STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH – ELECTRIC") FOR (1) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES APPLICABLE THERETO; (3) INCLUSION IN ITS BASE RATES OF COSTS ASSOCIATED WITH CERTAIN PREVIOUSLY APPROVED QUALIFIED POLLUTION CONTROL PROPERTY PROJECTS; (4) AUTHORITY TO IMPLEMENT A RATE ADJUSTMENT MECHANISM TO TRACK INCREMENTAL CHANGES IN CERTAIN COSTS AND REVENUES RELATING TO ITS GENERATING FACILITIES; (5) AUTHORITY TO IMPLEMENT A RATE ADJUSTMENT MECHANISM TO TRACK INCREMENTAL CHANGES IN NON-FUEL RELATED MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC. ("MISO") CHARGES AND PETITIONER'S TRANSMISSION REVENUE REQUIREMENT; (6) APPROVAL AS AN ALTERNATIVE REGULATORY PLAN PURSUANT TO IND. CODE § 8-1-2.5-6 OF A RETURN ON EQUITY TEST TO BE USED IN LIEU OF THE STATUTORY NET OPERATING INCOME TEST IN ITS FUEL ADJUSTMENT CHARGE PROCEEDINGS; (7) APPROVAL OF REVISED DEPRECIATION ACCRUAL RATES; (8) APPROVAL OF THE CLASSIFICATION OF PETITIONER'S FACILITIES AS TRANSMISSION OR DISTRIBUTION IN ACCORDANCE WITH THE FEDERAL ENERGY REGULATORY COMMISSION'S SEVEN FACTOR TEST; AND (9) APPROVAL OF VARIOUS CHANGES TO ITS TARIFF FOR ELECTRIC SERVICE INCLUDING NEW INTERRUPTIBLE AND ECONOMIC DEVELOPMENT RIDERS.	)	CAUSE NO. 43111

FILED

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INDIANA UTILITY REGULATORY COMMISSION

Prepared Direct Testimony and Exhibits
Of
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH – ELECTRIC)

Book 3 of 4

JP Kelly, PM Normand, JH Aikman, RB Keeping

September 1, 2006

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SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH – ELECTRIC)

IURC CAUSE NO. 43111

DIRECT TESTIMONY
OF
JOHN P. KELLY

ON

REPLACEMENT COST VALUATION

SPONSORING PETITIONER'S EXHIBITS JPK-1 THROUGH JPK-4

DIRECT TESTIMONY OF JOHN P. KELLY

Q. Please state your name, affiliation, business and occupation address.

A. My name is John P. Kelly. I am an Executive Advisor for Concentric Energy Advisors ("CEA"), located at 313 Boston Post Road West, Marlborough, Massachusetts, 01752. I am a registered professional engineer, a certified real estate appraiser and a specialist in asset valuation.

Q. On whose behalf are you submitting this direct testimony?

A. I am submitting this testimony on behalf of Southern Indiana Gas d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or the "Company"). CEA was engaged by the Company to perform a study of the current value of its electric utility assets.

Q. Please describe the nature of the services provided by CEA.

A. CEA provides consulting services to utilities, energy producers, major energy consumers, project developers, and governmental authorities throughout North America. The firm specializes in transaction-related financial advisory services, valuation studies, economic feasibility studies, energy market and regulatory strategies, market assessments, energy commodity contracting and procurement, regulatory and litigation support, and capital market analyses and negotiations.

Q. Please describe your professional experience.

A. Prior to my current position at CEA, I was a Director of Navigant Consulting, Inc. I was employed at Stone & Webster, Inc., most recently serving as Vice President and Director of Stone & Webster Management Consultants and Assistant Vice President of Stone & Webster Engineering Corporation. I have over 35 years of experience in valuations and studies of public utility and industrial properties for rate-making, purchase and sale considerations, eminent domain/condemnation, ad valorem tax assessments, insurance, accounting and financial purposes. I have provided expert testimony on valuation matters in

more than 45 cases before state utility commissions, federal and state courts, and administrative bodies throughout the United States. A summary of my professional experience and educational background is attached as Petitioner's Exhibit JPK-2.

Q. What are your responsibilities as an Executive Advisor at CEA?

A. I manage projects involving the valuation of utility property.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to express my opinion as to the current value of the Company's electric properties in service as of March 31, 2006 and to describe the valuation study upon which my opinion is based.

Q. What conclusion have you reached regarding the current value of the Company's electric properties?

A. In my opinion, the value of the Company's electric properties, as of March 31, 2006 is approximately $1,987,352,680 as measured by the replacement cost of the property less depreciation and $1,763,068,152 after making a special adjustment for technological change.

Q. Please describe the Company's electric properties.

A. The Company's electric properties consist of generating stations, totaling 1,444 MW[1] of generation. These assets are predominantly coal-fired steam generators. In addition to the production plant, the Company's electric assets include 832 miles of transmission lines, 28 substations and approximately 3,500 miles of distribution lines. The distribution system also includes 95 distribution substations located predominantly in Indiana. The Company's general plant accounts include those assets that are not defined by the FERC Uniform System of Accounts as includable in other plant accounts.

More specifically, the general plant accounts contain the following categories of assets not elsewhere classified:

- Land and land rights

[1] The Company expects to retire Culley unit 1 in 2006 which will reduce total generation to 1406MW.

- Structures and improvements
- Office Furniture and Equipment
- Transportation equipment including automobiles, trucks and appurtenant equipment
- Stores, shop and laboratory equipment
- Power operated equipment that is self-propelled or mounted on moveable equipment
- Communication and other equipment

Vectren South also maintains general plant accounts for assets that are used in common for both Electric and Gas utility services. This property has been allocated accordingly and includes items comparable to those described above.

Q. What is the basis of the appraisal?

A. The appraisal develops the value of Vectren South's electric plant in service as of March 31, 2006, on the basis of the cost to construct the property new less existing depreciation. The construction cost new was determined by applying cost trend factors to the original costs. Deductions for depreciation reflect the relative loss in value due to physical and functional causes. The depreciation deductions have been determined by inspection, engineering processes, and judgment based on experience.

Q. How did you carry out your appraisal work?

A. The appraisal procedure consisted of four steps: (1) the development of current costs of the properties by the trending of original costs; (2) a determination of physical and functional depreciation involving field inspection, analysis of the Vectren South's records and statistics, and various other calculations; (3) the application of depreciation factors to the current costs; and (4) the final assembly of the appraisal and supporting data, including the preparation for this proceeding.

Q. What are some of the records about the Company's electric properties that you reviewed in order to develop an opinion as to their value?

A. I reviewed an extensive amount of information about the Company's electric properties including the Company's continuing property records and the

Company's annual report filed with the FERC. In addition, I reviewed Company provided historical and projected cost information for each of the generating facilities, including O&M costs, fuel costs, emissions data, capital expenditures, and the operating performance of the each of the generating facilities.

Q. Have you physically inspected the assets?

A. Yes. I have physically inspected the Company's facilities from the standpoint of preparing an estimated valuation of the facility based on the general operating characteristics of the facilities. As part of the valuation, I have discussed the operations of the facilities with Company personnel to determine whether there are any material factors that would need to be considered as part the overall valuation.

Q. What was the extent of your field inspection that led to the determination of depreciation?

A. The field inspection involved a physical inspection of all of the Company's production plant, a sampling of transmission lines, substations and transmission and distribution lines throughout the system as well as a service center This enabled me to determine the current condition of the assets.

During each of the inspection tours, I conducted interviews with Company personnel regarding operating and maintenance procedures as well as plans for ongoing and future system improvements.

Q. Have you had any experience in the past with the evaluation of Vectren South's assets?

A. Yes. I testified on behalf of Vectren South in prior electric and gas rate proceedings.

Q. In your opinion have you studied Vectren South's electric utility assets in sufficient detail to render an opinion as to their value?

A. Yes.

Q. What approach did you use to value Vectren South's electric utility assets?

A. I determined the value of Vectren South's assets using the Current Cost

Approach.

Q. Please explain the Current Cost Approach used to value assets.

A. There are generally two ways in which the Current Cost Approach can be conducted, i.e., (i) determining the cost of reproducing a duplicate asset using the same material and design at current prices, less loss in value from depreciation ("Reproduction Cost Method") or (ii) determining the cost of replacing the subject asset at current prices with an economical and efficient present day functional equivalent, less loss in value from depreciation ("Replacement Cost Method").

Q. The Reproduction Cost Method and the Replacement Cost Method both use costs at current prices. Would either gross original cost or original cost less accounting depreciation (i.e., net original cost) be a valid measure of the value of Vectren South's gas utility assets?

A. No. Original cost represents the historical cost incurred when the assets were originally constructed or acquired. Due to inflation, the cost to reproduce or replace assets today will be substantially different. Vectren South's electric utility system has been constructed over many years, and the original cost of the electric utility assets is well below the value of the assets today.

Q. Will the Reproduction Cost Method and Replacement Cost Method ever produce the same result?

A. Yes. If an asset would be replaced today in substantially the same form as currently exists, the reproduction cost and replacement cost will be the same.

Q. How did you apply the Current Cost Approach in valuing Vectren South's electric utility assets?

A. I sought to determine the replacement cost less depreciation of Vectren South's electric utility properties. To the extent I concluded the assets would be replaced today in substantially the same form, I utilized the Reproduction Cost Method because that method would also derive the replacement cost. In cases where I concluded assets would be replaced in a different form, I have made adjustments to the reproduction cost results to derive a reasonable replacement cost.

Q. Please explain how the Reproduction Cost Method is applied.

A. The Reproduction Cost Method takes the original cost, by vintage, of each electric utility plant account and then applies an adjustment factor (or multiplier) to each vintage of each account to determine the cost to reproduce those assets at today's dollars. This value is commonly referred to as the Reproduction Cost New of the assets. The adjustment factor or multiplier is utilized to account for the cost of those electric utility assets that a third party would have to expend currently if it were to reproduce the electric utility system as it was originally constructed.

Q. To determine the Reproduction Cost New, you need original cost information for each plant account by vintage year. Does Vectren South have such plant account information in sufficient detail?

A. Yes. Vectren South maintains its electric plant property records according to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission, by vintage year. These records are the source of the original cost information used in my valuation and were sufficient to conduct my Reproduction Cost Study of Vectren South's electric utility assets.

Q. How have you determined the replacement cost of Vectren South's electric utility assets?

A. Once the Reproduction Cost New was calculated for each account, by vintage, for all of the electric utility assets, a downward adjustment was made to reflect any loss in service value due to the age and the condition of the assets. As part of this adjustment, I considered what assets would be replaced today with functionally-equivalent but different assets. I also made a special technology adjustment recommended by witness Paul Moul. This results in the Replacement Cost New Less Depreciation value for the assets.

Q. Please describe Petitioner's Exhibits JPK-3 *and* JPK-4.

A. Petitioner's Exhibit JPK-3 provides the account level of detail and a summary of the Original Cost, Reproduction Cost New and Replacement Cost New Less

Depreciation, of the Company's Electric Plant in Service at March 31, 2006, with and without the technology adjustment.

The appraisal results are provided in accordance with the Uniform System of Accounts.

On page 1 of Petitioner's Exhibit JPK-3, Intangible Plant, in the amount of $440,555, is stated at book cost. In addition, this page provides a summary of the Reproduction Cost New and Replacement Cost New less Depreciation ("RCNLD") of the Company's production plant. The RCNLD value of Production Plant at March 31, 2006 is $1,217,995,459. The difference between the Reproduction Cost New and the RCNLD is depreciation. As is indicated on page 2 of Petitioner's Exhibit JPK-3 the indicated existing depreciation for Production Plant is approximately 58 percent. The remainder of the property is shown on pages 3 through 5 of Petitioner's Exhibit JPK-3. The total RCNLD value of Other Production Plant, which consists of combustion turbine units, is $61,436,975. The total RCNLD value of Transmission Plant is $224,866,843 and the existing depreciation is approximately 38 percent. The total RCNLD value of Distribution Plant is $426,605,034 and the indicated depreciation is approximately 32 percent. For General Plant, the total RCNLD value is $8,244,980 and the indicated depreciation is approximately 70 percent. The RCNLD value of the Common Plant dedicated to the electric utility has a total value of $47,802,835 with depreciation of approximately 29 percent. The total RCNLD of the Electric Plant in Service at March 31, 2006 is $1,987,352,680.

Finally, Petitioner's Exhibit JPK-4 shows the allocation of Common Plant to the electric and gas utilities for the original cost and the current cost of each Common Plant account. The allocations are based on the company's allocation of 85% electric plant and 15% gas plant as reported in the Company's FERC Form 1 filing.

Q. Please explain the development of the current cost figures.

A. The current costs have been developed by the trended original cost method. This method consists of the development of adjustment factors from appropriate cost indexes for application to the original costs by years of installation to obtain the current cost as of March 31, 2006. New adjustment factors are the cost

trend factors I mentioned earlier. For most accounts, the Handy-Whitman Index of Public Utility construction costs have been used.

Q. Please describe the Handy-Whitman Index.

A. It is an index of public utility construction costs, which has been published continuously since 1924 by Whitman, Requardt and Associates of Baltimore, Maryland. It is comprised of index numbers presented for various accounts prescribed by the Uniform System of Accounts, as well as for construction, material and labor, for six geographical divisions of the United States, including the North Central Division in which Indiana is located.

Q. For what purposes is the Handy-Whitman Index commonly used?

A. The Handy-Whitman Index has been used and is generally accepted for rate setting purposes, as well as for many other purposes. For example, it has been used to value utility property for sale purposes, perform stock valuations, and for ad valorem tax calculations. In addition, the Handy-Whitman Index has been used for insurance purposes and for engineering estimates of new construction project costs.

Q. How long have you used the Handy-Whitman Index to value utility property?

A. I have utilized the Handy-Whitman Index throughout my career as part of my valuation assignments.

Q. How does the Handy-Whitman Index account for changes in construction costs over time?

A. The Handy-Whitman Index has tracked utility labor, materials and equipment costs over time and has developed indices that reflect the percentage change in the cost of goods in most utility plant accounts for every year from 1912 through the present. Specifically, the Handy-Whitman Index provides a cost index for every year for different types of utility assets as compared to a base year of 1973. For example, if certain assets purchased in 1973 had an index cost of 100, assets purchased in 1923 may have an index of 20, while assets purchased

in 2002 may have any index of 220. Using the Handy-Whitman Index, the adjustment factor is calculated by dividing the index for the most recent period by the index for the vintage of the property in question. Therefore, in this example, the adjustment factor for the assets installed in 1923 would be 11 (i.e., the 2002 index of 220 divided by the 1923 index of 20). For property installed in 1973, the adjustment factor would be 2.2 (220 divided by 100).

Q. As an example, please explain how you used the Handy-Whitman Index to calculate the Reproduction Cost New of the assets in Account No. 364 – Poles, Towers and Fixtures.

A. On page 20 of Petitioner's Exhibit JPK-3 is a list of the annual installations made by Vectren South of Poles Towers & Fixtures, FERC Account No. 364, in years from 1970 through 2006. First, the vintage and original cost of this property is shown in columns (c) and (d), respectively. These figures are taken directly from Vectren South's property records. Second, the adjustment factor for each vintage of each account is shown in column (e). The adjustment factors for Account No. 364 are calculated as I have described. For example, the Handy-Whitman Index provides a 1969 cost index for Account No. 364 property of 70, and a January 1, 2006 cost index for the same property of 470. The adjustment factor for the Account No. 364 property installed in 1969, of 6.714, is calculated by dividing the January 1, 2006 cost index by the 1969 cost index (470 divided by 70). Lastly, the Reproduction Cost New value for each vintage of Account No. 364 is found in column (f) and is calculated by multiplying the original cost by the adjustment factor.

Q. Do the adjustment factors from the Handy-Whitman Index you used apply to the area in which Vectren South's electric utility assets are located?

A. Yes. The Handy-Whitman Index provides separate adjustment factors for various parts of the United States in order to reflect the differences in regional cost changes. As such, I have utilized the figures from the Handy-Whitman Index for the North Central region of the United States, which includes Indiana.

Q. What is the date as of which the Handy-Whitman Index used in your study

is applicable?

A. The data I used from the Handy-Whitman Index is as of January 1, 2006. The January 1, 2006 published numbers were adopted as being reflective of the price levels at March 31, 2006.

Q. In your opinion are the Handy-Whitman indexes reasonably applicable to the Vectren South's electric utility properties in service as of March 31, 2006?

A. Yes, they are.

Q. Did you use the Handy-Whitman index for all the utility property accounts?

A. No. There were two (2) primary instances in which the Handy-Whitman Index did not provide me the necessary information. First, the Handy-Whitman Index does not provide data on the value of land or easements. For land, land rights and easements, I utilized index numbers of Indiana farm real estate compiled by the United States Department of Agriculture.

Second, in those instances where the Handy-Whitman publication does not provide applicable cost indexes, I relied on the percent changes stated in the Bureau of Labor Statistics' Producer Price Index ("PPI") as a proxy for the cost changes in those assets over time. Similar to the Handy-Whitman Index, the Bureau of Labor Statistics tracks price changes for various asset categories, including those assets for which there was no information available from the Handy- Whitman Index. The Bureau of Labor Statistics does not calculate PPI back far enough to cover all vintages of Vectren South's assets. Therefore, I used the PPI information for the vintages for which there was data, and utilized the percent changes in Gross Domestic Product ("GDP") as a proxy for those vintages for which there was no information available from PPI.

The accounts that were trended using the PPI are the following: Account 391, Office Furniture and Equipment; Account 392, Transportation Equipment; Account 393, Stores Equipment; Account 394, Tools, Shop and Garage Equipment; Account 395, Laboratory Equipment; Account 396, Power Operated Equipment; Account 397, Communication Equipment and Account 398, Miscellaneous Equipment.

Q. What was the next step in your appraisal procedure?

A. Next was the determination of depreciation allowances to be applied to current cost.

Q. Referring to Petitioner's Exhibit JPK-3, do the allowances for depreciation constitute the differences between current cost and current cost less depreciation?

A. Yes, that is correct.

Q. On page 1 of Petitioner's Exhibit JPK-3, the total Reproduction Cost New of the Brown Production Plant is shown to be $1,060,913,578 and current cost less depreciation is shown to be $670,133,211. Does this mean that you allowed $390,780,366 for depreciation?

A. Yes, that is correct.

Q. Please explain how you determined the depreciation of production plant.

A. Determination of the depreciation associated with the production plant involved comparisons of the current cost and replacement cost of the existing plant to a new plant of similar technology. In this analysis I calculated the cost of replacing the subject asset at current prices with the cost of its functional equivalent, less loss in value from depreciation. Losses in value attributable to physical and functional causes can be quantified by the extent to which such losses affect the annual cost and level of production.

Using the Brown coal facility as an example, the current cost of the Brown facility of $1,060,913,578 was calculated by trending the investments made in the facility to current dollars. The replacement cost of the facility of $670,133,211 is developed based on the cost of a new functionally equivalent unit, less depreciation. The difference between the current cost and the replacement cost; the total depreciation is $390,780,366.

The cost of the new functionally equivalent unit was developed based on the construction cost of a new scrubbed coal facility, as reported by the Energy

Information Administration in its 2006 Annual Energy Outlook.[2] The comparison of the construction cost and operating and maintenance characteristics of an alternative facility to the existing facility combines the measurement of physical and functional depreciation. Physical and functional curable depreciation are appropriately reflected in the level of capital expenditures forecasted as well as the differential in non-fuel operating and maintenance expenses. Physical incurable depreciation is accounted for in the remaining life component of the analysis. Functional incurable depreciation is reflected in the lower capital cost and related annual cost of the replacement facility. The fuel cost advantage is reflected in the operating cost comparisons. The reproduction cost new of the Brown facility, excluding land, is $1,053,053,603. The cost of the new facility was calculated to be $791,792,960, therefore the functional depreciation attributable to lower capital cost of the Brown facility would be $269,120,618 ($1,060,913,578 -$791,792,960).

Further, depreciation is calculated by comparing the cost of operating and maintaining a new facility to the cost of operating and maintaining the existing facility. This comparison provides a measure of the relative condition of the existing facility. The cost of service includes the annual fixed charges, which relate to investment in the plant, and the annual operating costs. The fixed charges consist of depreciation, return, and taxes. In making this comparison, the current annual operating cost is deducted from the total cost of service of the subject plant as if it were in new condition and the resulting balance is the amount available for fixed charges. This amount, capitalized by the fixed charges rate, is the relative value of the existing facility. For the Brown facility, the replacement cost analysis produces a value of the facility of $662,273,237. The difference between this relative value and the cost to construct a new facility is primarily attributed to physical depreciation. For the Brown facility, this component of depreciation is $791,792,960-$662,273,237, or $129,519,723.

Q. Was this approach used to determine the depreciation for all the production plant?

A. The RCNLD value of all production plant as of March 31, 2006 was developed

[2] Assumptions to the EIA Annual Energy Outlook, Table 38.

using this approach. The Current Cost of the Production Plant in Service at March 31, 2006 was $2,094,800,023 the Current Cost Less Depreciation is $1,217,955,459.

Q. Did you use a similar approach to determine the depreciation of other production plant?

A. The RCNLD of the Broadway plant and the other production plant at the Brown facility was developed using the same approach. The current cost of other production plant in service at March 31, 2006 is $121,906,214 the RCNLD is $61,436,975.

Q. Please explain your determination of depreciation for Transmission Plant as shown on page 3 of Petitioner's Exhibit JPK-3.

A. The necessary adjustment to reflect the age and condition of the assets was essentially conducted in three steps. The first step was to determine the average service life for each asset account. I based the average service life for each asset account on the depreciation rates utilized by Vectren South.

The second step was to calculate the estimated remaining useful life of the assets in each account. After obtaining the average service life for each account, I then calculated an average weighted age of the assets in each account based on the present dollars of those assets by vintage as calculated in the Reproduction Cost Study described above.

For the third step, I determined the condition percent of the assets in each account. This determination is based on the "Condition-Percent Tables for Depreciation of Unit and Group Properties" by Robley Winfrey. These tables are published by Iowa State University. The condition percent of the assets in each account is calculated by dividing (i) the present value of the benefits of those same assets based on their remaining useful life by (ii) the present value of the benefits of the assets in each account based on their full average service life.

Q. What was the total depreciation for Transmission Plant in amount and percentage as related to the current cost?

A. In total, the depreciation is the difference between $364,967,076 and $

224,866,843, or $140,100,233. This constitutes approximately 38 percent depreciation.

Q. Have you considered any adjustment for the fact that, for whatever reason, the cost to construct Vectren South's Transmission Plant might be less than is shown in your appraisal?

