group, argues the exemption is not guaranteed by the Indiana Utility Regulatory Commission's order in the case, although that was the clear intent of state laws paving the way for the 30-year contract. Consumer groups and utilities are basically arguing the opposite, with their briefs stating the exemption is in fact so broad it could lead to ever escalating natural gas bills for residential and small business customers. All parties are planning to appeal the commission's final order in the case to the Indiana Court of Appeals, according to briefs filed this week with the Indiana Utility Regulatory Commission. Gov. Mitch Daniels has led the effort to get the gasification plant built in Rockport, Ind., which is about 30 miles east of Evansville. That effort appeared to pay off in November when the Indiana Utility Regulatory Commission approved a 30-year contract under which the Indiana Finance Authority will provide the Rockport plant with a steady stream of income for 30 years by buying virtually all its production of synthetic natural gas. The state's 1.7 million utility customers will get surcharges on their bills to make up 100 percent of the difference anytime the price of the synthetic natural gas produced at the plant is above the price of natural gas on the open market. If the price of synthetic gas drops below that of natural gas, utility customers will get a bill credit for 50 percent of the difference. Daniels and other plant supporters contend the deal will smooth out volatility in natural gas prices for utility customers. Indiana Gasification LLC is a subsidiary of Leucadia Corp., a New York City investment firm. Vectren, one of the state's largest natural gas utilities, warns of a possible "death spiral" for customers and utilities if the Indiana Utility Regulatory Commission's order is allowed to stand. Vectren states in its appeal that the state's utility customers potentially could be on the hook for up to \$2 billion in losses for the gasification plant. Consumer and environmental groups appealing the commission's order are the Citizens Action Coalition, Spencer County Citizens for Quality of Life and Valley Watch Inc.

COMMISSIONER LANDIS REAPPOINTED

Office of the Governor News Release, December 22

Governor Mitch Daniels reappointed Larry Landis to the Indiana Utility Regulatory Commission (IURC) The IURC regulates electric, natural gas, telecommunications, steam, water and sewer utilities. The commission is a fact-finding body that hears evidence in cases filed before it and makes decisions

that balance the interests of all parties to ensure that utilities provide adequate and reliable service at reasonable prices. Landis, of Indianapolis, is the founder and president of Marketrends, Inc. and the co-founder of American Grassroots LLC. He was first appointed to the IURC by Governor Frank O'Bannon in 2002. His term expires December 31, 2014.

SHUTDOWNS AT GALLAGHER POWER PLANT TO CUT LOUISVILLE POLLUTION

The Courier-Journal (Louisville), December 29

Duke Energy intends to shut down two generating units at its Gallagher power plant in New Albany and has dropped plans to convert part of the coal-fired station to natural gas. The move by the utility — announced Thursday following approval by Indiana Utility Regulatory Commission this week — is seen as a final, huge step in a decade-long battle by the federal government and officials in Louisville to force Gallagher to cut toxic emissions and improve the region's air quality. The bottom line for Louisville and Southern Indiana residents: They should breathe cleaner air soon. Duke must shut down units by Feb. 1, thereby halving emissions pumped from the twin smokestacks along the Ohio River. "This was a long time coming and we are glad to see it," said Thomas Nord, spokesman for the Louisville Metro Air Pollution Control District. Tom FitzGerald, director of the Kentucky Resources Council, called it good news for the many people in Louisville who suffer from respiratory illnesses. He also said it will be good for the local economy because it will give the community more room to meet pollution budgets required under the Clean Air Act. "There has been some frustration trying to meet the ozone and particulate standards, and having to deal with a plant that did not incorporate the most current and best practices in terms of pollution control," FitzGerald said. Outgoing New Albany Mayor Doug England, however, was less than jubilant, saying he worries about the changes' impact on local tax revenues. "Duke's doing what they need to do. But it could have a financial impact on the city" because the equipment shutdown could reduce the \$1 million Duke pays in taxes annually that benefits New Albany and Floyd County, he said. The utility, one of the nation's largest electric power companies, serves about 4 million business and residential customers in Indiana, Kentucky, the Carolinas and parts of the Midwest. The latest plans are the culmination of settlement reached in a 1999 lawsuit filed by the federal Environmental Protection Agency to crack down on utilities that failed to install modern pollution controls during renovations. "We're pleased with the decision from the IURC," Duke Energy spokesman Lew Middleton said Thursday.