A. Yes, I have considered such a deduction. With respect to Vectren South's Transmission Plant, the facilities are, in general, constructed with materials that are the current standard in the industry. There are, however, a number of additional costs, which would be incurred if the facilities were constructed under current conditions. New additional costs are primarily the result of the acquisition and protection of rights of way. Many existing transmission routes would not be feasible under current regulations, and as a practical matter, some of the existing transmission lines could not possibly be constructed today. Many of these lines are built in areas that are today classified as wetlands, environmentally sensitive, or are densely populated. Even routes that are acceptable under current regulations would likely face local community opposition if the attempt was made to establish them today. In general, transmission line rights-of-way purchased very economically in the past would be orders of magnitude more costly today. Transmission facilities that are constructed under current conditions face costs that were not necessary when many of the existing lines were installed. In addition to the increased costs of planning, environmental impact studies, permitting, and right-of-way acquisition already outlined above, there are costs incurred because of the need to minimize the environmental impact of construction. This was not a major consideration or cost in the past. In particular, wetlands and other protected areas require special engineering and construction techniques that lead to delays and increased cost. For example, construction sites must take steps to guard against sediment runoff, erosion, and chemical spills. All of these items add to the cost of constructing a transmission line today compared to the cost of constructing a transmission line when many of Vectren South's lines were actually built. I have concluded in my appraisal, therefore, that the current cost less depreciation of Vectren South's Transmission Plant is conservative and requires no further reduction due to current

construction conditions or piecemeal construction.

Q. Please explain your determination of depreciation for Distribution Plant as shown on page 4 of Petitioner's Exhibit JPK-3.

A. The analysis that I performed to determine the depreciation for Distribution Plant was similar to that which was done in the calculation of depreciation of Transmission Plant. First I determined the average service life for each asset account based the average service life for each asset account on the depreciation rates utilized by Vectren South. Next I calculated the estimated remaining useful life of the assets in each account and an average weighted age of the assets in each account based on the present dollars of those assets by vintage as calculated in the Reproduction Cost Study described above. Finally, I determined the condition percent of the assets in each account using the "Condition-Percent Tables for Depreciation of Unit and Group Properties" by Robley Winfrey.

Q. In your analysis, have you reflected the possibility that the cost to construct Vectren South's Distribution Plant might be less than is shown in your appraisal?

A. Yes, I have. However, many of the same problems that affect the construction of transmission lines also afflict the construction of distribution plant, but to a lesser degree. In addition, the design and construction of distribution plant today has its own areas of increased cost related to rights of way and underground construction costs the Company did not face when the existing system was originally constructed. Therefore, I found no further reduction in the current cost new less depreciation is necessary for Vectren South's Distribution Plant due to current construction conditions or piecemeal construction.

Q. What were the overall results for Distribution Plant as shown on page 4 of Petitioner's Exhibit JPK-3?

A. Total Replacement Cost is $625,414,344 and Less Depreciation $426,605,034. The overall average depreciation for Distribution Plant is 32 percent.

Q. Please explain your determinations of depreciation allowances for the various items of General Plant.

A. The approach taken to determine the depreciation of the General Plant accounts is consistent with the approach used to determine the depreciation of the transmission and distribution property.

Q. What was the total depreciation you applied to General Plant property?

A. As indicated on page 5 of Petitioner's Exhibit JPK-3, the total depreciation is the amount of $27,766,554 less $8,244,980, or $19,521,574. This constitutes approximately 70 percent depreciation.

Q. Please explain your depreciated allowances for the various items of Common Plant.

A. The items listed under Common Plant are virtually the same types of items listed under General Plant. The depreciation allowances for these accounts were made in the same manner as were those for General Plant - i.e., the buildings age and condition were considered and weighted, the vehicles were depreciated on the basis of their current market value, and the balance reflects a condition based on its average remaining service life. The range of estimated depreciation allowances extended from 27 percent to 92 percent for the various accounts.

Q. What was the total depreciation you applied to Common Plant property?

A. As indicated on page 5 of Petitioner's Exhibit JPK-3, the total Current Cost is the amount of $67,201,669 and Less Depreciation is $47,802,835 which reflects depreciation of 29 percent.

Q. Did you make any other adjustments to your results?

A. Yes. As discussed in Mr. Moul's testimony, to make sure the effect of technological change on the value of the assets was not understated, I made a further adjustment to reduce the RCNLD balances for the property plant and equipment of 2.25% per year from the date of installation. The technological adjustment was not applied to land, production plant and other production plant.

This additional adjustment results in an RCNLD value of $1,763,068,152, as shown in the far right hand column of Petitioner's Exhibit JPK-3.

Q. What were the results of your appraisal of the Company's Electric Plant in Service as of March 31, 2006?

A. The Current Cost of the Electric Plant in Service at March 31, 2006 was $3,302,558,609 the Current Cost Less Depreciation is $1,987,352,680 and the after the adjustment for technological change the Current Cost Less Depreciation is $1,763,068,152.

Q. Does this conclude your testimony?

A. Yes it does.

John P. Kelly
Executive Advisor

Mr. Kelly is a Valuation Consultant with over 35 years of wide experience in valuations and studies of public utility and industrial properties for rate-making, purchase and sale considerations, eminent domain/condemnation, ad valorem tax assessments, insurance, accounting, and financial purposes.

Mr. Kelly has been responsible for the development of value for electric, gas, telephone, water and steam utilities, and for many types of industrial properties. He has testified before utility commissions, federal and state courts, and before administrative bodies on more than 45 occasions. In addition to his valuation experience, he has also been appointed and approved to prepare independent engineer's certificates relative to valuation matters by numerous utility companies, trustees, and banks.

These assignments have been carried out throughout the United States, Puerto Rico, the U.S. Virgin Islands, and in the following foreign countries: Brazil, Canada, India, New Zealand, Peru and Venezuela.

Prior to his valuation experience, Mr. Kelly was responsible for reviewing for approval, the proposed construction of outside plant by New England Telephone Company. As an undergraduate, he was employed by New England Power Service Company and Doble Engineering Company.

PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2003 – Present)
Executive Advisor

Navigant Consulting, Inc. (2000 - 2003)
Director

Stone & Webster Management Consultants, Inc. (1964 – 2000)
Senior Vice President
Vice President
Senior Appraisal Engineer
Appraisal Engineer

New England Telephone Company (1963 – 1964)
Supervisory Assistant – Outside Plant

Doble Engineering Company (1959-1963)
Intern – Research & Development

New England Power Service Company (1958-1959)
Intern – Transmission Engineering

PROFESSIONAL LICENSE

Registered Professional Engineer – State of Maine, License No. 5148
Certified General Real Estate Appraiser:

- Commonwealth of Massachusetts, License No. 209
- State of Maine, Certificate No. CG 1342
- State of Michigan, Permanent I.D. No. 1201071037
- State of New York, I.D. No. 4600003621

ASSOCIATION MEMBERSHIPS

American Society of Appraisers, Accredited Member
Eta Kappu Nu – Electrical Engineering Honor Society
American Water Works Association

EDUCATION

Northeastern University, BS, Electrical Engineering, 1963
Northeastern University, Graduate School of Engineering, 1968
University of Southern Maine – Uniform Standards of Professional Appraisal Practice
Appraisal Institute – Real Estate Appraisal Principles
Appraisal Institute – Basic Valuation Procedures
Appraisal Institute – Capitalization Theory and Techniques, Part A
Appraisal Institute – Capitalization Theory and Techniques, Part B
Appraisal Institute – Case Studies in Real Estate Valuation
Appraisal Institute – Standards of Professional Practice Parts A and B
Appraisal Institute – Highest & Best Use and Market Analysis
American Society of Appraisers – National Uniform Standards of Professional Appraisal Practice
Appraisal Institute – General Applications
Appraisal Institute – Standards of Professional Practice, Part C

Expert Testimony Of John P. Kelly

YEAR	CASE	PURPOSE	HEARD BY
1975	Indianapolis Power & Light Co.	Valuation and Rate Base	P.U.C. (IN)
1976	Indianapolis Power & Light Co.	Valuation and Rate Base	P.U.C. (IN)
1978	Indianapolis Power & Light Co.	Valuation and Rate Base	P.U.C. (IN)
1978	Montaup Electric Co.	Ad Valorem Taxes City of Fall River	Appellate Tax Board (MA)
1979	Niagara Mohawk Power Corp.	Condemnation Town of Massena	St. Lawrence County Supreme Court (NY)
1980	Niagara Mohawk Power Corp.	Condemnation Town of Massena	St. Lawrence County Supreme Court (NY)
1981	Boston Edison Co.	Ad Valorem Taxes City of Somerville	Appellate Tax Board (MA)
1981	Indianapolis Power & Light Co.	Valuation and Rate Base	P.U.C. (IN)
1982	Southern Indiana Gas & Electric Co.	Valuation and Rate Base	P.U.C. (IN)
1982	Indianapolis Power & Electric Co.	Valuation and Rate Base	P.U.C. (IN)
1982	Southern Indiana Gas & Electric Co.	Valuation and Rate Base	P.U.C. (IN)
1983	Massachusetts Electric Company	Ad Valorem Taxes City of Quincy	Appellate Tax Board (MA)
1983	New England Power Company	Ad Valorem Taxes City of Quincy	Appellate Tax Board (MA)
1983	Boston Edison Company	Ad Valorem Taxes City of Watertown	Appellate Tax Board (MA)
1984	Automatic Comfort Corporation	Stockholders' Suit	Board of Arbitration (Hartford, CT)
1984	Seabrook Station	Ad Valorem Taxes Town of Seabrook	Superior Court (NH)
1984	Boston Edison Company	Ad Valorem Taxes City of Boston	Appellate Tax Board (MA)
1985	Granite State Gas Transmission Company	Ad Valorem Taxes Town of East Kingston	Board of Land and Tax Appeals (NH)
1985	Hunt Energy Company	Bankruptcy	U.S. Bankruptcy Court for Northern Ohio
1985	Indianapolis Power & Light Co.	Valuation and Rate Base	P.U.C. (IN)

Expert Testimony Of John P. Kelly

YEAR	CASE	PURPOSE	HEARD BY
1986	New England Power Company	Ad Valorem Taxes Town of Hartford	Windsor County Superior Court (VT)
1986	Seabrook Station	Ad Valorem Taxes Town of Seabrook	Superior Court (NH)
1986	Ohio Edison Co.	Condemnation	Public Hearing (Marion, OH)
1986	Northern Indiana Public Service Co.	Valuation and Rate Base	P.U.C. (IN)
1986	Clarkston General Water Supply, Inc.	Condemnation	Asotin County Superior Court (WA)
1987	Dow Chemical Co.	Ad Valorem Taxes	Louisiana Tax Commission
1987	Orange & Rockland Utilities Company	Ad Valorem Taxes Town of Ramapo	Rockland County Supreme Court (NY)
1987	Public Service Company of New Hampshire	Ad Valorem Taxes Town of Londonderry	Board of Land and Tax Appeals (NH)
1987	Northern Indiana Public Service Company	Valuation and Rate Base	Indiana Utility Regulatory Commission
1987	Cooper Industries Crouse-Hinds Division	Ad Valorem Taxes Town of Salina	Onondaga County Supreme Court (NY)
1988	Seabrook Station	Ad Valorem Taxes Town of Seabrook	Rockingham County Superior Court (NH)
1989	Pacific Power & Light Company	Condemnation Alturas, California	U.S. District Court Eastern District of California
1989	Iowa Public Service Company	Condemnation Sheldon, Iowa	Iowa Public Utilities Board
1990	San Diego Gas & Electric Company	Condemnation San Juan Capistrano, California	Orange County Superior Court (CA)
1991	Peoples Natural Gas	Condemnation, Hartley, Iowa	O'Brien County District Court
1991	Peoples Natural Gas	Condemnation, Everly, Iowa	Clay County District Court

Expert Testimony Of John P. Kelly

YEAR	CASE	PURPOSE	HEARD BY
1991	Boston Edison Company	Ad Valorem Taxes City of Everett	Appellate Tax Board (MA)
1992	Indianapolis Power & Light Company	Valuation and Rate Base	Indiana Utility Regulatory Commission
1993	Southern New Hampshire Water Company	Ad Valorem Taxes Town of Hudson	Hillsborough County Superior Court (NH)
1993	San Diego Gas & Electric Co.	Condemnation Oceanside, California	San Diego County Superior Court (CA)
1995	Ebensburg Power Company	Contract Dispute	Board of Arbitration (Pittsburgh, PA)
1996	Connecticut Yankee Atomic Power Company	Ad Valorem Taxes Town of Haddam	Middlesex County Superior Court (CT)
1998	Turners Falls Cogeneration Plant	Ad Valorem Taxes Town of Montague	Appellate Tax Board (MA)
1998	Public Service Company of Colorado	Asset Transfer	Public Utility Commission of Colorado
1998	Ohio Edison Company Perry Nuclear Plant	Ad Valorem Taxes	Board of Tax Appeals (OH)
1999	Pennsylvania Power Company	Ad Valorem Taxes	Lawrence County Board of Assessment Appeals (PA)
1999	Beaver Valley Nuclear Power Station & Bruce Mansfield Power Plant	Ad Valorem Taxes	Beaver County Board Of Assessment Appeals (PA)
2001	Northern Indiana Public Service Company	Valuation and Rate Base	Indiana Utility Regulatory Commission
2004	Indiana Gas Company, Inc.	Valuation and Rate Base	Indiana Utility Regulatory Commission
2004	Southern Indiana Gas and Electric Co., Inc.	Valuation and Rate Base	Indiana Utility Regulatory Commission
2004	Frank R. Phillips Power Plant	Ad Valorem Taxes	Court of Common Pleas (Allegheny County, PA)

Vectren South Electric

Account Description	Original Cost	Reproduction Cost New	RCNLD	Technologically Adjusted RCN	Technologically Adjusted RCNLD
Intangible Plant	$ 440,555	$ 440,555	$ 440,555	$ 440,555	$ 440,555
Production Plant	$ 1,024,581,235	$ 2,094,800,023	$ 1,217,955,459	$ 1,217,955,459	$ 1,217,955,459
Other Production	$ 82,835,753	$ 121,906,214	$ 61,436,975	$ 61,436,975	$ 61,436,975
Transmission Plant	$ 160,510,028	$ 364,967,076	$ 224,866,843	$ 231,615,445	$ 144,719,033
Distribution Plant	$ 341,468,447	$ 625,414,344	$ 426,605,034	$ 431,023,509	$ 294,435,110
General Plant	$ 21,123,124	$ 27,766,554	$ 8,244,980	$ 21,347,449	$ 6,186,443
Common Plant*	$ 38,299,188	$ 67,201,669	$ 47,802,835	$ 52,521,590	$ 37,894,579
Total Electric Plant In Service	$ 1,669,258,330	$ 3,302,496,435	$ 1,987,352,680	$ 2,016,340,981	$ 1,763,068,152

* Electric Portion Only

Vectren South Electric

Account #	Account Description	Original Cost	Reproduction Cost New	Percent Condition	RCNLD	Technologically Adjusted RCN	Technologically Adjusted RCNLD
	Intangible Plant						
301	Organization	$ 12,151	$ 12,151	100%	$ 12,151		
303	Miscellaneous Intangible Plant	$ 428,404	$ 428,404	100%	$ 428,404		
	Total, Intangible Plant	$ 440,555	$ 440,555	100%	$ 440,555	$ 440,555	$ 440,555
	Production Plants						
	Culley Station						
310	Land & Rights	$ 404,014	$ 4,141,144		$ 4,141,144		
311	Structures and Improvements	$ 21,832,242	$ 119,030,515)				
312	Boiler Plant Equipment	$ 268,499,714	$ 561,707,992)		$ 466,147,334		
314	Turbogenerators	$ 55,580,680	$ 140,926,706)				
315	Accessory Electric Equipment	$ 5,121,093	$ 26,787,822)				
316	Misc. Power Plant Equipment	$ 5,810,920	$ 12,820,841)				
	Total, Culley Station	$ 357,248,663	$ 865,415,019	54%	$ 470,288,478	$ 470,288,478	$ 470,288,478
	Brown Station						
310	Land & Rights	$ 2,945,312	$ 7,859,975		$ 7,859,975		
311	Structures and Improvements	$ 48,810,619	$ 105,421,311)				
312	Boiler Plant Equipment	$ 428,774,664	$ 695,131,957)		$ 662,273,237		
314	Turbogenerators	$ 90,258,251	$ 164,863,961)				
315	Accessory Electric Equipment	$ 26,434,722	$ 73,370,009)				
316	Misc. Power Plant Equipment	$ 6,900,369	$ 14,266,365)				
	Total, Brown Station	$ 604,123,937	$ 1,060,913,578	63%	$ 670,133,211	$ 670,133,211	$ 670,133,211
	Warrick Station						
310	Land & Rights	$ 644	$ 3,772		$ 3,772		
311	Structures and Improvements	$ 1,060,957	$ 5,769,582)				
312	Boiler Plant Equipment	$ 53,325,843	$ 124,315,995)				
314	Turbogenerators	$ 6,479,122	$ 30,520,538)		$ 77,529,998		
315	Accessory Electric Equipment	$ 2,224,241	$ 7,440,505)				
316	Misc. Power Plant Equipment	$ 117,828	$ 421,035)				
	Total, Warrick Station	$ 63,208,635	$ 168,471,427	46%	$ 77,533,770	$ 77,533,770	$ 77,533,770
	Total, Production Plant	1,024,581,235	$ 2,094,800,023	58%	$ 1,217,955,459	$ 1,217,955,459	$ 1,217,955,459

Vectren South Electric

Account #	Account Description	Original Cost	Reproduction Cost New	Percent Condition	RCNLD	Technologically Adjusted RCN	Technologically Adjusted RCNLD
	Other Production Plants						
	Northeast Station						
340	Land & Rights	$ 1,325	$ 2,946		$ 2,946		
341	Structures and Improvements	$ 5,040	$ 37,015)				
342	Fuel Holders	$ 20,952	$ 145,099)		$ 688,669		
343	Prime Movers	$ 1,525,329	$ 9,666,311)				
344	Generators	$ 673,358	$ 3,965,546)				
345	Accessory Electric Equipment	$ 6,378	$ 15,390)				
	Total, Northeast Station	$ 2,232,382	$ 13,832,306	5%	$ 691,615	$ 691,615	$ 691,615
	Brown Station						
341	Structures and Improvements	$ 1,733,378	$ 2,509,486)				
342	Fuel Holders	$ 4,017,728	$ 5,505,226)				
343	Prime Movers	$ 36,501,858	$ 41,626,901)		$ 33,845,467		
344	Generators	$ 14,959,449	$ 4,572,735)				
345	Accessory Electric Equipment	$ 2,252,165	$ 3,392,942)				
346	Misc Plant Equipment	$ 1,092,260	$ 1,118,408)				
	Total, Brown Station	$ 60,556,838	$ 58,725,697	58%	$ 33,845,467	$ 33,845,467	$ 33,845,467
	Broadway Station						
340	Land & Rights	$ 37,520	$ 83,419		$ 83,419		
341	Structures and Improvements	$ 64,183	$ 127,891)				
342	Fuel Holders	$ 953,650	$ 3,272,922)				
343	Prime Movers	$ 12,582,662	$ 29,161,277)		$ 26,816,473		
344	Generators	$ 4,730,844	$ 12,129,310)				
345	Accessory Electric Equipment	$ 1,129,753	$ 3,961,895)				
346	Misc Plant Equipment	$ 547,921	$ 611,497)				
	Total, Broadway Station	$ 20,046,533	$ 49,348,211	55%	$ 26,899,892	$ 26,899,892	$ 26,899,892
	Total, Other Production Plants	$ 82,835,753	$ 121,906,214		$ 61,436,975	$ 61,436,975	$ 61,436,975
	Total, All Production Plants	$ 1,107,416,988	$ 2,216,706,237		$ 1,279,392,433	$ 1,279,392,433	$ 1,279,392,433

Vectren South Electric

Account #	Account Description	Original Cost	Reproduction Cost New	Percent Condition	RCNLD	Technologically Adjusted RCN	Technologically Adjusted RCNLD
	Transmission Plant						
350	Land & Rights	$ 8,288,468	$ 13,304,264	100%	$ 13,304,264	$ 13,304,045	$ 13,304,045
352	Structures and Improvements	$ 1,666,115	$ 4,583,933	72%	$ 3,300,432	$ 2,441,061	$ 1,757,564
353	*Station Equipment*	$ 71,171,126	$ 166,221,026	62%	$ 103,057,036	$ 100,866,467	$ 62,537,210
354	Towers & Fixtures	$ 4,577,798	$ 23,669,356	45%	$ 10,651,210	$ 10,386,397	$ 4,673,878
355	Poles & Fixtures	$ 38,338,428	$ 68,855,375	48%	$ 33,050,580	$ 48,187,702	$ 23,130,097
356	Overhead Conductors	$ 33,930,473	$ 83,705,014	69%	$ 57,756,460	$ 53,200,664	$ 36,708,458
357	Underground Conduit	$ 1,180,974	$ 2,282,288	84%	$ 1,917,122	$ 1,484,594	$ 1,247,059
358	Underground Conductors & Devices	$ 1,356,646	$ 2,345,819	78%	$ 1,829,739	$ 1,744,515	$ 1,360,722
	Total, Transmission Plant	$ 160,510,028	$ 364,967,076	62%	$ 224,866,843	$ 231,615,445	$ 144,719,033
	Distribution Plant						
360	Land & Rights	$ 1,094,730	$ 1,736,039	100%	$ 1,736,039	$ 1,736,039	$ 1,736,039
361	Structures and Improvements	$ 668,478	$ 2,404,745	8%	$ 192,380	$ 1,133,622	$ 90,690
362	Station Equipment	$ 55,526,460	$ 122,637,756	62%	$ 76,035,409	$ 75,873,760	$ 47,041,731
364	Poles, Towers & Fixtures	$ 47,584,604	$ 84,819,929	70%	$ 59,373,950	$ 59,012,628	$ 41,308,839
365	Overhead Conductors	$ 52,161,206	$ 114,465,978	78%	$ 89,283,463	$ 75,912,845	$ 59,212,019
366	*Underground Conduit*	$ 17,484,981	$ 29,059,248	85%	$ 24,700,361	$ 21,691,111	$ 18,437,445
367	Underground Conductors	$ 42,822,800	$ 71,004,432	66%	$ 46,862,925	$ 52,471,312	$ 34,631,066
368	Line Transformers	$ 52,916,285	$ 84,020,637	70%	$ 58,814,446	$ 58,554,874	$ 40,988,412
369	Services	$ 42,688,511	$ 66,061,916	60%	$ 39,637,149	$ 50,352,483	$ 30,211,490
370	Meters	$ 15,516,141	$ 25,177,702	69%	$ 17,372,614	$ 17,661,607	$ 12,186,509
371	Installations on Customer's Prem.	$ 2,823,418	$ 4,183,629	26%	$ 1,087,744	$ 3,283,131	$ 853,614
373	Street Lighting & Signal Systems	$ 10,180,833	$ 19,842,335	58%	$ 11,508,554	$ 13,340,097	$ 7,737,256
	Total, Distribution Plant	$ 341,468,447	$ 625,414,344	68%	$ 426,605,034	$ 431,023,509	$ 294,435,110

Vectren South Electric

Account #	Account Description	Original Cost	Reproduction Cost New	Percent Condition	RCNLD	Technologically Adjusted RCN	Technologically Adjusted RCNLD
	General Plant						
389	Land & Rights	$ 31,955	$ 54,026	100%	$ 54,026	$ 54,026	$ 54,026
390	Structures and Improvements	$ 1,630,296	$ 3,452,631	55%	$ 1,898,947	$ 2,141,362	$ 1,177,749
391	Office Furniture & Equipment	$ 806,130	$ 1,047,422	5%	$ 52,371	$ 839,493	$ 41,975
392	Transportation Equipment	$ 9,716,915	$ 11,280,972	22%	$ 2,481,814	$ 9,406,982	$ 2,069,536
393	Stores Equipment	$ 19,158	$ 21,933	98%	$ 21,495	$ 21,845	$ 21,408
394	Tools, Shop & Garage Equip.	$ 864,829	$ 1,206,528	16%	$ 193,044	$ 887,283	$ 141,965
395	Laboratory Equipment	$ 1,480,619	$ 2,324,885	16%	$ 371,982	$ 1,653,437	$ 264,550
396	Power Operated Equipment	$ 1,121,783	$ 1,679,846	26%	$ 436,760	$ 1,238,776	$ 322,082
397	Communicaton Equipment	$ 240,997	$ 262,496	12%	$ 31,500	$ 168,769	$ 20,252
398	Miscellaneous Equipment	$ 5,210,442	$ 6,435,815	42%	$ 2,703,042	$ 4,935,475	$ 2,072,900
	Total, General Plant	$ 21,123,124	$ 27,766,554	30%	$ 8,244,980	$ 21,347,449	$ 6,186,443
	Common Plant						
303	Miscellaneous Intangible Plant	$ 52,494	$ 54,699	100%	$ 54,699	$ 51,452	$ 51,452
389	Land & Rights	$ 2,434,728	$ 11,927,429	100%	$ 11,927,429	$ 11,927,429	$ 11,927,429
390	Structures & Improvements	$ 26,645,796	$ 44,839,104	73%	$ 32,732,546	$ 32,217,121	$ 23,518,498
391	Office Furniture & Equipment	$ 4,406,202	$ 5,435,237	17%	$ 923,990	$ 4,626,597	$ 786,522
392	Transportation Equipment	$ 782,055	$ 895,569	28%	$ 250,759	$ 758,153	$ 212,283
393	Stores Equipment	$ 458,308	$ 637,506	38%	$ 242,252	$ 446,547	$ 169,688
394	Tools, Shop & Garage Equip.	$ 334,746	$ 425,372	16%	$ 68,060	$ 320,875	$ 51,340
396	Power Operated Equipment	$ 50,649	$ 68,274	55%	$ 37,551	$ 53,696	$ 29,533
397	Communicaton Equipment	$ 2,894,710	$ 2,561,673	60%	$ 1,537,004	$ 1,881,262	$ 1,128,757
398	Miscellaneous Equipment	$ 239,499	$ 356,805	8%	$ 28,544	$ 238,456	$ 19,077
	Total, Common Plant	$ 38,299,188	$ 67,201,669	71%	$ 47,802,835	$ 52,521,590	$ 37,894,579
	Total, Electric Plant in Service	$ 1,669,258,330	$ 3,302,496,435	60%	$ 1,987,352,680	$ 2,016,340,981	$ 1,763,068,152

Vectren South Electric

Brown Station

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)
Production Plant					
Structures & Improvements	310	1979	$ 2,945,312	2.669	$ 7,859,975
			$ 2,945,312		**$ 7,859,975**
Structures and Improvements	311	1979	$ 23,591,960	2.669	$ 62,958,426
	311	1982	$ 6,505	2.211	$ 14,381
	311	1983	$ 45,319	2.127	$ 96,410
	311	1984	$ 72,231	2.041	$ 147,404
	311	1985	$ 785,461	1.978	$ 1,553,697
	311	1986	$ 14,832,207	1.927	$ 28,586,861
	311	1987	$ 1,485,526	1.879	$ 2,791,551
	311	1995	$ 189,304	1.484	$ 280,842
	311	1996	$ 351,826	1.449	$ 509,794
	311	2000	$ 21,036	1.286	$ 27,048
	311	2002	$ 836,472	1.182	$ 988,857
	311	2003	$ 1,976,685	1.166	$ 2,305,068
	311	2004	$ 1,308,031	1.157	$ 1,513,591
	311	2005	$ 1,150,404	1.131	$ 1,301,147
	311	2006	$ 2,157,652	1.087	$ 2,346,235
			$ 48,810,619		**$ 105,421,311**
Boiler Plant Equipment	312.1	1979	$ 58,887,272	2.663	$ 156,829,315
	312.1	1982	$ -	2.124	$ -
	312.1	1984	$ 658,240	1.992	$ 1,311,377
	312.1	1985	$ 781,963	1.932	$ 1,511,011
	312.1	1986	$ 83,681,167	1.904	$ 159,304,148
	312.1	1987	$ 2,478,534	1.836	$ 4,549,880
	312.1	1988	$ 1,445,524	1.731	$ 2,501,681
	312.1	1989	$ 1,176	1.662	$ 1,955
	312.1	1990	$ 15,428	1.590	$ 24,532
	312.1	1991	$ 998,010	1.558	$ 1,554,476
	312.1	1992	$ 797,279	1.524	$ 1,215,126
	312.1	1993	$ 205,311	1.480	$ 303,902
	312.1	1994	$ 355,265	1.432	$ 508,652
	312.1	1995	$ 227,968	1.394	$ 317,764
	312.1	1996	$ 572,846	1.362	$ 780,498
	312.1	1997	$ 250,995	1.335	$ 335,095
	312.1	1998	$ 6,970,433	1.309	$ 9,122,349
	312.1	1999	$ 4,243,422	1.282	$ 5,439,199
	312.1	2000	$ 5,627,387	1.226	$ 6,899,170
	312.1	2001	$ 916,726	1.176	$ 1,078,254
	312.1	2002	$ 148,020	1.138	$ 168,510
	312.1	2003	$ 14,720,288	1.128	$ 16,601,707
	312.1	2006	$ 2,233,228	1.080	$ 2,411,511
			$ 186,216,482		**$ 372,770,113**
Boiler Plant Equipment	312.2	1979	$ 11,383,021	2.663	$ 30,315,403
	312.2	1982	$ 43,925	2.124	$ 93,295
	312.2	1983	$ 2,202,281	2.073	$ 4,564,405
	312.2	1984	$ 6,794	1.992	$ 13,535
	312.2	1985	$ 384,491	1.932	$ 742,964
	312.2	1986	$ 27,486,608	1.904	$ 52,326,357
	312.2	1987	$ 2,936,489	1.836	$ 5,390,555
	312.2	1988	$ 330,639	1.731	$ 572,217
	312.2	1989	$ 3,603,590	1.662	$ 5,989,475
	312.2	1990	$ 121,250	1.590	$ 192,800
	312.2	1991	$ 232,895	1.558	$ 362,752
	312.2	1992	$ 145,291	1.524	$ 221,437
	312.2	1993	$ 612,800	1.480	$ 907,068
	312.2	1994	$ 342,407	1.432	$ 490,243
	312.2	1995	$ 22,746	1.394	$ 31,706
	312.2	1996	$ 600,107	1.362	$ 817,641
	312.2	1997	$ 1,836,974	1.335	$ 2,452,480
	312.2	1998	$ 2,192,556	1.309	$ 2,869,443
	312.2	1999	$ 938,095	1.282	$ 1,202,446
	312.2	2000	$ 782,158	1.226	$ 958,925
	312.2	2001	$ 472,242	1.176	$ 555,452
	312.2	2002	$ 45,275	1.138	$ 51,542
	312.2	2003	$ 5,637,099	1.128	$ 6,357,584
	312.2	2004	$ 848,368	1.127	$ 955,750
	312.2	2006	$ 1,772,205	1.080	$ 1,913,684
			$ 64,980,306		**$ 120,349,157**
Boiler Plant Equipment	312.3	1979	$ 2,068,392	2.663	$ 5,508,567
	312.3	1991	$ 62,097	1.558	$ 96,721
	312.3	1994	$ 281,190	1.432	$ 402,595
			$ 2,411,679		**$ 6,007,883**

Vectren South Electric

Brown Station

Description	Account No	Installation Date		Original Cost	Adjustment Factor		RCN
Boiler Plant Equipment	312.4	2004	$	76,217,915	1.127	$	85,865,224
	312.4	2005	$	98,788,011	1.113	$	109,966,514
	312.4	2006	$	160,271	1.080	$	173,066
			$	**175,166,197**		**$**	**196,004,803**
Turbogenerator Units	314	1979	$	19,703,565	2.574	$	50,712,454
	314	1983	$	742,947	1.907	$	1,416,713
	314	1984	$	3,673,187	1.847	$	6,784,592
	314	1985	$	284,978	1.826	$	520,251
	314	1986	$	43,819,270	1.833	$	80,306,911
	314	1987	$	109,304	1.791	$	195,750
	314	1988	$	8,758	1.684	$	14,745
	314	1990	$	20,247	1.599	$	32,381
	314	1992	$	93,076	1.547	$	143,970
	314	1995	$	2,369,991	1.374	$	3,256,793
	314	1996	$	324,974	1.349	$	438,261
	314	1997	$	889,625	1.306	$	1,161,506
	314	1998	$	40,125	1.283	$	51,496
	314	1999	$	362,781	1.264	$	458,403
	314	2000	$	358,797	1.205	$	432,485
	314	2001	$	286,103	1.189	$	340,289
	314	2002	$	120,805	1.140	$	137,687
	314	2003	$	2,914,400	1.102	$	3,210,953
	314	2004	$	5,378,613	1.083	$	5,827,088
	314	2005	$	8,726,421	1.076	$	9,389,250
	314	2006	$	30,284	1.056	$	31,982
			$	**90,258,251**		**$**	**164,863,961**
Accessory Electric Equipment	315	1979	$	11,936,154	3.330	$	39,742,725
	315	1983	$	66,165	2.375	$	157,109
	315	1986	$	14,088,812	2.346	$	33,058,787
	315	1996	$	40,424	1.573	$	63,569
	315	2003	$	53,004	1.188	$	62,960
	315	2005	$	92,825	1.162	$	107,843
	315	2006	$	157,338	1.125	$	177,015
			$	**26,434,722**		**$**	**73,370,009**
Miscellaneous Power Plant Equipment	316	1979	$	2,595,312	3.017	$	7,830,174
	316	1985	$	1,292,508	1.989	$	2,570,493
	316	1996	$	787,047	1.429	$	1,124,958
	316	1992	$	31,600	1.628	$	51,432
	316	1994	$	457,135	1.491	$	681,372
	316	2001	$	1,068	1.216	$	1,299
	316	2002	$	8,255	1.179	$	9,730
	316	2003	$	805,332	1.168	$	940,366
	316	2004	$	220,570	1.162	$	256,286
	316	2005	$	701,542	1.141	$	800,255
			$	**6,900,369**		**$**	**14,266,365**
Total Production Plant			**$**	**604,123,937**		**$**	**1,060,913,578**
Other Production Plant- Brown							
Structures and Improvements	341	1991	$	766,807	1.783	$	1,367,282
	340	1992	$	40,443			
	341	2002	$	925,394	1.233	$	1,141,298
	341	2003	$	722	1.235	$	892
	341	2004	$	12	1.197	$	14
			$	**1,733,378**		**$**	**2,509,486**

Vectren South Electric

Brown Station

Description	Account No	Installation Date		Original Cost	Adjustment Factor		RCN
Fuel Holders, Producers & Accessories	342	1991	$	1,819,746	1.576	$	2,868,776
	342	1998	$	142	1.330	$	189
	342	2002	$	2,196,269	1.199	$	2,634,399
	342	2003	$	1,571	1.185	$	1,862
			$	**4,017,728**		**$**	**5,505,226**
Prime Movers	343	1991	$	15,104,355	1.285	$	19,412,095
	343	2002	$	18,668,617	1.040	$	19,421,472
	343	2003	$	2,010,126	1.023	$	2,056,336
	343	2004	$	1,379	1.021	$	1,407
	343	2005	$	706,051	1.025	$	723,946
	343	2006	$	11,330	1.028	$	11,644
			$	**36,501,858**		**$**	**41,626,901**
Other Production Plant							
Generators	344	1991	$	2,528,450	1.228	$	3,104,801
	344	2002	$	7,844,258	1.015	$	7,958,606
	344	2003	$	6,122	0.998	$	6,111
	344	2004	$	207	0.998	$	207
	344	2004	$	4,580,412	0.998	$	4,572,528
			$	**14,959,449**		**$**	**4,572,735**
Accessory Electric Equipment	345	1991	$	1,014,002	1.876	$	1,901,952
	345	2002	$	1,227,690			
	345	2003	$	10,473	1.214	$	1,490,990
			$	**2,252,165**		**$**	**3,392,942**
Miscellaneous Other Production Equipment	346	1992	$	1,366	1.257	$	1,717
	346	2002	$	41,440	1.040	$	43,111
	346	2003	$	1,049,454	1.023	$	1,073,579
			$	**1,092,260**		**$**	**1,118,408**
Other Production Plant			**$**	**60,556,838**		**$**	**58,725,697**
Total			**$**	**664,680,775**		**$**	**1,119,639,275**

Vectren South Electric

Culley Station

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)
Land & Land Rights	310	1955	$ 404,014	10.250	$ 4,141,144
			$ 404,014		**$ 4,141,144**
Structures and Improvements					
	311	1955	$ 5,148,764	10.250	$ 52,774,831
	311	1966	$ 2,906,125	7.517	$ 21,844,373
	311	1973	$ 6,921,853	4.510	$ 31,217,557
	311	1982	$ 4,687,455	2.211	$ 10,362,952
	311	1983	$ 123,144	2.127	$ 261,971
	311	1984	$ 151,964	2.041	$ 310,117
	311	1987	$ 36,291	1.879	$ 68,197
	311	1994	$ 76,689	1.530	$ 117,343
	311	1995	$ 44,348	1.484	$ 65,793
	311	1999	$ 850	1.352	$ 1,149
	311	2000	$ 358	1.286	$ 460
	311	2002	$ 401,694	1.182	$ 474,873
	311	2003	$ 379,161	1.166	$ 442,150
	311	2004	$ 392,680	1.157	$ 454,390
	311	2005	$ 254,516	1.131	$ 287,866
	311	2005	$ 306,350	1.131	$ 346,492
			$ 21,832,242		**$ 119,030,615**
Boiler Plant Equipment					
	312.1	1955	$ 6,205,661	10.708	$ 66,452,287
	312.1	1966	$ 5,214,454	7.449	$ 38,843,904
	312.1	1973	$ 29,128,611	5.140	$ 149,721,061
	312.1	1982	$ 1,786,778	2.124	$ 3,795,057
	312.1	1982	$ 635,760	2.124	$ 1,350,333
	312.1	1984	$ 576,605	1.992	$ 1,148,740
	312.1	1985	$ (232,122)	1.932	$ (448,536)
	312.1	1986	$ 124,892	1.904	$ 237,757
	312.1	1987	$ 6,909,256	1.836	$ 12,683,420
	312.1	1988	$ 536,912	1.731	$ 929,201
	312.1	1989	$ 490,427	1.662	$ 815,132
	312.1	1990	$ 18,849,888	1.590	$ 29,973,217
	312.1	1991	$ 3,121,204	1.558	$ 4,861,512
	312.1	1992	$ 1,282,443	1.524	$ 1,954,561
	312.1	1993	$ 1,502,560	1.480	$ 2,224,092
	312.1	1994	$ 7,318,935	1.432	$ 10,478,921
	312.1	1995	$ 6,388,756	1.394	$ 8,905,276
	312.1	1996	$ 1,776,784	1.362	$ 2,420,853
	312.1	1997	$ 5,829,004	1.335	$ 7,782,099
	312.1	1998	$ 603,513	1.309	$ 789,830
	312.1	1999	$ 437,417	1.282	$ 560,679
	312.1	2000	$ 4,482,816	1.226	$ 5,495,927
	312.1	2001	$ 2,325,833	1.176	$ 2,735,648
	312.1	2002	$ 7,080,751	1.138	$ 8,060,921
	312.1	2003	$ 842,366	1.128	$ 950,030
	312.1	2004	$ 272,018	1.127	$ 306,449
	312.1	2005	$ -	1.113	$ -
	312.1	2006	$ 840,800	1.080	$ 907,923
			$ 114,332,322		**$ 363,936,293**
Boiler Plant Equipment	312.2	1991	$ 20,186	1.558	$ 31,441
	312.2	1995	$ 89,726,346	1.394	$ 125,069,402
	312.2	1996	$ 163,671	1.362	$ 223,000
	312.2	1997	$ 46,119	1.335	$ 61,572
	312.2	1999	$ 32,807	1.282	$ 42,052
	312.2	2001	$ 35,284	1.176	$ 41,501
	312.2	2002	$ 247,400	1.138	$ 281,647
	312.2	2003	$ 378,240	1.128	$ 426,583
	312.2	2004	$ 245,684	1.127	$ 276,782
	312.2	2005	$ 671,604	1.113	$ 747,600
	312.2	2006	$ 593,786	1.080	$ 641,189
			$ 92,161,127		**$ 127,842,769**
Boiler Plant Equipment	312.4	2003	$ 60,034,690	1.128	$ 67,707,802
	312.4	2004	$ 1,971,575	1.127	$ 2,221,128
			$ 62,006,265		**$ 69,928,930**

Vectren South Electric

Culley Station

Description	Account No	Installation Date	Original Cost	Adjustment Factor	RCN
Turbogenerator Units	314	1955	$ 1,261,985	7.983	$ 10,074,490
	314	1966	$ 3,151,079	6.634	$ 20,903,637
	314	1973	$ 12,831,846	4.710	$ 60,437,995
	314	1983	$ 71,382	1.907	$ 136,117
	314	1985	$ 6,819	1.826	$ 12,449
	314	1987	$ 869,845	1.791	$ 1,557,783
	314	1988	$ 93,768	1.684	$ 157,872
	314	1989	$ 5,929	1.631	$ 9,671
	314	1990	$ 1,942,887	1.599	$ 3,107,300
	314	1991	$ 477,282	1.571	$ 749,958
	314	1992	$ 391,116	1.547	$ 604,977
	314	1993	$ 1,481,862	1.496	$ 2,217,496
	314	1994	$ 1,066,071	1.425	$ 1,519,272
	314	1995	$ 7,153,776	1.374	$ 9,830,572
	314	1996	$ 491,307	1.349	$ 662,579
	314	1997	$ 10,032,407	1.306	$ 13,098,444
	314	1998	$ 733,612	1.283	$ 941,502
	314	1999	$ 24,940	1.264	$ 31,514
	314	2000	$ 13,530	1.205	$ 16,309
	314	2001	$ 128,966	1.189	$ 153,391
	314	2002	$ 87,224	1.140	$ 99,413
	314	2003	$ 12,921,749	1.102	$ 14,236,594
	314	2004	$ 254,018	1.083	$ 275,198
	314	2006	$ 87,280	1.056	$ 92,172
			$ 55,580,680		**$ 140,926,706**
Accessory Electric Equipment	315	1955	$ 609,671	9.313	$ 5,677,561
	315	1966	$ 518,504	8.896	$ 4,612,364
	315	1973	$ 2,444,993	5.960	$ 14,572,158
	315	1982	$ 126,945	2.453	$ 311,355
	315	2001	$ 59,068	1.293	$ 76,366
	315	2002	$ 3,627	1.214	$ 4,405
	315	2004	$ 105,767	1.177	$ 124,456
	315	2006	$ 1,252,518	1.125	$ 1,409,157
			$ 5,121,093		**$ 26,787,822**
Miscellaneous Power Plant Equipment	316	1955	$ 274,752	11.063	$ 3,039,444
	316	1966	$ 48,369	8.169	$ 395,138
	316	1973	$ 342,652	5.310	$ 1,819,482
	316	1982	$ 726,497	2.260	$ 1,641,574
	316	1994	$ 2,431,584	1.491	$ 3,624,340
	316	1995	$ 21,518	1.452	$ 31,240
	316	1997	$ 7,800	1.387	$ 10,821
	316	2001	$ 40,959	1.216	$ 49,826
	316	2002	$ 153,537	1.179	$ 180,973
	316	2003	$ 331,676	1.168	$ 387,290
	316	2004	$ 215,322	1.162	$ 250,188
	316	2004	$ 860,252	1.162	$ 999,549
	316	2006	$ 356,002	1.098	$ 390,976
			$ 5,810,920		**$ 12,820,841**
Total			$ 357,248,663		$ 865,415,019

Vectren South Electric

Warrick Station

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)
Structures & Improvements	310	1970	$ 644	5.857	$ 3,772
			$ 644		**$ 3,772**
Structures and Improvements	311	1970	$ 955,827	5.857	$ 5,598,415
	311	1982	$ 32,880	2.211	$ 72,691
	311	1992	$ 28,890	1.672	$ 48,302
	311	2004	$ 43,360	1.157	$ 50,174
			$ 1,060,957		**$ 5,769,582**
Boiler Plant Equipment	312.1	1970	$ 10,440,319	6.268	$ 65,442,975
	312.1	1982	$ 1,914,799	2.124	$ 4,066,970
	312.1	1983	$ 6,031,217	2.073	$ 12,500,184
	312.1	1984	$ 768,395	1.992	$ 1,530,833
	312.1	1985	$ 95,561	1.932	$ 184,655
	312.1	1986	$ 32,095	1.904	$ 61,099
	312.1	1987	$ 80,860	1.836	$ 148,436
	312.1	1988	$ (2,715)	1.731	$ (4,699)
	312.1	1990	$ 1,652,934	1.590	$ 2,628,331
	312.1	1992	$ (33,968)	1.524	$ (51,770)
	312.1	1993	$ 501,279	1.480	$ 741,994
	312.1	1994	$ 102,315	1.432	$ 146,490
	312.1	1995	$ 13,875	1.394	$ 19,340
	312.1	1996	$ 582,530	1.362	$ 793,692
	312.1	1997	$ 157,003	1.335	$ 209,609
	312.1	1998	$ 4,721,721	1.309	$ 6,179,413
	312.1	1999	$ 813,541	1.282	$ 1,042,793
	312.1	2000	$ -	1.226	$ -
	312.1	2004	$ 236,325	1.127	$ 266,238
			$ 28,108,086		**$ 95,906,585**
Boiler Plant Equipment	312.4	2004	$ 25,211,486	1.127	$ 28,402,638
	312.4	2006	$ 6,271	1.080	$ 6,772
			$ 25,217,757		**$ 28,409,410**
Turbogenerator Units	314	1970	$ 4,802,710	5.815	$ 27,926,869
	314	1984	$ 170,582	1.847	$ 315,075
	314	1989	$ 691,582	1.631	$ 1,128,087
	314	1990	$ 367,424	1.599	$ 587,629
	314	1996	$ 17,235	1.349	$ 23,243
	314	1999	$ 409,296	1.264	$ 517,179
	314	2000	$ 3,857	1.205	$ 4,649
	314	2004	$ 16,436	1.083	$ 17,806
			$ 6,479,122		**$ 30,520,538**
Accessory Electric Equipment	315	1970	$ 579,160	6.773	$ 3,922,493
	315	1982	$ 766,970	2.453	$ 1,881,128
	315	1983	$ 193,023	2.375	$ 458,333
	315	1993	$ 652,088	1.748	$ 1,139,720
	315	2004	$ 33,000	1.177	$ 38,831
			$ 2,224,241		**$ 7,440,505**
Miscellaneous Power Plant Equipment	316	1970	$ 49,035	6.398	$ 313,706
	316	1982	$ 21,028	2.260	$ 47,514
	316	1992	$ 995	1.628	$ 1,619
	316	1996	$ 14,405	1.429	$ 20,590
	316	2004	$ 32,365	1.162	$ 37,606
			$ 117,828		**$ 421,035**
Total			**$ 63,208,635**		**$ 168,471,427**