TRAINING TO HELP UTILITY WORKERS IMPROVE OPERATIONS EFFICIENCY

The Times of Northwest Indiana, December 27

Being 40 percent efficient may not sound great in a classroom, but it's a decent standard in the world of coal-fired power plants. Mike Shebel, manager of station engineering for the Northern Indiana Public Service Co., said power plant operators have to be vigilant monitors of plant conditions to ensure the highest level of heat is produced from coal. Managers and supervisors also have to understand that even the best designed, most modern plants require upkeep to continue operating at peak levels. NIPSCO and the Center of Workforce Innovations coordinated heat rate awareness training for 26 of the utility's employees last month at its R.M. Schahfer Generating Station in Wheatfield, said NIPSCO spokeswoman Kathleen Szot. Both groups worked with global performance improvement company General Physics, a subsidiary of Elkridge, Md.-based GP Strategies Corp., to bring the training to Northwest Indiana. The heat rate is a measure of energy efficiency for a power plant. She said the 20-hour training helped employees understand what energy losses they can and cannot control in electricity generation

and the effect that component performance can have at power plants. This process is crucial because the utility wants to drive down the amount of fuel it has to burn in order to produce each kilowatt hour of electricity. Shebel said it currently takes about 11,000 British thermal units of energy to produce 1 kilowatt hour of electricity, which is the equivalent of running 10, 100-watt lightbulbs for an hour. "We expect the training to upgrade the skills, knowledge and abilities of the employees who attended, in particular, improved decision making when it comes to the various factors that can affect the heat rate of our units," Szot said. "Although this particular class is not required for career advancement, the principles taught will be critical to their future success." Shebel said up to 40 percent of the energy in coal or natural gas is turned into electricity through plant operations. The Schahfer station is critical to the Merrillville-based utility's operations because it generated the majority of power NIPSCO customers used last year.

NORTHERN INDIANA UTILITY WINS WITH SOLAR FEED-IN TARIFF

CleanEnergyAuthority.com, January 6

Since the Northern Indiana Public Service Company launched its Feed-in-tariff pilot program last year, solar power installations in the area have skyrocketed. Nick Meyer, spokesman for NIPSCO, said that a new project proposed by Lincoln Solar to install 6,800 solar panels in Merrillville, Ind., is just the latest in a string of proposed projects. While retail power rates are around 11 cents per kilowatt hour in the NIPSCO area, the utility pays out 26 cents per kilowatt hour for projects between 10 kilowatts and 2 megawatts and 30 cents per kilowatt hour for solar projects up to 10 kilowatts, Meyer said. "We're quickly approaching our cap of 30 megawatts," Meyer said. "We set this as a three-year pilot, and we're still in our first year." The utility signs 15-year, power-purchase agreements, agreeing to pay the exaggerated rate to customers who install solar arrays and tie them to the grid. The program is open to the smallest homeowner on up the line to major solar developers with projects up to 2 megawatts. "All of our customers are eligible, but it's geared a little more toward the business customer," Meyer said. Interest has been high and the utility has processed numerous applications. "We've had about 1 megawatt come online so far," Meyer said. "It's relatively small what's actually come online so far." He said that renewable energy and especially solar projects were gaining momentum and popularity even before the utility implemented its feed-in-tariff structure. "Certainly, we've seen more action on the FIT than we saw when we expanded our net-metering program," Meyer said. The latest solar project is still awaiting approval from the Merrillville City Council, but will add 1 megawatt of solar power to the NIPSCO grid as long as council members determine that the new array won't cause any disturbances to residents.