Vectren South Electric

Broadway Station

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)
Land & Land Rights	340	1982	$ 37,520	2.223	$ 83,419
			$ 37,520		$ 83,419
Structures & Improvements	341	1981	$ 60,886	1.980	$ 120,561
	341	1982	$ 3,297	2.223	$ 7,330
			$ 64,183		$ 127,891
Fuel Holders, Producers & Accessories	342	1971	$ 421,107	5.270	$ 2,219,092
	342	1973	$ 11	4.690	$ 52
	342	1979	$ 375	2.577	$ 966
	342	1981	$ 379,569	2.181	$ 827,990
	342	1982	$ 21,795	2.039	$ 44,443
	342	1983	$ 73	2.039	$ 149
	342	1988	$ 31,026	1.724	$ 53,497
	342	2000	$ 98,812	1.272	$ 125,675
	342	2002	$ 882	1.199	$ 1,058
			$ 953,650		$ 3,272,922
Prime Movers	343	1971	$ 2,386,041	4.541	$ 10,834,574
	343	1981	$ 6,868,574	2.099	$ 14,417,526
	343	1991	$ 142,492	1.285	$ 183,131
	343	1994	$ 774,595	1.269	$ 982,736
	343	1995	$ 1,205,596	1.253	$ 1,510,177
	343	2003	$ 688,115	1.023	$ 703,934
	343	2004	$ 280,657	1.021	$ 286,450
	343	2005	$ 168,579	1.025	$ 172,852
	343	2006	$ 68,013	1.028	$ 69,898
			$ 12,582,662		$ 29,161,277
Other Production Plant Generators	344	1971	$ 1,230,261	4.439	$ 5,460,852
	344	1972	$ 61,711	4.350	$ 268,443
	344	1973	$ 1,025	4.350	$ 4,459
	344	1981	$ 2,612,031	2.042	$ 5,334,430
	344	1982	$ 74,868	1.891	$ 141,598
	344	1994	$ 750,948	1.224	$ 919,528
			$ 4,730,844		$ 12,129,310
Accessory Electric Equipment	345	1971	$ 341,360	6.409	$ 2,187,640
	345	1972	$ 4,324	6.144	$ 26,568
	345	1973	$ 72	5.960	$ 429
	345	1974	$ 821	5.138	$ 4,218
	345	1975	$ 37,212	4.415	$ 164,284
	345	1981	$ 359,726	2.759	$ 992,577
	345	1985	$ 2,980	2.394	$ 7,133
	345	1986	$ 3,300	2.346	$ 7,743
	345	1998	$ 366,904	1.505	$ 552,209
	345	1999	$ 13,054	1.463	$ 19,092
			$ 1,129,753		$ 3,961,895
Miscellaneous Other Production Equipment	346	1971	$ 12,704	4.541	$ 57,687
	346	1972	$ 1,264	4.495	$ 5,682
	346	1990	$ 3,507	1.306	$ 4,580
	346	1994	$ 833	1.269	$ 1,057
	346	1995	$ 3,009	1.253	$ 3,769
	346	1996	$ 70	1.210	$ 85
	346	2003	$ 526,534	1.023	$ 538,638
			$ 547,921		$ 611,497
Total			$ 20,046,533		$ 49,348,211

Vectren South Electric

Northeast Station

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)
Land & Land Rights	340	1982	$ 1,325	2.223	$ 2,946
			$ 1,325		**$ 2,946**
Structures & Improvements	341	1963	$ 5,040	7.344	$ 37,015
			$ 5,040		**$ 37,015**
Fuel Holders, Producers & Accessories	342	1962	$ 20,952	6.925	$ 145,099
			$ 20,952		**$ 145,099**
Prime Movers	343	1963	$ 743,571	6.502	$ 4,834,612
	343	1964	$ 781,758	6.181	$ 4,831,699
			$ 1,525,329		**$ 9,666,311**
Other Production Plant Generators					
	344	1963	$ 330,340	6.356	$ 2,099,566
	344	1964	$ 310,713	5.878	$ 1,826,489
	344	1994	$ 26,765	1.224	$ 32,773
	344	1995	$ 5,540	1.213	$ 6,717
			$ 673,358		**$ 3,965,546**
Accessory Electric Equipment					
	345	1984	$ 6,378	2.413	$ 15,390
			$ 6,378		**$ 15,390**
Total			$ 2,232,382		$ 13,832,306

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Intangible Plant									
Organization	301	1937	$ 12,151	1.000	$ 12,151	69	$ 838,419	1.00	$ 12,151
			$ 12,151		$ 12,151	**69.0**	$ 838,419		$ 12,151
Miscellaneous Intangible Plant	303	2005	$364,279	1.000	$ 364,279	1	$ 364,279	1.00	$ 364,279
		2006	$64,125	1.000	$ 64,125	0	$ -	1.00	$ 64,125
			$ 428,404		$ 428,404	**0.9**	$ 364,279		$ 428,404
Total Intangible Plant			**$ 440,555**		**$ 440,555**		**$ 1,202,698**		**$ 440,555**
Transmission Plant									
Transmission Land - 350.1	350.1	1982	$ 2,335,826	1.691	$ 3,949,151	24	$ 94,779,636	1.00	$ 3,949,151
	350.1	2004	$ 212,600	1.101	$ 234,090	2	$ 468,181	1.00	$ 234,090
	350.1	2006	$ 78,854	1.000	$ 78,854	0	$ -	1.00	$ 78,635
			$ 2,627,280		$ 4,262,096	**22.3**	$ 95,247,816		$ 4,261,877
Transmission Land Rights - 350.2	350.2	1982	$ 4,690,211	1.691	$ 7,929,680	24	$ 190,312,331	1.00	$ 7,929,680
	350.2	2001	$ 12,834	1.298	$ 16,657	5	$ 83,284	1.00	$ 16,657
	350.2	2002	$ 349,618	1.240	$ 433,469	4	$ 1,733,878	1.00	$ 433,469
	350.2	2004	$ 532,597	1.101	$ 586,434	2	$ 1,172,867	1.00	$ 586,434
	350.2	2005	$ 75,928	1.000	$ 75,928	1	$ 75,928	1.00	$ 75,928
			$ 5,661,188		$ 9,042,168	**21.4**	$ 193,378,288		$ 9,042,168
Structures and Improvements - 352									
	35200	1955	$ 723	9.143	$ 6,610	51	$ 337,125	0.32	$ 2,137
	35200	1956	$ 1,618	7.724	$ 12,498	50	$ 624,883	0.33	$ 4,131
	35200	1957	$ 11,959	7.000	$ 83,713	49	$ 4,101,937	0.34	$ 28,295
	35200	1958	$ 34,604	6.892	$ 238,501	48	$ 11,448,068	0.35	$ 82,427
	35200	1959	$ 113,046	6.788	$ 767,343	47	$ 36,065,100	0.35	$ 271,162
	35200	1960	$ 21,974	7.000	$ 153,818	46	$ 7,075,628	0.36	$ 55,579
	35200	1961	$ 17	7.467	$ 127	45	$ 5,712	0.37	$ 47
	35200	1962	$ 20,565	7.467	$ 153,552	44	$ 6,756,288	0.38	$ 58,008
	35200	1963	$ 544	7.344	$ 3,995	43	$ 171,797	0.39	$ 1,543
	35200	1964	$ 1,791	7.344	$ 13,154	42	$ 552,450	0.39	$ 5,195
	35200	1965	$ 2,963	7.226	$ 21,410	41	$ 877,813	0.40	$ 8,646
	35200	1966	$ 1,438	7.111	$ 10,226	40	$ 409,031	0.41	$ 4,223
	35200	1967	$ 2,936	7.000	$ 20,552	39	$ 801,528	0.42	$ 8,678
	35200	1968	$ 3,342	6.588	$ 22,018	38	$ 836,680	0.43	$ 9,506
	35200	1969	$ 42,028	6.222	$ 261,508	37	$ 9,675,780	0.44	$ 115,440
	35200	1970	$ 12,959	5.895	$ 76,390	36	$ 2,750,036	0.45	$ 34,480
	35200	1971	$ 51	5.398	$ 275	35	$ 9,635	0.46	$ 127
	35200	1972	$ 28,264	5.034	$ 142,273	34	$ 4,837,272	0.47	$ 67,141
	35200	1973	$ 698	4.480	$ 3,127	33	$ 103,192	0.48	$ 1,509
	35200	1974	$ 4,200	3.206	$ 13,464	32	$ 430,849	0.49	$ 6,643
	35200	1975	$ 1,797	2.778	$ 4,993	31	$ 154,770	0.50	$ 2,519
	35200	1976	$ 15,803	2.947	$ 46,577	30	$ 1,397,318	0.52	$ 24,026
	35200	1977	$ 14,124	2.923	$ 41,289	29	$ 1,197,383	0.53	$ 21,778
	35200	1978	$ 27,607	2.647	$ 73,075	28	$ 2,046,099	0.54	$ 39,410
	35200	1979	$ 36,536	2.315	$ 84,590	27	$ 2,283,925	0.55	$ 46,647
	35200	1980	$ 1,607	1.996	$ 3,207	26	$ 83,378	0.56	$ 1,808
	35200	1981	$ 131,360	1.980	$ 260,107	25	$ 6,502,683	0.58	$ 149,963
	35200	1982	$ 22,175	2.223	$ 49,302	24	$ 1,183,254	0.59	$ 29,064
	35200	1983	$ 145,715	2.237	$ 325,994	23	$ 7,497,864	0.60	$ 196,503
	35200	1984	$ 119,066	2.016	$ 240,007	22	$ 5,280,155	0.62	$ 147,927
	35200	1985	$ 160,034	1.896	$ 303,472	21	$ 6,372,910	0.63	$ 191,251
	35200	1986	$ 1,317	1.836	$ 2,418	20	$ 48,362	0.64	$ 1,558
	35200	1987	$ 257,833	1.783	$ 459,738	19	$ 8,735,023	0.66	$ 302,917
	35200	1990	$ 3,582	1.612	$ 5,772	16	$ 92,359	0.70	$ 4,066
	35200	1992	$ 122,093	1.799	$ 219,669	14	$ 3,075,371	0.74	$ 161,770
	35200	1993	$ 36,148	1.678	$ 60,653	13	$ 788,487	0.75	$ 45,671
	35200	1994	$ 253,405	1.528	$ 387,129	12	$ 4,645,542	0.77	$ 298,065
	35200	2005	$ 10,193	1.117	$ 11,388	1	$ 11,388	0.98	$ 11,199
			$ 1,666,115		$ 4,583,933	**30.4**	$ 139,267,073		$ 2,441,061

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Station Equipment - 353									
	35300	1950	$ 67,709	9.070	$ 614,133	56	$ 34,391,420	0.29	$ 177,636
	35300	1951	$ 219,446	8.078	$ 1,772,712	55	$ 97,499,172	0.30	$ 524,290
	35300	1952	$ 15,978	7.833	$ 125,161	54	$ 6,758,694	0.30	$ 37,850
	35300	1953	$ 240,809	7.493	$ 1,804,323	53	$ 95,629,093	0.31	$ 557,923
	35300	1955	$ 715,436	7.181	$ 5,137,228	51	$ 261,998,625	0.32	$ 1,660,793
	35300	1956	$ 109,400	6.628	$ 725,126	50	$ 36,256,282	0.33	$ 239,697
	35300	1957	$ 323,762	6.305	$ 2,041,280	49	$ 100,022,716	0.34	$ 689,947
	35300	1958	$ 570,470	6.012	$ 3,429,453	48	$ 164,613,762	0.35	$ 1,185,227
	35300	1959	$ 646,802	6.155	$ 3,980,912	47	$ 187,102,879	0.35	$ 1,406,768
	35300	1960	$ 271,422	6.628	$ 1,799,041	46	$ 82,755,872	0.36	$ 650,046
	35300	1961	$ 680	7.386	$ 5,022	45	$ 226,003	0.37	$ 1,856
	35300	1962	$ 164,002	7.493	$ 1,228,827	44	$ 54,068,370	0.38	$ 464,216
	35300	1963	$ 108,997	7.854	$ 856,945	43	$ 37,278,651	0.39	$ 334,877
	35300	1965	$ 69,479	7.181	$ 498,898	41	$ 20,454,811	0.40	$ 201,480
	35300	1966	$ 91,666	6.893	$ 631,884	40	$ 25,275,372	0.41	$ 260,928
	35300	1967	$ 187,969	6.544	$ 1,230,126	39	$ 47,974,923	0.42	$ 519,393
	35300	1968	$ 140,980	6.305	$ 888,862	38	$ 33,776,745	0.43	$ 383,746
	35300	1969	$ 1,239,612	6.012	$ 7,452,086	37	$ 275,727,185	0.44	$ 3,289,660
	35300	1970	$ 822,011	5.744	$ 4,721,997	36	$ 169,991,875	0.45	$ 2,131,386
	35300	1972	$ 444,784	5.500	$ 2,446,312	34	$ 83,174,608	0.47	$ 1,154,449
	35300	1973	$ 710,313	5.170	$ 3,672,318	33	$ 121,186,501	0.48	$ 1,772,012
	35300	1974	$ 2,133,683	4.136	$ 8,824,913	32	$ 282,397,212	0.49	$ 4,354,117
	35300	1975	$ 342,022	3.493	$ 1,194,766	31	$ 37,037,747	0.50	$ 602,748
	35300	1976	$ 862,773	3.401	$ 2,934,563	30	$ 88,036,903	0.52	$ 1,513,770
	35300	1977	$ 1,406,322	3.152	$ 4,433,344	29	$ 128,566,986	0.53	$ 2,338,359
	35300	1978	$ 2,415,388	2.954	$ 7,135,746	28	$ 199,800,895	0.54	$ 3,848,419
	35300	1979	$ 889,172	2.735	$ 2,432,285	27	$ 65,671,703	0.55	$ 1,341,284
	35300	1980	$ 902,346	2.522	$ 2,275,673	26	$ 59,167,487	0.56	$ 1,283,156
	35300	1981	$ 3,278,602	2.329	$ 7,635,303	25	$ 190,882,571	0.58	$ 4,402,093
	35300	1982	$ 6,198,401	2.191	$ 13,578,700	24	$ 325,888,812	0.59	$ 8,004,873
	35300	1983	$ 1,236,504	2.181	$ 2,697,353	23	$ 62,039,110	0.60	$ 1,625,913
	35300	1984	$ 1,424,702	2.145	$ 3,056,311	22	$ 67,238,840	0.62	$ 1,883,738
	35300	1985	$ 1,946,279	2.110	$ 4,107,046	21	$ 86,247,964	0.63	$ 2,588,307
	35300	1986	$ 1,793,603	2.093	$ 3,754,640	20	$ 75,092,806	0.64	$ 2,419,457
	35300	1987	$ 4,572,165	2.027	$ 9,269,840	19	$ 176,126,968	0.66	$ 6,107,804
	35300	1988	$ 894,926	1.935	$ 1,731,251	18	$ 31,162,512	0.67	$ 1,166,369
	35300	1989	$ 476,105	1.835	$ 873,634	17	$ 14,851,772	0.69	$ 601,823
	35300	1990	$ 321,319	1.731	$ 556,057	16	$ 8,896,906	0.70	$ 391,671
	35300	1991	$ 284,598	1.719	$ 489,234	15	$ 7,338,512	0.72	$ 352,357
	35300	1992	$ 3,475,752	1.669	$ 5,801,336	14	$ 81,218,702	0.74	$ 4,272,257
	35300	1993	$ 576,115	1.612	$ 928,609	13	$ 12,071,922	0.75	$ 699,239
	35300	1994	$ 5,716,396	1.535	$ 8,776,174	12	$ 105,314,093	0.77	$ 6,757,114
	35300	1995	$ 552,457	1.476	$ 815,475	11	$ 8,970,230	0.79	$ 641,993
	35300	1996	$ 433,440	1.468	$ 636,163	10	$ 6,361,632	0.80	$ 512,096
	35300	1997	$ 666,267	1.447	$ 964,199	9	$ 8,677,790	0.82	$ 793,620
	35300	1998	$ 2,385,160	1.408	$ 3,357,734	8	$ 26,861,870	0.84	$ 2,825,892
	35300	1999	$ 296,850	1.387	$ 411,728	7	$ 2,882,093	0.86	$ 354,309
	35300	2000	$ 407,268	1.314	$ 535,089	6	$ 3,210,535	0.88	$ 470,828
	35300	2001	$ 170,797	1.256	$ 214,586	5	$ 1,072,929	0.90	$ 193,064
	35300	2002	$ 1,692,025	1.223	$ 2,069,254	4	$ 8,277,014	0.92	$ 1,903,602
	35300	2003	$ 343,334	1.214	$ 416,920	3	$ 1,250,760	0.94	$ 392,174
	35300	2004	$ 13,050,735	1.214	$ 15,847,868	2	$ 31,695,737	0.96	$ 15,242,635
	35300	2005	$ 2,814,184	1.186	$ 3,337,003	1	$ 3,337,003	0.98	$ 3,281,777
	35300	2006	$ 49,509	1.123	$ 55,583	0	$ -	1.00	$ 55,429
			$ 71,171,126		$ 166,221,026	**24.9**	$ 4,143,811,575		$ 100,866,467

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Towers and Fixtures - 354									
	35400	1958	$ 202,369	9.265	$ 1,875,011	48	$ 90,000,515	0.35	$ 648,008
	35400	1959	$ 556,629	8.902	$ 4,955,090	47	$ 232,889,208	0.35	$ 1,751,021
	35400	1960	$ 101,342	8.731	$ 884,794	46	$ 40,700,506	0.36	$ 319,702
	35400	1963	$ 16,292	8.255	$ 134,483	43	$ 5,782,771	0.39	$ 51,947
	35400	1964	$ 40,034	7.965	$ 318,867	42	$ 13,392,427	0.39	$ 125,941
	35400	1966	$ 3,698	7.206	$ 26,649	40	$ 1,065,963	0.41	$ 11,004
	35400	1967	$ 214,281	6.879	$ 1,473,994	39	$ 57,485,748	0.42	$ 622,361
	35400	1968	$ 111,477	6.580	$ 733,486	38	$ 27,872,481	0.43	$ 316,666
	35400	1969	$ 1,197,043	5.974	$ 7,150,757	37	$ 264,578,004	0.44	$ 3,156,640
	35400	1970	$ 64,653	5.605	$ 362,376	36	$ 13,045,539	0.45	$ 163,567
	35400	1971	$ 13,479	5.218	$ 70,339	35	$ 2,461,854	0.46	$ 32,463
	35400	1973	$ 52,745	4.540	$ 239,462	33	$ 7,902,256	0.48	$ 115,548
	35400	1974	$ 1,079,860	3.721	$ 4,018,495	32	$ 128,591,853	0.49	$ 1,982,682
	35400	1975	$ 17,269	3.243	$ 56,001	31	$ 1,736,028	0.50	$ 28,252
	35400	1978	$ 7,368	2.855	$ 21,038	28	$ 589,069	0.54	$ 11,346
	35400	1980	$ 309	2.316	$ 716	26	$ 18,609	0.56	$ 404
	35400	1981	$ 23	2.225	$ 51	25	$ 1,280	0.58	$ 30
	35400	1985	$ 1,614	1.924	$ 3,105	21	$ 65,203	0.63	$ 1,957
	35400	1986	$ 121,984	1.868	$ 227,904	20	$ 4,558,085	0.64	$ 146,859
	35400	1989	$ 21,447	1.694	$ 36,332	17	$ 617,642	0.69	$ 25,028
	35400	1992	$ 211,873	1.689	$ 357,918	14	$ 5,010,846	0.74	$ 263,580
	35400	1994	$ 48,429	1.522	$ 73,719	12	$ 884,631	0.77	$ 56,759
	35400	1997	$ 381,113	1.385	$ 527,919	9	$ 4,751,267	0.82	$ 434,523
	35400	2004	$ 10,081	1.145	$ 11,543	2	$ 23,086	0.96	$ 11,102
	35400	2006	$ 102,386	1.068	$ 109,308	0	$ -	1.00	$ 109,004
			$ 4,577,798		$ 23,669,356	**38.2**	$ 904,024,871		$ 10,386,397
Poles and Fixtures - 355									
	35500	1970	$ 23,986	6.436	$ 154,371	36	$ 5,557,372	0.45	$ 69,679
	35500	1971	$ 684,810	6.048	$ 4,141,863	35	$ 144,965,201	0.46	$ 1,911,593
	35500	1972	$ 458,808	5.770	$ 2,647,375	34	$ 90,010,746	0.47	$ 1,249,334
	35500	1973	$ 24,367	5.020	$ 122,322	33	$ 4,036,637	0.48	$ 59,024
	35500	1974	$ 258,234	3.984	$ 1,028,837	32	$ 32,922,786	0.49	$ 507,617
	35500	1975	$ 326,968	3.510	$ 1,147,818	31	$ 35,582,350	0.50	$ 579,063
	35500	1976	$ 1,096,432	3.510	$ 3,849,013	30	$ 115,470,391	0.52	$ 1,985,481
	35500	1977	$ 254,442	3.369	$ 857,248	29	$ 24,860,179	0.53	$ 452,153
	35500	1978	$ 1,101,361	3.177	$ 3,499,261	28	$ 97,979,305	0.54	$ 1,887,206
	35500	1979	$ 389,682	2.885	$ 1,124,255	27	$ 30,354,884	0.55	$ 619,971
	35500	1980	$ 1,757,290	2.642	$ 4,642,945	26	$ 120,716,574	0.56	$ 2,617,961
	35500	1981	$ 827,755	2.390	$ 1,978,729	25	$ 49,468,215	0.58	$ 1,140,825
	35500	1982	$ 1,067,218	2.251	$ 2,402,437	24	$ 57,658,486	0.59	$ 1,416,277
	35500	1983	$ 559,213	2.202	$ 1,231,250	23	$ 28,318,743	0.60	$ 742,174
	35500	1984	$ 476,241	2.145	$ 1,021,679	22	$ 22,476,947	0.62	$ 629,706
	35500	1985	$ 2,043,119	2.118	$ 4,327,619	21	$ 90,880,002	0.63	$ 2,727,314
	35500	1986	$ 294,125	2.066	$ 607,616	20	$ 12,152,325	0.64	$ 391,542
	35500	1987	$ 1,751,710	2.032	$ 3,560,156	19	$ 67,642,955	0.66	$ 2,345,750
	35500	1988	$ 220,687	1.884	$ 415,703	18	$ 7,482,656	0.67	$ 280,065
	35500	1989	$ 468,258	1.754	$ 821,190	17	$ 13,960,223	0.69	$ 565,696
	35500	1990	$ 275,364	1.685	$ 463,868	16	$ 7,421,891	0.70	$ 326,736
	35500	1991	$ 270,115	1.579	$ 426,408	15	$ 6,396,119	0.72	$ 307,108
	35500	1992	$ 836,165	1.501	$ 1,254,872	14	$ 17,568,214	0.74	$ 924,121
	35500	1993	$ 1,288,615	1.467	$ 1,890,094	13	$ 24,571,224	0.75	$ 1,423,233
	35500	1994	$ 545,684	1.382	$ 754,118	12	$ 9,049,416	0.77	$ 580,624
	35500	1995	$ 99,409	1.336	$ 132,810	11	$ 1,460,909	0.79	$ 104,556
	35500	1996	$ 1,109,739	1.280	$ 1,420,240	10	$ 14,202,396	0.80	$ 1,143,258
	35500	1997	$ 860,886	1.236	$ 1,063,790	9	$ 9,574,112	0.82	$ 875,592
	35500	1998	$ 4,682,695	1.224	$ 5,729,952	8	$ 45,839,618	0.84	$ 4,822,367
	35500	1999	$ 209,890	1.246	$ 261,451	7	$ 1,830,157	0.86	$ 224,990
	35500	2000	$ 1,147,347	1.234	$ 1,416,025	6	$ 8,496,150	0.88	$ 1,245,968
	35500	2001	$ 1,124,755	1.183	$ 1,330,099	5	$ 6,650,495	0.90	$ 1,196,694
	35500	2002	$ 606,888	1.150	$ 697,956	4	$ 2,791,824	0.92	$ 642,082
	35500	2003	$ 579,995	1.138	$ 660,221	3	$ 1,980,663	0.94	$ 621,034
	35500	2004	$ 1,677,162	1.126	$ 1,888,806	2	$ 3,777,612	0.96	$ 1,816,672
	35500	2005	$ 6,619,023	1.111	$ 7,355,284	1	$ 7,355,284	0.98	$ 7,233,558
	35500	2006	$ 2,319,990	1.090	$ 2,527,694	0	$ -	1.00	$ 2,520,673
			$ 38,338,428		$ 68,855,375	**17.7**	$ 1,221,463,063		$ 48,187,702

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Overhead Conductors & Devices - 356									
	35600	1968	$ 213,906	8.403	$ 1,797,405	38	$ 68,301,374	0.43	$ 775,989
	35600	1969	$ 407,896	7.469	$ 3,046,631	37	$ 112,725,333	0.44	$ 1,344,909
	35600	1970	$ 1,319,797	6.648	$ 8,774,475	36	$ 315,881,084	0.45	$ 3,960,569
	35600	1971	$ 713,109	6.050	$ 4,314,309	35	$ 151,000,831	0.46	$ 1,991,182
	35600	1972	$ 349,241	6.111	$ 2,134,251	34	$ 72,564,519	0.47	$ 1,007,183
	35600	1973	$ 3,059	6.050	$ 18,507	33	$ 610,729	0.48	$ 8,930
	35600	1974	$ 1,089,094	5.127	$ 5,583,914	32	$ 178,685,253	0.49	$ 2,755,043
	35600	1975	$ 336,358	4.144	$ 1,393,812	31	$ 43,208,180	0.50	$ 703,165
	35600	1976	$ 962,381	3.623	$ 3,486,470	30	$ 104,594,103	0.52	$ 1,798,466
	35600	1977	$ 273,091	3.361	$ 917,889	29	$ 26,618,787	0.53	$ 484,139
	35600	1978	$ 904,849	3.517	$ 3,182,754	28	$ 89,117,105	0.54	$ 1,716,509
	35600	1979	$ 336,993	3.288	$ 1,108,048	27	$ 29,917,286	0.55	$ 611,033
	35600	1980	$ 1,626,050	2.923	$ 4,752,465	26	$ 123,564,089	0.56	$ 2,679,714
	35600	1981	$ 662,286	2.608	$ 1,727,082	25	$ 43,177,051	0.58	$ 995,740
	35600	1982	$ 2,889,783	2.336	$ 6,750,265	24	$ 162,006,367	0.59	$ 3,979,395
	35600	1983	$ 840,489	2.168	$ 1,822,566	23	$ 41,919,012	0.60	$ 1,098,608
	35600	1984	$ 185,578	2.257	$ 418,935	22	$ 9,216,579	0.62	$ 258,208
	35600	1985	$ 1,438,824	2.266	$ 3,260,257	21	$ 68,465,389	0.63	$ 2,054,651
	35600	1986	$ 56,906	2.241	$ 127,512	20	$ 2,550,232	0.64	$ 82,167
	35600	1987	$ 1,988,827	2.336	$ 4,645,716	19	$ 88,268,596	0.66	$ 3,061,015
	35600	1988	$ 159,492	1.760	$ 280,706	18	$ 5,052,707	0.67	$ 189,116
	35600	1989	$ 542,761	1.711	$ 928,912	17	$ 15,791,505	0.69	$ 639,903
	35600	1990	$ 197,544	1.701	$ 335,950	16	$ 5,375,196	0.70	$ 236,634
	35600	1991	$ 205,483	1.653	$ 339,665	15	$ 5,094,968	0.72	$ 244,634
	35600	1992	$ 588,112	1.757	$ 1,033,574	14	$ 14,470,032	0.74	$ 761,151
	35600	1993	$ 1,246,820	1.703	$ 2,123,367	13	$ 27,603,770	0.75	$ 1,598,887
	35600	1994	$ 728,353	1.635	$ 1,190,956	12	$ 14,291,467	0.77	$ 916,963
	35600	1995	$ 51,629	1.499	$ 77,412	11	$ 851,527	0.79	$ 60,943
	35600	1996	$ 675,881	1.475	$ 996,729	10	$ 9,967,288	0.80	$ 802,342
	35600	1997	$ 833,439	1.458	$ 1,215,013	9	$ 10,935,121	0.82	$ 1,000,062
	35600	1998	$ 323,561	1.414	$ 457,370	8	$ 3,658,961	0.84	$ 384,926
	35600	1999	$ 38,653	1.539	$ 59,504	7	$ 416,528	0.86	$ 51,206
	35600	2000	$ 803,827	1.429	$ 1,148,324	6	$ 6,889,946	0.88	$ 1,010,417
	35600	2001	$ 408,018	1.356	$ 553,167	5	$ 2,765,836	0.90	$ 497,686
	35600	2002	$ 433,675	1.358	$ 588,941	4	$ 2,355,765	0.92	$ 541,795
	35600	2003	$ 147,852	1.357	$ 200,562	3	$ 601,685	0.94	$ 188,657
	35600	2004	$ 1,270,883	1.346	$ 1,710,532	2	$ 3,421,064	0.96	$ 1,645,207
	35600	2005	$ 5,892,292	1.312	$ 7,728,643	1	$ 7,728,643	0.98	$ 7,600,738
	35600	2006	$ 2,783,681	1.247	$ 3,472,427	0	$ -	1.00	$ 3,462,782
			$ 33,930,473		$ 83,705,014	22.3	$ 1,869,663,908		$ 53,200,664
Underground Conduit - 357									
	35700	1968	$ 13,376	6.676	$ 89,304	38	$ 3,393,570	0.43	$ 38,555
	35700	1981	$ 85,646	2.340	$ 200,429	25	$ 5,010,732	0.58	$ 115,556
	35700	1984	$ 108,741	2.036	$ 221,383	22	$ 4,870,426	0.62	$ 136,448
	35700	1985	$ 328,867	2.000	$ 657,734	21	$ 13,812,414	0.63	$ 414,511
	35700	1988	$ 389,907	1.803	$ 703,149	18	$ 12,656,683	0.67	$ 473,722
	35700	1990	$ 178,382	1.713	$ 305,605	16	$ 4,889,686	0.70	$ 215,260
	35700	1997	$ 45,596	1.485	$ 67,704	9	$ 609,339	0.82	$ 55,727
	35700	2002	$ 19,726	1.240	$ 24,452	4	$ 97,809	0.92	$ 22,495
	35700	2005	$ 10,733	1.167	$ 12,526	1	$ 12,526	0.98	$ 12,319
			$ 1,180,974		$ 2,282,288	19.9	$ 45,353,186		$ 1,484,594
Underground Conductors & Devices - 358									
	35800	1978	$ 10,705	3.907	$ 41,827	28	$ 1,171,170	0.54	$ 22,558
	35800	1981	$ 23,971	2.489	$ 59,675	25	$ 1,491,866	0.58	$ 34,405
	35800	1984	$ 79,145	2.369	$ 187,532	22	$ 4,125,711	0.62	$ 115,584
	35800	1985	$ 227,260	2.438	$ 554,064	21	$ 11,635,336	0.63	$ 349,177
	35800	1988	$ 168,798	2.076	$ 350,363	18	$ 6,306,543	0.67	$ 236,045
	35800	1990	$ 166,518	1.640	$ 273,094	16	$ 4,369,506	0.70	$ 192,360
	35800	1997	$ 113,157	1.336	$ 151,218	9	$ 1,360,960	0.82	$ 124,465
	35800	2002	$ 561,134	1.284	$ 720,498	4	$ 2,881,994	0.92	$ 662,820
	35800	2003	$ 5,958	1.267	$ 7,547	3	$ 22,642	0.94	$ 7,099
			$ 1,356,646		$ 2,345,819	14.2	$ 33,365,728		$ 1,744,515
Total Transmission Plant			**$ 160,510,028**		**$ 364,967,076**		$ 8,645,575,509		**$ 231,615,445**

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Distribution Plant									
Land & Land Rights - 360									
	36000	1982	$ 872,730	1.691	$ 1,475,514	24	$ 35,412,326	1.00	$ 1,475,514
	36000	2000	$ 46,508	1.350	$ 62,765	6	$ 376,591	1.00	$ 62,765
	36000	2002	$ 60,594	1.240	$ 75,127	4	$ 300,507	1.00	$ 75,127
	36000	2003	$ 41,418	1.187	$ 49,154	3	$ 147,461	1.00	$ 49,154
	36000	2005	$ 4,909	1.000	$ 4,909	1	$ 4,909	1.00	$ 4,909
	36000	2005	$ 68,571	1.000	$ 68,571	1	$ 68,571	1.00	$ 68,571
			$ 1,094,730		$ 1,736,039	**20.9**	$ 36,310,365		$ 1,736,039
Structures and Improvements - 361									
	36100	1950	$ 26,122	11.200	$ 292,566	56	$ 16,383,718	0.29	$ 84,624
	36100	1951	$ 1,094	10.927	$ 11,954	55	$ 657,467	0.30	$ 3,535
	36100	1952	$ 5,766	10.667	$ 61,504	54	$ 3,321,216	0.30	$ 18,599
	36100	1954	$ 42,620	9.739	$ 415,082	52	$ 21,584,250	0.32	$ 131,237
	36100	1955	$ 4,159	9.143	$ 38,025	51	$ 1,939,282	0.32	$ 12,293
	36100	1956	$ 5,928	7.724	$ 45,789	50	$ 2,289,434	0.33	$ 15,136
	36100	1957	$ 2,962	7.000	$ 20,734	49	$ 1,015,966	0.34	$ 7,008
	36100	1958	$ 6,544	6.892	$ 45,103	48	$ 2,164,957	0.35	$ 15,588
	36100	1959	$ 8,818	6.788	$ 59,856	47	$ 2,813,209	0.35	$ 21,152
	36100	1960	$ 16,454	7.000	$ 115,178	46	$ 5,298,188	0.36	$ 41,617
	36100	1961	$ 5,675	7.467	$ 42,373	45	$ 1,906,800	0.37	$ 15,655
	36100	1962	$ 3,736	7.467	$ 27,895	44	$ 1,227,401	0.38	$ 10,538
	36100	1963	$ 6,584	7.344	$ 48,355	43	$ 2,079,249	0.39	$ 18,678
	36100	1964	$ 4,901	7.344	$ 35,994	42	$ 1,511,758	0.39	$ 14,216
	36100	1965	$ 3,705	7.226	$ 26,772	41	$ 1,097,636	0.40	$ 10,812
	36100	1966	$ 4,271	7.111	$ 30,372	40	$ 1,214,882	0.41	$ 12,542
	36100	1967	$ 6,494	7.000	$ 45,458	39	$ 1,772,862	0.42	$ 19,194
	36100	1968	$ 15,575	6.588	$ 102,612	38	$ 3,899,247	0.43	$ 44,300
	36100	1969	$ 7,450	6.222	$ 46,356	37	$ 1,715,156	0.44	$ 20,463
	36100	1970	$ 7,744	5.895	$ 45,649	36	$ 1,643,358	0.45	$ 20,605
	36100	1971	$ 5,923	5.398	$ 31,970	35	$ 1,118,947	0.46	$ 14,755
	36100	1972	$ 3	5.034	$ 15	34	$ 513	0.47	$ 7
	36100	1974	$ 1,004	3.206	$ 3,219	32	$ 102,994	0.49	$ 1,588
	36100	1976	$ 9,535	2.947	$ 28,103	30	$ 843,095	0.52	$ 14,497
	36100	1979	$ 10,989	2.315	$ 25,442	27	$ 686,940	0.55	$ 14,030
	36100	1980	$ 8,858	1.996	$ 17,677	26	$ 459,590	0.56	$ 9,967
	36100	1981	$ 4,617	1.980	$ 9,142	25	$ 228,554	0.58	$ 5,271
	36100	1982	$ 139,239	2.223	$ 309,574	24	$ 7,429,765	0.59	$ 182,499
	36100	1984	$ 15,097	2.016	$ 30,432	22	$ 669,498	0.62	$ 18,756
	36100	1985	$ 10,937	1.896	$ 20,740	21	$ 435,536	0.63	$ 13,070
	36100	1986	$ 2,014	1.836	$ 3,698	20	$ 73,957	0.64	$ 2,383
	36100	1988	$ 8,371	1.673	$ 14,006	18	$ 252,115	0.67	$ 9,436
	36100	1991	$ 18,691	1.783	$ 33,328	15	$ 499,915	0.72	$ 24,003
	36100	1992	$ 6,540	1.799	$ 11,767	14	$ 164,734	0.74	$ 8,665
	36100	1995	$ 41,282	1.466	$ 60,538	11	$ 665,917	0.79	$ 47,659
	36100	2000	$ 45,204	1.279	$ 57,820	6	$ 346,919	0.88	$ 50,876
	36100	2002	$ 1,245	1.233	$ 1,535	4	$ 6,142	0.92	$ 1,413
	36100	2003	$ 152,232	1.235	$ 188,008	3	$ 564,024	0.94	$ 176,849
	36100	2005	$ 95	1.117	$ 106	1	$ 106	0.98	$ 104
			$ 668,478		$ 2,404,745	**37.5**	$ 90,085,279		$ 1,133,622

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Station Equipment - 362									
	36200	1954	$ 126,358	7.688	$ 971,377	52	$ 50,511,611	0.32	$ 307,122
	36200	1955	$ 432,406	7.455	$ 3,223,390	51	$ 164,392,899	0.32	$ 1,042,076
	36200	1956	$ 306,140	6.833	$ 2,091,957	50	$ 104,597,833	0.33	$ 691,517
	36200	1957	$ 265,503	6.474	$ 1,718,783	49	$ 84,220,346	0.34	$ 580,944
	36200	1958	$ 539,870	6.308	$ 3,405,334	48	$ 163,456,025	0.35	$ 1,176,891
	36200	1959	$ 398,940	6.228	$ 2,484,538	47	$ 116,773,273	0.35	$ 877,982
	36200	1960	$ 424,009	6.390	$ 2,709,252	46	$ 124,625,606	0.36	$ 978,932
	36200	1961	$ 159,193	6.930	$ 1,103,140	45	$ 49,641,310	0.37	$ 407,565
	36200	1962	$ 135,180	6.833	$ 923,730	44	$ 40,644,120	0.38	$ 348,959
	36200	1964	$ 175,656	6.833	$ 1,200,316	42	$ 50,413,272	0.39	$ 474,081
	36200	1965	$ 272,665	6.740	$ 1,837,687	41	$ 75,345,183	0.40	$ 742,150
	36200	1966	$ 227,814	6.560	$ 1,494,460	40	$ 59,778,394	0.41	$ 617,117
	36200	1967	$ 597,687	6.308	$ 3,770,026	39	$ 147,031,002	0.42	$ 1,591,808
	36200	1968	$ 379,824	6.074	$ 2,307,079	38	$ 87,669,006	0.43	$ 996,030
	36200	1969	$ 324,000	5.655	$ 1,832,276	37	$ 67,794,207	0.44	$ 808,843
	36200	1970	$ 553,377	5.407	$ 2,991,884	36	$ 107,707,840	0.45	$ 1,350,459
	36200	1971	$ 354,132	5.348	$ 1,893,836	35	$ 66,284,272	0.46	$ 874,062
	36200	1972	$ 467,301	5.234	$ 2,445,873	34	$ 83,159,693	0.47	$ 1,154,242
	36200	1973	$ 292,290	4.920	$ 1,438,067	33	$ 47,456,204	0.48	$ 693,914
	36200	1974	$ 668,560	4.033	$ 2,696,160	32	$ 86,277,120	0.49	$ 1,330,256
	36200	1975	$ 650,929	3.489	$ 2,271,327	31	$ 70,411,128	0.50	$ 1,145,863
	36200	1976	$ 197,606	3.393	$ 670,498	30	$ 20,114,928	0.52	$ 345,871
	36200	1977	$ 1,236,342	3.075	$ 3,801,752	29	$ 110,250,798	0.53	$ 2,005,226
	36200	1978	$ 1,378,407	2.877	$ 3,965,943	28	$ 111,046,403	0.54	$ 2,138,895
	36200	1979	$ 1,231,581	2.718	$ 3,347,723	27	$ 90,388,519	0.55	$ 1,846,102
	36200	1980	$ 1,408,351	2.523	$ 3,553,378	26	$ 92,387,826	0.56	$ 2,003,600
	36200	1981	$ 1,129,059	2.310	$ 2,607,967	25	$ 65,199,182	0.58	$ 1,503,609
	36200	1982	$ 2,846,498	2.103	$ 5,984,945	24	$ 143,638,668	0.59	$ 3,528,226
	36200	1983	$ 613,102	2.085	$ 1,278,162	23	$ 29,397,721	0.60	$ 770,452
	36200	1984	$ 735,895	2.094	$ 1,540,682	22	$ 33,895,011	0.62	$ 949,590
	36200	1985	$ 699,239	2.059	$ 1,439,438	21	$ 30,228,190	0.63	$ 907,150
	36200	1986	$ 1,025,167	2.033	$ 2,084,224	20	$ 41,684,476	0.64	$ 1,343,055
	36200	1987	$ 480,509	1.968	$ 945,642	19	$ 17,967,193	0.66	$ 623,074
	36200	1988	$ 125,279	1.792	$ 224,544	18	$ 4,041,788	0.67	$ 151,278
	36200	1989	$ 779,377	1.645	$ 1,282,453	17	$ 21,801,703	0.69	$ 883,448
	36200	1990	$ 90,492	1.536	$ 139,023	16	$ 2,224,365	0.70	$ 97,924
	36200	1991	$ 985,119	1.529	$ 1,506,382	15	$ 22,595,737	0.72	$ 1,084,929
	36200	1992	$ 1,509,068	1.528	$ 2,305,781	14	$ 32,280,933	0.74	$ 1,698,038
	36200	1993	$ 474,172	1.513	$ 717,272	13	$ 9,324,532	0.75	$ 540,103
	36200	1994	$ 1,754,749	1.463	$ 2,567,544	12	$ 30,810,522	0.77	$ 1,976,851
	36200	1995	$ 3,595,530	1.388	$ 4,990,129	11	$ 54,891,420	0.79	$ 3,928,540
	36200	1996	$ 1,091,254	1.396	$ 1,523,112	10	$ 15,231,120	0.80	$ 1,226,068
	36200	1997	$ 4,175,203	1.371	$ 5,725,993	9	$ 51,533,934	0.82	$ 4,712,993
	36200	1998	$ 2,584,802	1.318	$ 3,407,160	8	$ 27,257,282	0.84	$ 2,867,490
	36200	1999	$ 3,601,185	1.307	$ 4,705,931	7	$ 32,941,517	0.86	$ 4,049,656
	36200	2000	$ 521,624	1.294	$ 674,922	6	$ 4,049,531	0.88	$ 593,867
	36200	2001	$ 1,710,375	1.274	$ 2,178,652	5	$ 10,893,262	0.90	$ 1,960,140
	36200	2002	$ 4,383,181	1.277	$ 5,597,729	4	$ 22,390,916	0.92	$ 5,149,611
	36200	2003	$ 2,510,671	1.275	$ 3,202,204	3	$ 9,606,612	0.94	$ 3,012,138
	36200	2004	$ 55,201	1.270	$ 70,087	2	$ 140,175	0.96	$ 67,411
	36200	2005	$ 3,223,783	1.223	$ 3,943,073	1	$ 3,943,073	0.98	$ 3,877,817
	36200	2006	$ 1,621,805	1.138	$ 1,844,920	0	$ -	1.00	$ 1,839,796
			$ 55,526,460		$ 122,637,756	**24.4**	$ 2,990,347,681		$ 75,873,760

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Poles, Towers & Fixtures - 364									
	36400	1968	$ -	7.344	$ -	38	$ -	0.43	$ -
	36400	1969	$ 173,394	6.714	$ 1,164,217	37	$ 43,076,024	0.44	$ 513,934
	36400	1970	$ 408,566	6.026	$ 2,461,872	36	$ 88,627,394	0.45	$ 1,111,225
	36400	1971	$ 517,585	5.595	$ 2,896,011	35	$ 101,360,396	0.46	$ 1,336,596
	36400	1972	$ 591,768	5.281	$ 3,125,067	34	$ 106,252,277	0.47	$ 1,474,764
	36400	1973	$ 539,817	4.700	$ 2,537,140	33	$ 83,725,617	0.48	$ 1,224,252
	36400	1974	$ 670,484	3.790	$ 2,541,351	32	$ 81,323,221	0.49	$ 1,253,875
	36400	1975	$ 874,552	3.310	$ 2,894,644	31	$ 89,733,962	0.50	$ 1,460,320
	36400	1976	$ 573,799	3.310	$ 1,899,194	30	$ 56,975,816	0.52	$ 979,683
	36400	1977	$ 696,360	3.133	$ 2,181,928	29	$ 63,275,912	0.53	$ 1,150,854
	36400	1978	$ 813,566	2.919	$ 2,375,006	28	$ 66,500,177	0.54	$ 1,280,878
	36400	1979	$ 893,382	2.597	$ 2,319,832	27	$ 62,635,456	0.55	$ 1,279,272
	36400	1980	$ 1,186,677	2.386	$ 2,831,158	26	$ 73,610,116	0.56	$ 1,596,371
	36400	1981	$ 1,013,325	2.176	$ 2,204,920	25	$ 55,123,003	0.58	$ 1,271,235
	36400	1982	$ 2,994,087	2.061	$ 6,172,021	24	$ 148,128,515	0.59	$ 3,638,511
	36400	1983	$ 641,910	2.026	$ 1,300,421	23	$ 29,909,686	0.60	$ 783,869
	36400	1984	$ 707,307	1.992	$ 1,408,620	22	$ 30,989,637	0.62	$ 868,194
	36400	1985	$ 740,031	1.958	$ 1,449,227	21	$ 30,433,775	0.63	$ 913,319
	36400	1986	$ 763,042	1.918	$ 1,463,795	20	$ 29,275,897	0.64	$ 943,256
	36400	1987	$ 671,122	1.895	$ 1,271,884	19	$ 24,165,804	0.66	$ 838,032
	36400	1988	$ 945,447	1.832	$ 1,732,398	18	$ 31,183,164	0.67	$ 1,167,142
	36400	1989	$ 1,115,876	1.772	$ 1,977,236	17	$ 33,613,004	0.69	$ 1,362,065
	36400	1990	$ 873,459	1.708	$ 1,491,465	16	$ 23,863,439	0.70	$ 1,050,548
	36400	1991	$ 638,392	1.642	$ 1,048,189	15	$ 15,722,842	0.72	$ 754,929
	36400	1992	$ 681,151	1.560	$ 1,062,709	14	$ 14,877,921	0.74	$ 782,607
	36400	1993	$ 783,493	1.515	$ 1,186,919	13	$ 15,429,951	0.75	$ 893,746
	36400	1994	$ 785,374	1.423	$ 1,117,716	12	$ 13,412,595	0.77	$ 860,573
	36400	1995	$ 1,026,731	1.366	$ 1,402,801	11	$ 15,430,812	0.79	$ 1,104,372
	36400	1996	$ 844,064	1.329	$ 1,121,442	10	$ 11,214,419	0.80	$ 902,733
	36400	1997	$ 1,582,383	1.293	$ 2,045,997	9	$ 18,413,975	0.82	$ 1,684,035
	36400	1998	$ 586,125	1.277	$ 748,584	8	$ 5,988,668	0.84	$ 630,013
	36400	1999	$ 1,532,202	1.263	$ 1,934,547	7	$ 13,541,826	0.86	$ 1,664,761
	36400	2000	$ 2,124,507	1.238	$ 2,629,410	6	$ 15,776,458	0.88	$ 2,313,631
	36400	2001	$ 3,015,991	1.195	$ 3,604,617	5	$ 18,023,087	0.90	$ 3,243,086
	36400	2002	$ 1,716,967	1.146	$ 1,968,230	4	$ 7,872,922	0.92	$ 1,810,667
	36400	2003	$ 1,960,735	1.124	$ 2,204,654	3	$ 6,613,963	0.94	$ 2,073,798
	36400	2004	$ 4,077,122	1.112	$ 4,535,497	2	$ 9,070,993	0.96	$ 4,362,285
	36400	2005	$ 3,452,982	1.101	$ 3,802,933	1	$ 3,802,933	0.98	$ 3,739,996
	36400	2006	$ 4,370,829	1.077	$ 4,706,276	0	$ -	1.00	$ 4,693,205
			$ 47,584,604		$ 84,819,929	18.1	$ 1,538,975,656		$ 59,012,628

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Overhead Conductors & Devices - 365									
	36500	1967	$ 198,820	8.538	$ 1,697,617	39	$ 66,207,060	0.42	$ 716,780
	36500	1968	$ 371,663	8.043	$ 2,989,463	38	$ 113,599,604	0.43	$ 1,290,634
	36500	1969	$ 443,715	7.025	$ 3,117,238	37	$ 115,337,817	0.44	$ 1,376,078
	36500	1970	$ 699,550	6.236	$ 4,362,362	36	$ 157,045,045	0.45	$ 1,969,056
	36500	1971	$ 617,177	5.663	$ 3,495,237	35	$ 122,333,298	0.46	$ 1,613,156
	36500	1972	$ 984,611	5.606	$ 5,519,789	34	$ 187,672,824	0.47	$ 2,604,867
	36500	1973	$ 543,367	5.550	$ 3,015,687	33	$ 99,517,666	0.48	$ 1,455,166
	36500	1974	$ 699,175	4.784	$ 3,345,191	32	$ 107,046,103	0.49	$ 1,650,481
	36500	1975	$ 1,188,191	3.881	$ 4,611,511	31	$ 142,956,826	0.50	$ 2,326,463
	36500	1976	$ 569,692	3.447	$ 1,963,845	30	$ 58,915,353	0.52	$ 1,013,033
	36500	1977	$ 726,046	3.190	$ 2,315,836	29	$ 67,159,255	0.53	$ 1,221,483
	36500	1978	$ 749,837	3.265	$ 2,447,997	28	$ 68,543,923	0.54	$ 1,320,243
	36500	1979	$ 997,940	3.049	$ 3,043,169	27	$ 82,165,554	0.55	$ 1,678,156
	36500	1980	$ 1,328,015	2.761	$ 3,666,907	26	$ 95,339,584	0.56	$ 2,067,614
	36500	1981	$ 1,489,746	2.523	$ 3,758,223	25	$ 93,955,572	0.58	$ 2,166,783
	36500	1982	$ 1,437,971	2.403	$ 3,454,865	24	$ 82,916,769	0.59	$ 2,036,701
	36500	1983	$ 1,560,712	2.275	$ 3,549,980	23	$ 81,649,544	0.60	$ 2,139,861
	36500	1984	$ 1,123,809	2.256	$ 2,535,423	22	$ 55,779,300	0.62	$ 1,562,691
	36500	1985	$ 1,156,472	2.247	$ 2,598,550	21	$ 54,569,559	0.63	$ 1,637,636
	36500	1986	$ 1,082,547	2.229	$ 2,412,906	20	$ 48,258,119	0.64	$ 1,554,855
	36500	1987	$ 1,134,035	2.238	$ 2,537,861	19	$ 48,219,351	0.66	$ 1,672,171
	36500	1988	$ 1,328,303	1.897	$ 2,520,370	18	$ 45,366,656	0.67	$ 1,698,011
	36500	1989	$ 1,378,756	1.829	$ 2,521,284	17	$ 42,861,822	0.69	$ 1,736,845
	36500	1990	$ 1,355,272	1.815	$ 2,460,101	16	$ 39,361,620	0.70	$ 1,732,829
	36500	1991	$ 686,679	1.775	$ 1,218,567	15	$ 18,278,506	0.72	$ 877,638
	36500	1992	$ 1,024,683	1.820	$ 1,864,587	14	$ 26,104,219	0.74	$ 1,373,131
	36500	1993	$ 1,063,962	1.755	$ 1,867,190	13	$ 24,273,473	0.75	$ 1,405,987
	36500	1994	$ 1,254,208	1.681	$ 2,107,753	12	$ 25,293,036	0.77	$ 1,622,840
	36500	1995	$ 1,253,090	1.566	$ 1,961,819	11	$ 21,580,013	0.79	$ 1,544,466
	36500	1996	$ 763,657	1.531	$ 1,169,185	10	$ 11,691,852	0.80	$ 941,165
	36500	1997	$ 2,147,773	1.499	$ 3,219,484	9	$ 28,975,358	0.82	$ 2,649,917
	36500	1998	$ 1,025,316	1.461	$ 1,498,487	8	$ 11,987,895	0.84	$ 1,261,137
	36500	1999	$ 1,904,749	1.502	$ 2,860,990	7	$ 20,026,928	0.86	$ 2,462,005
	36500	2000	$ 2,199,282	1.411	$ 3,103,882	6	$ 18,623,291	0.88	$ 2,731,122
	36500	2001	$ 1,470,315	1.339	$ 1,968,697	5	$ 9,843,484	0.90	$ 1,771,243
	36500	2002	$ 1,753,503	1.294	$ 2,269,841	4	$ 9,079,362	0.92	$ 2,088,132
	36500	2003	$ 2,697,793	1.271	$ 3,428,220	3	$ 10,284,660	0.94	$ 3,224,739
	36500	2004	$ 3,662,325	1.253	$ 4,588,240	2	$ 9,176,480	0.96	$ 4,413,014
	36500	2005	$ 4,279,244	1.228	$ 5,254,381	1	$ 5,254,381	0.98	$ 5,167,424
	36500	2006	$ 1,809,205	1.185	$ 2,143,242	0	$ -	1.00	$ 2,137,289
			$ 52,161,206		$ 114,465,978	20.3	$ 2,327,251,165		$ 75,912,845
Underground Conduit - 366									
	36600	1942	$ 2,132	20.409	$ 43,520	64	$ 2,785,301	0.24	$ 10,536
	36600	1947	$ 389	15.483	$ 6,026	59	$ 355,514	0.27	$ 1,630
	36600	1948	$ 12,657	13.606	$ 172,215	58	$ 9,988,449	0.28	$ 47,645
	36600	1949	$ 1,120	13.206	$ 14,790	57	$ 843,032	0.28	$ 4,184
	36600	1950	$ 525	12.472	$ 6,551	56	$ 366,865	0.29	$ 1,895
	36600	1951	$ 4,418	11.816	$ 52,202	55	$ 2,871,088	0.30	$ 15,439
	36600	1952	$ 849	11.225	$ 9,529	54	$ 514,578	0.30	$ 2,882
	36600	1953	$ 35	10.951	$ 386	53	$ 20,476	0.31	$ 119
	36600	1954	$ 23,730	10.442	$ 247,788	52	$ 12,884,959	0.32	$ 78,344
	36600	1955	$ 6,696	9.978	$ 66,808	51	$ 3,407,202	0.32	$ 21,598
	36600	1957	$ 3,913	9.163	$ 35,852	49	$ 1,756,745	0.34	$ 12,118
	36600	1958	$ 5,396	8.804	$ 47,503	48	$ 2,280,149	0.35	$ 16,417
	36600	1959	$ 1,353	8.635	$ 11,682	47	$ 549,047	0.35	$ 4,128
	36600	1960	$ 117	8.315	$ 971	46	$ 44,657	0.36	$ 351
	36600	1961	$ 1,974	8.018	$ 15,824	45	$ 712,098	0.37	$ 5,846
	36600	1962	$ 713	7.877	$ 5,613	44	$ 246,975	0.38	$ 2,120
	36600	1963	$ 7,461	7.610	$ 56,779	43	$ 2,441,477	0.39	$ 21,932
	36600	1964	$ 5,161	7.483	$ 38,622	42	$ 1,622,116	0.39	$ 15,254
	36600	1965	$ 24,517	7.361	$ 180,461	41	$ 7,398,907	0.40	$ 72,879
	36600	1966	$ 4,984	7.242	$ 36,090	40	$ 1,443,617	0.41	$ 14,803
	36600	1967	$ 9,689	7.016	$ 67,973	39	$ 2,650,934	0.42	$ 28,700
	36600	1968	$ 209,288	6.701	$ 1,402,543	38	$ 53,296,635	0.43	$ 605,517
	36600	1969	$ 14,575	6.068	$ 88,437	37	$ 3,272,179	0.44	$ 39,040
	36600	1970	$ 15,969	5.543	$ 88,522	36	$ 3,186,798	0.45	$ 39,957
	36600	1971	$ 17,591	5.102	$ 89,752	35	$ 3,141,324	0.46	$ 41,423
	36600	1972	$ 38,605	4.828	$ 186,382	34	$ 6,336,976	0.47	$ 87,956
	36600	1973	$ 16,056	4.490	$ 72,091	33	$ 2,379,016	0.48	$ 34,786
	36600	1974	$ 116,727	4.045	$ 472,166	32	$ 15,109,314	0.49	$ 232,962
	36600	1975	$ 59,689	3.711	$ 221,492	31	$ 6,866,238	0.50	$ 111,740
	36600	1976	$ 23,137	3.563	$ 82,449	30	$ 2,473,477	0.52	$ 42,531
	36600	1977	$ 15,186	3.301	$ 50,137	29	$ 1,453,981	0.53	$ 26,445
	36600	1978	$ 41,289	3.034	$ 125,263	28	$ 3,507,374	0.54	$ 67,556
	36600	1979	$ 88,832	2.789	$ 247,736	27	$ 6,688,884	0.55	$ 136,614
	36600	1980	$ 59,401	2.610	$ 155,064	26	$ 4,031,670	0.56	$ 87,434
	36600	1981	$ 100,008	2.427	$ 242,722	25	$ 6,068,053	0.58	$ 139,940
	36600	1982	$ 52,900	2.279	$ 120,569	24	$ 2,893,657	0.59	$ 71,077
	36600	1983	$ 161,200	2.138	$ 344,661	23	$ 7,927,202	0.60	$ 207,755
	36600	1984	$ 373,243	2.060	$ 768,744	22	$ 16,912,359	0.62	$ 473,810
	36600	1985	$ 558,232	2.032	$ 1,134,146	21	$ 23,817,057	0.63	$ 714,751
	36600	1986	$ 371,180	1.996	$ 740,710	20	$ 14,814,206	0.64	$ 477,307
	36600	1987	$ 500,114	1.935	$ 967,893	19	$ 18,389,968	0.66	$ 637,735
	36600	1988	$ 461,857	1.807	$ 834,502	18	$ 15,021,039	0.67	$ 562,217
	36600	1989	$ 877,950	1.669	$ 1,465,426	17	$ 24,912,239	0.69	$ 1,009,493
	36600	1990	$ 529,975	1.677	$ 888,735	16	$ 14,219,759	0.70	$ 626,001
	36600	1991	$ 145,235	1.714	$ 248,895	15	$ 3,733,426	0.72	$ 179,260
	36600	1992	$ 376,708	1.699	$ 640,083	14	$ 8,961,160	0.74	$ 471,374
	36600	1993	$ 506,317	1.655	$ 838,106	13	$ 10,895,382	0.75	$ 631,091
	36600	1994	$ 610,770	1.581	$ 965,619	12	$ 11,587,425	0.77	$ 743,467
	36600	1995	$ 767,852	1.536	$ 1,179,694	11	$ 12,976,633	0.79	$ 928,728
	36600	1996	$ 580,609	1.507	$ 874,810	10	$ 8,748,102	0.80	$ 704,201
	36600	1997	$ 834,862	1.466	$ 1,224,010	9	$ 11,016,089	0.82	$ 1,007,487
	36600	1998	$ 1,088,297	1.428	$ 1,553,721	8	$ 12,429,771	0.84	$ 1,307,623
	36600	1999	$ 1,515,961	1.380	$ 2,092,749	7	$ 14,649,240	0.86	$ 1,800,900
	36600	2000	$ 1,061,327	1.330	$ 1,411,958	6	$ 8,471,748	0.88	$ 1,242,389
	36600	2001	$ 597,189	1.281	$ 765,015	5	$ 3,825,076	0.90	$ 688,287
	36600	2002	$ 900,326	1.208	$ 1,087,415	4	$ 4,349,658	0.92	$ 1,000,363
	36600	2003	$ 1,042,247	1.182	$ 1,231,497	3	$ 3,694,491	0.94	$ 1,158,402
	36600	2004	$ 694,439	1.169	$ 811,987	2	$ 1,623,975	0.96	$ 780,977
	36600	2005	$ 1,676,406	1.151	$ 1,928,780	1	$ 1,928,780	0.98	$ 1,896,859

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
	36600	2006	$ 265,603	1.120	$ 297,581	0	$ -	1.00	$ 296,755
			$ 17,484,981		$ 29,059,248	**14.8**	$ 430,794,548		$ 21,691,111

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Underground Conductors & Devices - 367									
	36700	1970	$ 64,120	4.807	$ 308,213	36	$ 11,095,675	0.45	$ 139,119
	36700	1971	$ 197,057	4.807	$ 947,217	35	$ 33,152,601	0.46	$ 437,169
	36700	1972	$ 355,172	4.273	$ 1,517,553	34	$ 51,596,805	0.47	$ 716,155
	36700	1973	$ 247,546	4.230	$ 1,047,120	33	$ 34,554,946	0.48	$ 505,269
	36700	1974	$ 715,654	3.384	$ 2,421,773	32	$ 77,496,740	0.49	$ 1,194,877
	36700	1975	$ 656,843	3.279	$ 2,153,834	31	$ 66,768,855	0.50	$ 1,086,589
	36700	1976	$ 289,342	3.180	$ 920,238	30	$ 27,607,143	0.52	$ 474,697
	36700	1977	$ 711,657	2.979	$ 2,119,936	29	$ 61,478,144	0.53	$ 1,118,156
	36700	1978	$ 753,888	2.601	$ 2,111,885	28	$ 59,132,778	0.54	$ 1,138,972
	36700	1979	$ 727,626	2.286	$ 1,663,707	27	$ 44,920,089	0.55	$ 917,452
	36700	1980	$ 606,692	2.024	$ 1,227,898	26	$ 31,925,352	0.56	$ 692,360
	36700	1981	$ 603,843	1.977	$ 1,193,578	25	$ 29,839,438	0.58	$ 688,151
	36700	1982	$ 454,506	2.005	$ 911,166	24	$ 21,867,985	0.59	$ 537,148
	36700	1983	$ 602,422	1.986	$ 1,196,359	23	$ 27,516,261	0.60	$ 721,143
	36700	1984	$ 769,418	1.995	$ 1,535,207	22	$ 33,774,547	0.62	$ 946,215
	36700	1985	$ 914,040	1.940	$ 1,773,573	21	$ 37,245,034	0.63	$ 1,117,726
	36700	1986	$ 1,060,682	1.847	$ 1,959,251	20	$ 39,185,021	0.64	$ 1,262,524
	36700	1987	$ 1,012,377	1.808	$ 1,830,066	19	$ 34,771,256	0.66	$ 1,205,812
	36700	1988	$ 902,208	1.772	$ 1,598,467	18	$ 28,772,405	0.67	$ 1,076,911
	36700	1989	$ 1,148,930	1.662	$ 1,909,616	17	$ 32,463,480	0.69	$ 1,315,484
	36700	1990	$ 1,070,169	1.593	$ 1,705,015	16	$ 27,280,240	0.70	$ 1,200,967
	36700	1991	$ 628,987	1.558	$ 979,969	15	$ 14,699,530	0.72	$ 705,795
	36700	1992	$ 950,555	1.541	$ 1,464,790	14	$ 20,507,055	0.74	$ 1,078,710
	36700	1993	$ 1,262,156	1.524	$ 1,923,935	13	$ 25,011,156	0.75	$ 1,448,716
	36700	1994	$ 1,445,991	1.507	$ 2,178,644	12	$ 26,143,723	0.77	$ 1,677,422
	36700	1995	$ 1,341,265	1.444	$ 1,936,366	11	$ 21,300,021	0.79	$ 1,524,427
	36700	1996	$ 1,292,036	1.411	$ 1,823,290	10	$ 18,232,902	0.80	$ 1,467,704
	36700	1997	$ 2,099,312	1.398	$ 2,935,567	9	$ 26,420,102	0.82	$ 2,416,228
	36700	1998	$ 2,077,463	1.376	$ 2,857,778	8	$ 22,862,227	0.84	$ 2,405,126
	36700	1999	$ 2,518,221	1.347	$ 3,392,381	7	$ 23,746,664	0.86	$ 2,919,290
	36700	2000	$ 2,282,417	1.314	$ 2,998,330	6	$ 17,989,982	0.88	$ 2,638,247
	36700	2001	$ 1,149,074	1.310	$ 1,504,824	5	$ 7,524,122	0.90	$ 1,353,895
	36700	2002	$ 2,056,899	1.287	$ 2,646,596	4	$ 10,586,382	0.92	$ 2,434,726
	36700	2003	$ 2,476,882	1.272	$ 3,151,041	3	$ 9,453,123	0.94	$ 2,964,012
	36700	2004	$ 2,999,024	1.263	$ 3,786,827	2	$ 7,573,655	0.96	$ 3,642,208
	36700	2005	$ 3,251,411	1.241	$ 4,036,234	1	$ 4,036,234	0.98	$ 3,969,437
	36700	2006	$ 1,126,915	1.186	$ 1,336,188	0	$ -	1.00	$ 1,332,477
			$ 42,822,800		$ 71,004,432	15.0	$ 1,068,531,673		$ 52,471,312

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Line Transformers - 368									
	36800	1971	$ -	3.137	$ -	35	$ -	0.46	$ -
	36800	1972	$ -	3.200	$ -	34	$ -	0.47	$ -
	36800	1973	$ 1,035,851	3.200	$ 3,314,723	33	$ 109,385,866	0.48	$ 1,599,461
	36800	1974	$ 1,298,670	2.936	$ 3,812,609	32	$ 122,003,494	0.49	$ 1,881,100
	36800	1975	$ 303,408	2.462	$ 746,850	31	$ 23,152,364	0.50	$ 376,779
	36800	1976	$ 1,062,028	2.388	$ 2,536,186	30	$ 76,085,588	0.52	$ 1,308,270
	36800	1977	$ 1,863,074	2.207	$ 4,111,612	29	$ 119,236,736	0.53	$ 2,168,661
	36800	1978	$ 1,657,765	2.065	$ 3,422,483	28	$ 95,829,512	0.54	$ 1,845,798
	36800	1979	$ 1,268,752	1.951	$ 2,475,614	27	$ 66,841,569	0.55	$ 1,365,178
	36800	1980	$ 1,375,240	1.951	$ 2,683,395	26	$ 69,768,273	0.56	$ 1,513,053
	36800	1981	$ 1,298,078	1.667	$ 2,163,463	25	$ 54,086,583	0.58	$ 1,247,333
	36800	1982	$ 1,234,557	1.546	$ 1,908,494	24	$ 45,803,854	0.59	$ 1,125,089
	36800	1983	$ 230,270	1.524	$ 350,888	23	$ 8,070,415	0.60	$ 211,508
	36800	1984	$ 2,071,930	1.509	$ 3,127,442	22	$ 68,803,713	0.62	$ 1,927,576
	36800	1985	$ 1,823,275	1.495	$ 2,726,393	21	$ 57,254,243	0.63	$ 1,718,203
	36800	1986	$ 2,237,186	1.488	$ 3,329,765	20	$ 66,595,304	0.64	$ 2,145,671
	36800	1987	$ 1,979,290	1.495	$ 2,959,686	19	$ 56,234,034	0.66	$ 1,950,107
	36800	1988	$ 1,534,992	1.480	$ 2,271,433	18	$ 40,885,798	0.67	$ 1,530,298
	36800	1989	$ 1,672,551	1.425	$ 2,384,037	17	$ 40,528,630	0.69	$ 1,642,300
	36800	1990	$ 1,267,270	1.405	$ 1,780,577	16	$ 28,489,231	0.70	$ 1,254,191
	36800	1991	$ 1,475,247	1.407	$ 2,075,073	15	$ 31,126,091	0.72	$ 1,494,512
	36800	1992	$ 1,310,869	1.379	$ 1,808,095	14	$ 25,313,332	0.74	$ 1,331,529
	36800	1993	$ 1,802,958	1.372	$ 2,473,512	13	$ 32,155,650	0.75	$ 1,862,544
	36800	1994	$ 2,429,500	1.346	$ 3,269,989	12	$ 39,239,874	0.77	$ 2,517,691
	36800	1995	$ 2,976,254	1.366	$ 4,065,747	11	$ 44,723,219	0.79	$ 3,200,809
	36800	1996	$ 2,188,248	1.391	$ 3,044,519	10	$ 30,445,190	0.80	$ 2,450,763
	36800	1997	$ 2,112,249	1.448	$ 3,058,460	9	$ 27,526,141	0.82	$ 2,517,380
	36800	1998	$ 1,546,424	1.421	$ 2,196,918	8	$ 17,575,340	0.84	$ 1,848,941
	36800	1999	$ 2,960,892	1.413	$ 4,183,159	7	$ 29,282,111	0.86	$ 3,599,788
	36800	2000	$ 2,185,506	1.407	$ 3,074,118	6	$ 18,444,710	0.88	$ 2,704,933
	36800	2001	$ 1,214,122	1.354	$ 1,644,525	5	$ 8,222,625	0.90	$ 1,479,584
	36800	2002	$ 1,013,814	1.302	$ 1,320,124	4	$ 5,280,496	0.92	$ 1,214,443
	36800	2003	$ 1,024,399	1.285	$ 1,316,497	3	$ 3,949,490	0.94	$ 1,238,356
	36800	2004	$ 1,482,112	1.283	$ 1,900,905	2	$ 3,801,810	0.96	$ 1,828,309
	36800	2005	$ 1,239,418	1.274	$ 1,578,562	1	$ 1,578,562	0.98	$ 1,552,438
	36800	2006	$ 740,086	1.223	$ 904,785	0	$ -	1.00	$ 902,272
			$ 52,916,285		$ 84,020,637	**17.5**	$ 1,467,719,849		$ 58,554,874
Electric Services - 369									
	36900	1976	$ 232,896	3.370	$ 784,878	30	$ 23,546,336	0.52	$ 404,873
	36900	1977	$ 585,672	3.079	$ 1,803,364	29	$ 52,297,560	0.53	$ 951,181
	36900	1978	$ 677,602	2.853	$ 1,933,424	28	$ 54,135,882	0.54	$ 1,042,726
	36900	1979	$ 733,081	2.626	$ 1,924,900	27	$ 51,972,295	0.55	$ 1,061,486
	36900	1980	$ 666,660	2.365	$ 1,576,411	26	$ 40,986,699	0.56	$ 888,872
	36900	1981	$ 638,529	2.195	$ 1,401,489	25	$ 35,037,232	0.58	$ 808,021
	36900	1982	$ 579,926	2.088	$ 1,210,772	24	$ 29,058,536	0.59	$ 713,771
	36900	1983	$ 771,140	2.038	$ 1,571,657	23	$ 36,148,106	0.60	$ 947,365
	36900	1984	$ 1,081,039	1.911	$ 2,065,557	22	$ 45,442,247	0.62	$ 1,273,093
	36900	1985	$ 1,108,875	1.919	$ 2,128,244	21	$ 44,693,132	0.63	$ 1,341,244
	36900	1986	$ 1,243,460	1.902	$ 2,365,337	20	$ 47,306,745	0.64	$ 1,524,202
	36900	1987	$ 1,145,474	1.853	$ 2,122,350	19	$ 40,324,652	0.66	$ 1,398,395
	36900	1988	$ 1,118,404	1.715	$ 1,918,545	18	$ 34,533,805	0.67	$ 1,292,552
	36900	1989	$ 1,056,748	1.624	$ 1,716,464	17	$ 29,179,880	0.69	$ 1,182,426
	36900	1990	$ 988,861	1.618	$ 1,600,123	16	$ 25,601,966	0.70	$ 1,127,084
	36900	1991	$ 950,048	1.606	$ 1,525,781	15	$ 22,886,710	0.72	$ 1,098,900
	36900	1992	$ 1,075,239	1.608	$ 1,728,459	14	$ 24,198,430	0.74	$ 1,272,883
	36900	1993	$ 1,183,365	1.571	$ 1,858,643	13	$ 24,162,359	0.75	$ 1,399,551
	36900	1994	$ 1,411,093	1.510	$ 2,130,327	12	$ 25,563,928	0.77	$ 1,640,221
	36900	1995	$ 1,850,116	1.434	$ 2,652,763	11	$ 29,180,389	0.79	$ 2,088,419
	36900	1996	$ 1,731,427	1.416	$ 2,451,781	10	$ 24,517,808	0.80	$ 1,973,623
	36900	1997	$ 1,792,536	1.398	$ 2,505,161	9	$ 22,546,445	0.82	$ 2,061,966
	36900	1998	$ 1,936,654	1.371	$ 2,654,565	8	$ 21,236,520	0.84	$ 2,234,100
	36900	1999	$ 2,765,582	1.359	$ 3,757,680	7	$ 26,303,758	0.86	$ 3,233,645
	36900	2000	$ 2,747,357	1.317	$ 3,618,058	6	$ 21,708,347	0.88	$ 3,183,548
	36900	2001	$ 164,678	1.268	$ 208,836	5	$ 1,044,181	0.90	$ 187,890
	36900	2002	$ 3,811,811	1.219	$ 4,648,020	4	$ 18,592,081	0.92	$ 4,275,930

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
	36900	2003	$ 2,547,930	1.193	$ 3,039,760	3	$ 9,119,281	0.94	$ 2,859,336
	36900	2004	$ 2,585,808	1.175	$ 3,038,369	2	$ 6,076,738	0.96	$ 2,922,333
	36900	2004	$ 2,619,588	1.175	$ 3,078,061	2	$ 6,156,122	0.96	$ 2,960,509
	36900	2004	$ 886,912	1.175	$ 1,042,137	2	$ 2,084,274	0.96	$ 1,002,337
			$ 42,688,511		$ 66,061,916	13.3	$ 875,642,443		$ 50,352,483
Electric Meters - 370									
	37000	1973	$ 111,517	3.100	$ 345,703	33	$ 11,408,189	0.48	$ 166,813
	37000	1974	$ 201,996	2.870	$ 579,803	32	$ 18,553,707	0.49	$ 286,069
	37000	1975	$ 204,820	2.500	$ 512,050	31	$ 15,873,550	0.50	$ 258,324
	37000	1976	$ 305,736	2.331	$ 712,618	30	$ 21,378,532	0.52	$ 367,598
	37000	1977	$ 392,259	2.214	$ 868,574	29	$ 25,186,632	0.53	$ 458,127
	37000	1978	$ 466,377	2.153	$ 1,004,006	28	$ 28,112,169	0.54	$ 541,476
	37000	1979	$ 424,453	2.095	$ 889,057	27	$ 24,004,538	0.55	$ 490,271
	37000	1980	$ 391,691	2.123	$ 831,673	26	$ 21,623,489	0.56	$ 468,945
	37000	1981	$ 380,629	1.902	$ 723,896	25	$ 18,097,391	0.58	$ 417,358
	37000	1982	$ 276,931	1.632	$ 451,835	24	$ 10,844,035	0.59	$ 266,364
	37000	1983	$ 403,500	1.527	$ 616,182	23	$ 14,172,192	0.60	$ 371,423
	37000	1984	$ 540,575	1.520	$ 821,462	22	$ 18,072,164	0.62	$ 506,303
	37000	1985	$ 620,422	1.505	$ 933,645	21	$ 19,606,540	0.63	$ 588,393
	37000	1986	$ 427,196	1.469	$ 627,634	20	$ 12,552,679	0.64	$ 404,442
	37000	1987	$ 597,813	1.469	$ 878,303	19	$ 16,687,766	0.66	$ 578,705
	37000	1988	$ 462,681	1.570	$ 726,233	18	$ 13,072,202	0.67	$ 489,274
	37000	1989	$ 591,801	1.649	$ 975,842	17	$ 16,589,315	0.69	$ 672,232
	37000	1990	$ 545,683	1.645	$ 897,410	16	$ 14,358,555	0.70	$ 632,111
	37000	1991	$ 689,067	1.529	$ 1,053,567	15	$ 15,803,509	0.72	$ 758,802
	37000	1992	$ 487,199	1.533	$ 746,757	14	$ 10,454,604	0.74	$ 549,932
	37000	1993	$ 591,284	1.512	$ 894,137	13	$ 11,623,778	0.75	$ 673,281
	37000	1994	$ 475,598	1.592	$ 757,049	12	$ 9,084,593	0.77	$ 582,882
	37000	1995	$ 754,343	1.615	$ 1,217,950	11	$ 13,397,446	0.79	$ 958,846
	37000	1996	$ 817,636	1.580	$ 1,291,552	10	$ 12,915,524	0.80	$ 1,039,668
	37000	1997	$ 647,457	1.473	$ 953,500	9	$ 8,581,497	0.82	$ 784,814
	37000	1998	$ 403,953	1.430	$ 577,741	8	$ 4,621,931	0.84	$ 486,231
	37000	1999	$ 853,232	1.481	$ 1,264,047	7	$ 8,848,332	0.86	$ 1,087,767
	37000	2000	$ 613,595	1.499	$ 920,022	6	$ 5,520,129	0.88	$ 809,532
	37000	2001	$ 404,599	1.316	$ 532,593	5	$ 2,662,966	0.90	$ 479,176
	37000	2002	$ 386,444	1.150	$ 444,518	4	$ 1,778,073	0.92	$ 408,933
	37000	2003	$ 328,928	1.111	$ 365,476	3	$ 1,096,427	0.94	$ 343,783
	37000	2004	$ 264,072	1.064	$ 281,072	2	$ 562,145	0.96	$ 270,338
	37000	2004	$ 400,081	1.064	$ 425,837	2	$ 851,675	0.96	$ 409,574
	37000	2004	$ 52,573	1.064	$ 55,958	2	$ 111,915	0.96	$ 53,820
			$ 15,516,141		$ 25,177,702	17.0	$ 428,110,188		$ 17,661,607
Installation on Customer Premises - 371									
	37100	1982	$ 69,280	2.015	$ 139,622	24	$ 3,350,922	0.59	$ 82,309
	37100	1983	$ 18,928	2.008	$ 38,000	23	$ 874,011	0.60	$ 22,906
	37100	1984	$ 45,596	1.927	$ 87,852	22	$ 1,932,736	0.62	$ 54,147
	37100	1985	$ 65,987	1.859	$ 122,647	21	$ 2,575,592	0.63	$ 77,294
	37100	1986	$ 66,358	1.859	$ 123,337	20	$ 2,466,736	0.64	$ 79,477
	37100	1987	$ 48,040	1.941	$ 93,244	19	$ 1,771,630	0.66	$ 61,437
	37100	1988	$ 64,218	1.918	$ 123,167	18	$ 2,217,014	0.67	$ 82,980
	37100	1989	$ 109,464	1.855	$ 203,097	17	$ 3,452,653	0.69	$ 139,908
	37100	1990	$ 105,848	1.803	$ 190,835	16	$ 3,053,357	0.70	$ 134,419
	37100	1991	$ 137,398	1.743	$ 239,507	15	$ 3,592,611	0.72	$ 172,498
	37100	1992	$ 130,298	1.682	$ 219,142	14	$ 3,067,992	0.74	$ 161,382
	37100	1993	$ 171,790	1.616	$ 277,608	13	$ 3,608,909	0.75	$ 209,038
	37100	1994	$ 130,732	1.539	$ 201,214	12	$ 2,414,573	0.77	$ 154,923
	37100	1995	$ 210,408	1.471	$ 309,579	11	$ 3,405,373	0.79	$ 243,720
	37100	1996	$ 187,082	1.396	$ 261,195	10	$ 2,611,948	0.80	$ 210,255
	37100	1997	$ 153,972	1.361	$ 209,545	9	$ 1,885,908	0.82	$ 172,474
	37100	1998	$ 144,925	1.353	$ 196,091	8	$ 1,568,732	0.84	$ 165,032
	37100	1999	$ 143,916	1.335	$ 192,132	7	$ 1,344,921	0.86	$ 165,337
	37100	2000	$ 131,873	1.308	$ 172,550	6	$ 1,035,301	0.88	$ 151,828
	37100	2001	$ 26,165	1.266	$ 33,123	5	$ 165,617	0.90	$ 29,801
	37100	2002	$ 117,565	1.186	$ 139,434	4	$ 557,738	0.92	$ 128,272
	37100	2003	$ 153,022	1.139	$ 174,314	3	$ 522,943	0.94	$ 163,968
	37100	2004	$ 183,775	1.117	$ 205,344	2	$ 410,688	0.96	$ 197,502
	37100	2004	$ 124,597	1.117	$ 139,220	2	$ 278,441	0.96	$ 133,904
	37100	2004	$ 82,181	1.117	$ 91,826	2	$ 183,652	0.96	$ 88,319
			$ 2,823,418		$ 4,183,629	11.6	$ 48,349,996		$ 3,283,131
Street Light & Signal Systems - 373									
	37300	1971	$ 99,410	5.596	$ 556,273	35	$ 19,469,554	0.46	$ 256,737
	37300	1972	$ 417,493	5.367	$ 2,240,830	34	$ 76,188,212	0.47	$ 1,057,479
	37300	1973	$ 265,546	5.260	$ 1,396,772	33	$ 46,093,475	0.48	$ 673,988
	37300	1974	$ 141,605	4.311	$ 610,526	32	$ 19,536,847	0.49	$ 301,227
	37300	1975	$ 36,203	3.554	$ 128,667	31	$ 3,988,690	0.50	$ 64,911
	37300	1976	$ 37,675	3.372	$ 127,032	30	$ 3,810,971	0.52	$ 65,529
	37300	1977	$ 20,525	3.112	$ 63,883	29	$ 1,852,594	0.53	$ 33,695
	37300	1978	$ 28,705	2.843	$ 81,615	28	$ 2,285,228	0.54	$ 44,016
	37300	1979	$ 47,265	2.566	$ 121,275	27	$ 3,274,427	0.55	$ 66,877
	37300	1980	$ 198,615	2.348	$ 466,391	26	$ 12,126,155	0.56	$ 262,978
	37300	1981	$ 199,845	2.147	$ 429,055	25	$ 10,726,374	0.58	$ 247,369
	37300	1982	$ 372,842	2.015	$ 751,398	24	$ 18,033,553	0.59	$ 442,952
	37300	1983	$ 176,871	2.008	$ 355,092	23	$ 8,167,120	0.60	$ 214,043
	37300	1984	$ 337,529	1.927	$ 650,331	22	$ 14,307,273	0.62	$ 400,827
	37300	1985	$ 218,306	1.859	$ 405,756	21	$ 8,520,877	0.63	$ 255,712
	37300	1986	$ 327,854	1.859	$ 609,368	20	$ 12,187,364	0.64	$ 392,671
	37300	1987	$ 456,264	1.941	$ 885,590	19	$ 16,826,208	0.66	$ 583,506
	37300	1988	$ 670,591	1.918	$ 1,286,165	18	$ 23,150,978	0.67	$ 866,509
	37300	1989	$ 248,250	1.855	$ 460,598	17	$ 7,830,164	0.69	$ 317,294
	37300	1990	$ 462,105	1.803	$ 833,135	16	$ 13,330,165	0.70	$ 586,838
	37300	1991	$ 427,888	1.743	$ 745,879	15	$ 11,188,190	0.72	$ 537,198
	37300	1992	$ 288,673	1.682	$ 485,506	14	$ 6,797,084	0.74	$ 357,539
	37300	1993	$ 344,575	1.616	$ 556,825	13	$ 7,238,722	0.75	$ 419,287
	37300	1994	$ 415,887	1.539	$ 640,107	12	$ 7,681,284	0.77	$ 492,843
	37300	1995	$ 270,888	1.471	$ 398,565	11	$ 4,384,218	0.79	$ 313,775
	37300	1996	$ 204,255	1.396	$ 285,171	10	$ 2,851,709	0.80	$ 229,556
	37300	1997	$ 399,689	1.361	$ 543,949	9	$ 4,895,544	0.82	$ 447,718
	37300	1998	$ 373,568	1.353	$ 505,458	8	$ 4,043,663	0.84	$ 425,397
	37300	1999	$ 456,120	1.335	$ 608,932	7	$ 4,262,522	0.86	$ 524,012
	37300	2000	$ 233,403	1.308	$ 305,398	6	$ 1,832,388	0.88	$ 268,721
	37300	2001	$ 370,467	1.266	$ 468,991	5	$ 2,344,954	0.90	$ 421,952
	37300	2002	$ 252,111	1.186	$ 299,009	4	$ 1,196,035	0.92	$ 275,072

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
	37300	2003	$ 221,354	1.139	$ 252,154	3	$ 756,463	0.94	$ 237,188
	37300	2004	$ 488,309	1.117	$ 545,620	2	$ 1,091,240	0.96	$ 524,782
	37300	2005	$ 594,607	1.108	$ 658,796	1	$ 658,796	0.98	$ 647,893
	37300	2006	$ 75,540	1.088	$ 82,223	0	$ -	1.00	$ 81,994
			$ 10,180,833		$ 19,842,335	**19.3**	$ 382,929,040		$ 13,340,097
Total Distribution Plant			**$ 341,468,447**		**$ 625,414,344**		**$ 11,685,047,883**		**$ 431,023,509**
General Plant									
General Land - 389	389	1982	$ 31,955	1.691	$ 54,026	24	$ 1,296,622	1.00	$ 54,026
			$ 31,955		$ 54,026	**24.0**	$ 1,296,622		$ 54,026
Structures & Improvements - 390									
	39000	1955	$ 73,252	9.977	$ 730,855	51	$ 37,273,614	0.32	$ 236,275
	39000	1961	$ 30,355	8.130	$ 246,775	45	$ 11,104,871	0.37	$ 91,173
	39000	1964	$ 10,020	7.839	$ 78,550	42	$ 3,299,085	0.39	$ 31,024
	39000	1971	$ 33,380	5.105	$ 170,393	35	$ 5,963,764	0.46	$ 78,642
	39000	1974	$ 335	3.712	$ 1,244	32	$ 39,798	0.49	$ 614
	39000	1975	$ 350	3.390	$ 1,186	31	$ 36,781	0.50	$ 599
	39000	1977	$ 31,267	3.102	$ 97,005	29	$ 2,813,146	0.53	$ 51,165
	39000	1984	$ 571,680	1.982	$ 1,133,036	22	$ 24,926,797	0.62	$ 698,340
	39000	1988	$ 8,377	1.749	$ 14,651	18	$ 263,725	0.67	$ 9,871
	39000	1989	$ 27,623	1.676	$ 46,284	17	$ 786,834	0.69	$ 31,884
	39000	1997	$ 4,800	1.365	$ 6,554	9	$ 58,988	0.82	$ 5,395
	39000	2003	$ 89,391	1.147	$ 102,528	3	$ 307,584	0.94	$ 96,443
	39000	2005	$ 749,466	1.099	$ 823,568	1	$ 823,568	0.98	$ 809,939
			$ 1,630,296		$ 3,452,631	**25.4**	$ 87,698,556		$ 2,141,362

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Office Furniture & Fixtures - 391									
	39100	1986	$ 89,117	1.683	$ 149,982	20	$ 2,999,635	0.64	$ 96,647
	39100	1990	$ 26,852	1.470	$ 39,464	16	$ 631,426	0.70	$ 27,797
	39100	1991	$ 5,554	1.420	$ 7,887	15	$ 118,302	0.72	$ 5,680
	39100	1993	$ 8,517	1.357	$ 11,556	13	$ 150,222	0.75	$ 8,701
	39100	1994	$ 22,776	1.329	$ 30,259	12	$ 363,104	0.77	$ 23,297
	39100	1995	$ 4,144	1.302	$ 5,395	11	$ 59,345	0.79	$ 4,247
	39100	1996	$ 402,334	1.278	$ 514,051	10	$ 5,140,507	0.80	$ 413,798
	39100	1997	$ 85,504	1.257	$ 107,458	9	$ 967,118	0.82	$ 88,447
	39100	2003	$ 156,555	1.128	$ 176,594	3	$ 529,782	0.94	$ 166,112
	39100	2006	$ 4,777	1.000	$ 4,778	0	$ -	1.00	$ 4,765
			$ 806,130		$ 1,047,422	**10.5**	$ 10,959,443		$ 839,493
Transportation Equipment - 392									
	39200	1937	$ 432	10.880	$ 4,700	69	$ 324,322	0.22	$ 1,018
	39200	1938	$ 300	11.206	$ 3,362	68	$ 228,602	0.22	$ 745
	39200	1945	$ 605	8.784	$ 5,314	61	$ 324,158	0.26	$ 1,375
	39200	1948	$ 1,215	6.697	$ 8,137	58	$ 471,923	0.28	$ 2,251
	39200	1949	$ 1,916	6.709	$ 12,855	57	$ 732,711	0.28	$ 3,636
	39200	1950	$ 4,409	6.636	$ 29,260	56	$ 1,638,560	0.29	$ 8,463
	39200	1951	$ 1,091	6.192	$ 6,755	55	$ 371,540	0.30	$ 1,998
	39200	1957	$ 1,996	5.475	$ 10,928	49	$ 535,471	0.34	$ 3,694
	39200	1958	$ 1,268	5.352	$ 6,786	48	$ 325,748	0.35	$ 2,345
	39200	1959	$ 9,808	5.287	$ 51,853	47	$ 2,437,096	0.35	$ 18,324
	39200	1960	$ 8,874	5.214	$ 46,269	46	$ 2,128,356	0.36	$ 16,718
	39200	1962	$ 3,174	5.086	$ 16,144	44	$ 710,335	0.38	$ 6,099
	39200	1968	$ 2,852	4.404	$ 12,559	38	$ 477,244	0.43	$ 5,422
	39200	1969	$ 5,205	4.195	$ 21,837	37	$ 807,980	0.44	$ 9,640
	39200	1970	$ 1,549	3.984	$ 6,172	36	$ 222,187	0.45	$ 2,786
	39200	1971	$ 1,800	3.795	$ 6,830	35	$ 239,062	0.46	$ 3,152
	39200	1972	$ 3,650	3.637	$ 13,274	34	$ 451,323	0.47	$ 6,264
	39200	1974	$ 2,288	3.159	$ 7,228	32	$ 231,311	0.49	$ 3,566
	39200	1980	$ 28,164	2.030	$ 57,173	26	$ 1,486,489	0.56	$ 32,237
	39200	1982	$ 6,171	1.749	$ 10,793	24	$ 259,032	0.59	$ 6,363
	39200	1986	$ 405,521	1.540	$ 624,399	20	$ 12,487,971	0.64	$ 402,357
	39200	1987	$ 58,373	1.499	$ 87,490	19	$ 1,662,309	0.66	$ 57,646
	39200	1988	$ 115,948	1.449	$ 168,049	18	$ 3,024,877	0.67	$ 113,217
	39200	1990	$ 70,735	1.345	$ 95,111	16	$ 1,521,776	0.70	$ 66,994
	39200	1991	$ 97,125	1.299	$ 126,181	15	$ 1,892,722	0.72	$ 90,879
	39200	1992	$ 9,599	1.270	$ 12,190	14	$ 170,667	0.74	$ 8,977
	39200	1993	$ 286,119	1.241	$ 355,158	13	$ 4,617,049	0.75	$ 267,432
	39200	1994	$ 530,471	1.215	$ 644,770	12	$ 7,737,235	0.77	$ 496,433
	39200	1995	$ 138,556	1.191	$ 165,033	11	$ 1,815,363	0.79	$ 129,924
	39200	1996	$ 662,821	1.169	$ 774,794	10	$ 7,747,938	0.80	$ 623,690
	39200	1997	$ 999,024	1.150	$ 1,148,675	9	$ 10,338,076	0.82	$ 945,460
	39200	1998	$ 1,532,011	1.137	$ 1,742,184	8	$ 13,937,471	0.84	$ 1,466,234
	39200	1999	$ 1,069,940	1.121	$ 1,199,367	7	$ 8,395,569	0.86	$ 1,032,107
	39200	2000	$ 248,250	1.097	$ 272,347	6	$ 1,634,082	0.88	$ 239,640
	39200	2001	$ 862,427	1.071	$ 923,975	5	$ 4,619,873	0.90	$ 831,303
	39200	2002	$ 627,076	1.053	$ 660,298	4	$ 2,641,192	0.92	$ 607,439
	39200	2003	$ 375,534	1.032	$ 387,551	3	$ 1,162,653	0.94	$ 364,548
	39200	2004	$ 561,039	1.023	$ 573,828	2	$ 1,147,656	0.96	$ 551,913
	39200	2005	$ 283,109	1.007	$ 285,042	1	$ 285,042	0.98	$ 280,325
	39200	2006	$ 696,470	1.000	$ 696,301	0	$ -	1.00	$ 694,367
			$ 9,716,915		$ 11,280,972	**9.0**	$ 101,242,971		$ 9,406,982
Stores Equipment	393	2005	$ 1,632	1.223	$ 1,996	1	$ 1,996	0.98	$ 1,963
		2006	$ 17,526	1.138	$ 19,937	0	$ -	1.00	$ 19,882
			$ 19,158		$ 21,933	**0.1**	$ 1,996		$ 21,845

Vectren South Electric

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Tools, Shop & Garage Equipment - 394									
	39400	1948	$ 590	6.533	$ 3,855	58	$ 223,573	0.28	$ 1,066
	39400	1958	$ 3,733	5.221	$ 19,492	48	$ 935,608	0.35	$ 6,736
	39400	1959	$ 3,883	5.158	$ 20,028	47	$ 941,310	0.35	$ 7,077
	39400	1961	$ 1,802	5.030	$ 9,064	45	$ 407,890	0.37	$ 3,349
	39400	1965	$ 5,863	4.750	$ 27,846	41	$ 1,141,701	0.40	$ 11,246
	39400	1969	$ 2,302	4.093	$ 9,422	37	$ 348,625	0.44	$ 4,159
	39400	1970	$ 4,628	3.887	$ 17,990	36	$ 647,639	0.45	$ 8,120
	39400	1971	$ 9,629	3.702	$ 35,647	35	$ 1,247,649	0.46	$ 16,452
	39400	1972	$ 2,098	3.548	$ 7,444	34	$ 253,089	0.47	$ 3,513
	39400	1973	$ 505	3.361	$ 1,697	33	$ 56,004	0.48	$ 819
	39400	1974	$ 4,501	3.082	$ 13,873	32	$ 443,939	0.49	$ 6,845
	39400	1976	$ 828	2.663	$ 2,205	30	$ 66,142	0.52	$ 1,137
	39400	1978	$ 96,353	2.339	$ 225,379	28	$ 6,310,621	0.54	$ 121,551
	39400	1979	$ 3,680	2.160	$ 7,949	27	$ 214,631	0.55	$ 4,384
	39400	1981	$ 9,871	1.810	$ 17,871	25	$ 446,766	0.58	$ 10,303
	39400	1982	$ 565	1.706	$ 964	24	$ 23,138	0.59	$ 568
	39400	1983	$ 5,291	1.641	$ 8,685	23	$ 199,746	0.60	$ 5,235
	39400	1984	$ 4,042	1.582	$ 6,394	22	$ 140,678	0.62	$ 3,941
	39400	1985	$ 8,390	1.546	$ 12,975	21	$ 272,466	0.63	$ 8,177
	39400	1986	$ 9,245	1.504	$ 13,903	20	$ 278,053	0.64	$ 8,959
	39400	1987	$ 49,724	1.458	$ 72,501	19	$ 1,377,515	0.66	$ 47,770
	39400	1988	$ 79,762	1.405	$ 112,063	18	$ 2,017,143	0.67	$ 75,499
	39400	1990	$ 39,019	1.301	$ 50,763	16	$ 812,211	0.70	$ 35,756
	39400	1991	$ 11,313	1.260	$ 14,249	15	$ 213,740	0.72	$ 10,263
	39400	1992	$ 54,803	1.232	$ 67,522	14	$ 945,309	0.74	$ 49,725
	39400	1993	$ 16,089	1.198	$ 19,268	13	$ 250,482	0.75	$ 14,509
	39400	1994	$ 7,065	1.179	$ 8,328	12	$ 99,942	0.77	$ 6,412
	39400	1995	$ 67,783	1.152	$ 78,101	11	$ 859,111	0.79	$ 61,486
	39400	1996	$ 7,177	1.126	$ 8,081	10	$ 80,811	0.80	$ 6,505
	39400	1997	$ 10,237	1.106	$ 11,325	9	$ 101,926	0.82	$ 9,322
	39400	1998	$ 13,323	1.088	$ 14,496	8	$ 115,967	0.84	$ 12,200
	39400	2000	$ 71,434	1.064	$ 75,998	6	$ 455,986	0.88	$ 66,871
	39400	2001	$ 5,916	1.055	$ 6,244	5	$ 31,218	0.90	$ 5,617
	39400	2002	$ 13,596	1.057	$ 14,378	4	$ 57,510	0.92	$ 13,227
	39400	2003	$ 102,106	1.054	$ 107,616	3	$ 322,848	0.94	$ 101,229
	39400	2004	$ 45,713	1.034	$ 47,267	2	$ 94,533	0.96	$ 45,462
	39400	2005	$ 35,127	1.015	$ 35,645	1	$ 35,645	0.98	$ 35,055
	39400	2006	$ 56,843	1.001	$ 56,897	0	$ -	1.00	$ 56,739
			$ 884,829		$ 1,206,528	18.6	$ 22,471,166		$ 887,283

Description (a)	Account No (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Laboratory Equipment - 395									
	39500	1955	$ 598	6.826	$ 4,082	51	$ 208,168	0.32	$ 1,320
	39500	1960	$ 2,945	6.080	$ 17,906	46	$ 823,679	0.36	$ 6,470
	39500	1963	$ 1,777	5.869	$ 10,429	43	$ 448,457	0.39	$ 4,029
	39500	1965	$ 1,597	5.677	$ 9,066	41	$ 371,717	0.40	$ 3,661
	39500	1970	$ 2,202	4.646	$ 10,231	36	$ 368,326	0.45	$ 4,618
	39500	1972	$ 1,544	4.241	$ 6,548	34	$ 222,633	0.47	$ 3,090
	39500	1973	$ 2,446	4.017	$ 9,825	33	$ 324,232	0.48	$ 4,741
	39500	1974	$ 11,890	3.684	$ 43,805	32	$ 1,401,751	0.49	$ 21,613
	39500	1977	$ 1,204	2.992	$ 3,603	29	$ 104,484	0.53	$ 1,900
	39500	1978	$ 10,137	2.796	$ 28,342	28	$ 793,581	0.54	$ 15,285
	39500	1980	$ 1,559	2.367	$ 3,691	26	$ 95,954	0.56	$ 2,081
	39500	1981	$ 117,199	2.164	$ 253,617	25	$ 6,340,423	0.58	$ 146,221
	39500	1982	$ 35,078	2.040	$ 71,543	24	$ 1,717,038	0.59	$ 42,176
	39500	1983	$ 33,347	1.962	$ 65,425	23	$ 1,504,776	0.60	$ 39,437
	39500	1984	$ 22,478	1.891	$ 42,505	22	$ 935,108	0.62	$ 26,198
	39500	1985	$ 81,679	1.835	$ 149,892	21	$ 3,147,729	0.63	$ 94,464
	39500	1986	$ 33,577	1.796	$ 60,289	20	$ 1,205,781	0.64	$ 38,850
	39500	1987	$ 48,650	1.748	$ 85,031	19	$ 1,615,588	0.66	$ 56,026
	39500	1988	$ 39,821	1.690	$ 67,303	18	$ 1,211,448	0.67	$ 45,343
	39500	1989	$ 158,347	1.629	$ 257,877	17	$ 4,383,902	0.69	$ 177,644
	39500	1990	$ 21,763	1.568	$ 34,124	16	$ 545,988	0.70	$ 24,036
	39500	1991	$ 89,038	1.515	$ 134,893	15	$ 2,023,389	0.72	$ 97,153
	39500	1992	$ 64,655	1.457	$ 94,185	14	$ 1,318,589	0.74	$ 69,360
	39500	1993	$ 9,489	1.401	$ 13,299	13	$ 172,882	0.75	$ 10,014
	39500	1994	$ 108,823	1.369	$ 148,931	12	$ 1,787,174	0.77	$ 114,668
	39500	1995	$ 92,437	1.331	$ 123,060	11	$ 1,353,658	0.79	$ 96,880
	39500	1996	$ 194,450	1.300	$ 252,868	10	$ 2,528,685	0.80	$ 203,553
	39500	1997	$ 5,892	1.269	$ 7,476	9	$ 67,284	0.82	$ 6,153
	39500	1998	$ 29,119	1.238	$ 36,042	8	$ 288,335	0.84	$ 30,333
	39500	1999	$ 10,172	1.213	$ 12,338	7	$ 86,368	0.86	$ 10,618
	39500	2000	$ 5,400	1.192	$ 6,437	6	$ 38,620	0.88	$ 5,664
	39500	2001	$ 3,866	1.171	$ 4,526	5	$ 22,631	0.90	$ 4,072
	39500	2002	$ 14,939	1.142	$ 17,055	4	$ 68,222	0.92	$ 15,690
	39500	2003	$ 163,293	1.103	$ 180,181	3	$ 540,544	0.94	$ 169,487
	39500	2004	$ 38,241	1.073	$ 41,031	2	$ 82,061	0.96	$ 39,464
	39500	2005	$ 19,710	1.023	$ 20,162	1	$ 20,162	0.98	$ 19,829
	39500	2004	$ 1,257	1.073	$ 1,349	2	$ 2,697	0.96	$ 1,297
			$ 1,480,619		$ 2,324,885	**16.4**	$ 38,172,066		$ 1,653,437
Power Operated Equipment - 396									
	39600	1940	$ 6,941	12.616	$ 87,570	66	$ 5,779,618	0.23	$ 20,276
	39600	1960	$ 9,116	5.881	$ 53,611	46	$ 2,466,093	0.36	$ 19,371
	39600	1965	$ 4,413	5.491	$ 24,232	41	$ 993,514	0.40	$ 9,786
	39600	1973	$ 595	3.885	$ 2,312	33	$ 76,287	0.48	$ 1,115
	39600	1979	$ 36,265	2.497	$ 90,568	27	$ 2,445,338	0.55	$ 49,944
	39600	1980	$ 4,368	2.290	$ 10,001	26	$ 260,034	0.56	$ 5,639
	39600	1981	$ 98,755	2.093	$ 206,702	25	$ 5,167,561	0.58	$ 119,173
	39600	1984	$ 1,404	1.829	$ 2,568	22	$ 56,494	0.62	$ 1,583
	39600	1985	$ 56,962	1.788	$ 101,841	21	$ 2,138,664	0.63	$ 64,181
	39600	1986	$ 4,749	1.750	$ 8,312	20	$ 166,238	0.64	$ 5,356
	39600	1987	$ 9,556	1.721	$ 16,442	19	$ 312,399	0.66	$ 10,834
	39600	1988	$ 14,385	1.663	$ 23,918	18	$ 430,530	0.67	$ 16,114
	39600	1992	$ 24,669	1.464	$ 36,125	14	$ 505,744	0.74	$ 26,603
	39600	1993	$ 1,954	1.428	$ 2,790	13	$ 36,269	0.75	$ 2,101
	39600	1995	$ 2,012	1.333	$ 2,682	11	$ 29,504	0.79	$ 2,112
	39600	1996	$ 103,900	1.295	$ 134,584	10	$ 1,345,843	0.80	$ 108,337
	39600	1997	$ 40,211	1.269	$ 51,038	9	$ 459,343	0.82	$ 42,009
	39600	1998	$ 153,318	1.244	$ 190,761	8	$ 1,526,088	0.84	$ 160,546
	39600	1999	$ 219,269	1.212	$ 265,767	7	$ 1,860,372	0.86	$ 228,704
	39600	2000	$ 64,585	1.202	$ 77,612	6	$ 465,674	0.88	$ 68,291
	39600	2002	$ 70,019	1.159	$ 81,156	4	$ 324,625	0.92	$ 74,660
	39600	2003	$ 27,274	1.144	$ 31,197	3	$ 93,591	0.94	$ 29,345
	39600	2004	$ 125,691	1.086	$ 136,514	2	$ 273,027	0.96	$ 131,300
	39600	2005	$ 2,199	1.028	$ 2,261	1	$ 2,261	0.98	$ 2,223
	39600	2006	$ 39,173	1.003	$ 39,280	0	$ -	1.00	$ 39,171
			$ 1,121,783		$ 1,679,846	**16.2**	$ 27,215,111		$ 1,238,776

Vectren South Electric

Description (a)	Account No . (b)	Installation Date (c)	Original Cost (d)	Adjustment Factor (e)	RCN (f)	Age (g)	$Years (h)	Technology Adjustment Factor (i)	Technologically Adjusted RCN (j)
Communication Equipment - 397									
	39700	1978	$ 53,802	1.421	$ 76,448	28	$ 2,140,534	0.54	$ 41,229
	39700	1979	$ 9,001	1.312	$ 11,811	27	$ 318,898	0.55	$ 6,513
	39700	1980	$ 55,075	1.203	$ 66,258	26	$ 1,722,708	0.56	$ 37,360
	39700	1986	$ 13,219	0.943	$ 12,467	20	$ 249,332	0.64	$ 8,033
	39700	1988	$ 1,200	0.925	$ 1,110	18	$ 19,978	0.67	$ 748
	39700	1993	$ 67,052	0.860	$ 57,688	13	$ 749,938	0.75	$ 43,438
	39700	1994	$ 2,986	0.848	$ 2,533	12	$ 30,392	0.77	$ 1,950
	39700	1995	$ 16,455	0.844	$ 13,883	11	$ 152,716	0.79	$ 10,930
	39700	1996	$ 177	0.836	$ 148	10	$ 1,479	0.80	$ 119
	39700	1998	$ 6,368	0.836	$ 5,321	8	$ 42,571	0.84	$ 4,479
	39700	2003	$ 14,707	0.945	$ 13,897	3	$ 41,692	0.94	$ 13,072
	39700	2004	$ 955	0.977	$ 933	2	$ 1,865	0.96	$ 897
			$ 240,997		$ 262,496	**20.8**	$ 5,472,106		$ 168,769
Miscellaneous Equipment - 398									
	39800	1949	$ 914	6.774	$ 6,192	57	$ 352,916	0.28	$ 1,751
	39800	1977	$ 10,000	2.591	$ 25,910	29	$ 751,386	0.53	$ 13,666
	39800	1984	$ 67,281	1.637	$ 110,157	22	$ 2,423,464	0.62	$ 67,895
	39800	1985	$ 11,325	1.589	$ 17,995	21	$ 377,890	0.63	$ 11,340
	39800	1994	$ 5,054,254	1.227	$ 6,202,803	12	$ 74,433,631	0.77	$ 4,775,776
	39800	1995	$ 4,376	1.203	$ 5,263	11	$ 57,890	0.79	$ 4,143
	39800	1997	$ 24,180	1.161	$ 28,071	9	$ 252,643	0.82	$ 23,105
	39800	1999	$ 1,231	1.132	$ 1,393	7	$ 9,753	0.86	$ 1,199
	39800	2002	$ 383	1.063	$ 407	4	$ 1,629	0.92	$ 375
	39800	2004	$ 34,811	1.032	$ 35,914	2	$ 71,828	0.96	$ 34,542
	39800	2005	$ 1,687	1.014	$ 1,710	1	$ 1,710	0.98	$ 1,682
			$ 5,210,442		$ 6,435,815	**12.2**	$ 78,734,740		$ 4,935,475
Total General Plant			**$ 21,123,124**		**$ 27,766,554**	**13.4**	**$ 373,264,776**		**$ 21,347,449**
			$ 523,542,154		$ 1,018,588,529		$ 20,705,090,867		$ 684,426,958

Vectren South
Evansville, Indiana
Gas-Electric Allocation- Common Plant
March 31, 2006

Acct. No.	Description	Original Cost Total	Original Cost Electric	Original Cost Gas	Current Cost Total	Current Cost Electric	Current Cost Gas	Current Cost w/ Technological Change Total	Current Cost w/ Technological Change Electric	Current Cost w/ Technological Change Gas
	Allocation		85%	15%		85%	15%		85%	15%
	Common Plant									
303	*Miscellaneous Intangible Plant*	$ 61,758	$ 52,494	$ 9,264	$ 64,352	$ 54,699	$ 9,653	$ 60,532	$ 51,452	$ 9,080
389	Land & Rights	$ 2,864,386	$ 2,434,728	$ 429,658	$ 14,032,270	$ 11,927,429	$ 2,104,840	$ 14,032,270	$ 11,927,429	$ 2,104,840
390	Structures & Improvements	$ 31,347,995	$ 26,645,796	$ 4,702,199	$ 52,751,888	$ 44,839,104	$ 7,912,783	$ 27,668,822	$ 23,518,498	$ 4,150,323
391	Office Furniture & Equipment	$ 5,183,767	$ 4,406,202	$ 777,565	$ 6,394,397	$ 5,435,237	$ 959,160	$ 925,319	$ 786,522	$ 138,798
392	Transportation Equipment	$ 920,065	$ 782,055	$ 138,010	$ 1,053,611	$ 895,569	$ 158,042	$ 249,745	$ 212,283	$ 37,462
392	Stores Equipment	$ 539,186	$ 458,308	$ 80,878	$ 750,007	$ 637,506	$ 112,501	$ 199,633	$ 169,688	$ 29,945
394	Tools, Shop & Garage Equipment	$ 393,819	$ 334,746	$ 59,073	$ 500,438	$ 425,372	$ 75,066	$ 60,400	$ 51,340	$ 9,060
396	Power Operated Equipment	$ 59,587	$ 50,649	$ 8,938	$ 80,322	$ 68,274	$ 12,048	$ 34,745	$ 29,533	$ 5,212
397	Communication Equipment	$ 3,405,541	$ 2,894,710	$ 510,831	$ 3,013,733	$ 2,561,673	$ 452,060	$ 1,327,950	$ 1,128,757	$ 199,192
398	Miscellaneous Equipment	$ 281,764	$ 239,499	$ 42,265	$ 419,770	$ 356,805	$ 62,966	$ 22,443	$ 19,077	$ 3,366
	Total Common Plant	$ 45,057,868	$ 38,299,188	$ 6,758,680	$ 79,060,787	$ 67,201,669	$ 11,859,118	$ 44,581,858	$ 37,894,579	$ 6,687,279

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH-ELECTRIC)

IURC CAUSE NO. 43111

DIRECT TESTIMONY

OF

PAUL M. NORMAND

ON

DEPRECIATION ACCRUAL RATE STUDY

SPONSORING PETITIONER'S EXHIBIT NO. PMN-1, PMN-2 AND JHA-PMN-2

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PMN-2: Qualifications
JHA-PMN-2: Depreciation Rate Study

I. INTRODUCTION

Q. Would you please state your names, address and business affiliation.

A. My name is Paul M. Normand. I am Principal Consultant with the firm of Management Applications Consulting, Inc. (MAC), 1103 Rocky Drive, Suite 201, Reading, PA 19609.

Q. Please describe MAC.

A. MAC is a management consulting firm which provides rate and regulatory assistance including depreciation services for electric, gas and water utilities.

Q. Would you please summarize your education and business experience?

A. This information is contained in the attached Petitioner's Exhibit PMN-2.

Q. What are your responsibilities in this proceeding?

A. Along with Mr. James H. Aikman, I am currently a Co-Project Manager of the Depreciation Rate Study (Petitioner's Exhibit JHA-PMN-2) of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "the Company"). As Co-Project Managers, Mr. Aikman and I are responsible for planning the study, delineating and coordinating data collection, ensuring the accuracy of the data and properly reflecting any accounting adjustments. Beyond data collection, we are responsible for the performance and interpretation of statistical analyses and the preparation of appropriate schedules to reflect the results of the study. My principal areas in the study were the analyses of Transmission, Distribution, General and Common Plant facilities.

II. PURPOSE OF TESTIMONY

Q. Please discuss the purpose of your testimony.

A. Our consulting firm has been retained by Vectren South to conduct a new depreciation rate study of its electric and common properties. My testimony will discuss the study except to the extent it relates to Vectren South's production plant which will be addressed in Mr. Aikman's testimony.

Q. Please explain the overall depreciation model utilized in your Depreciation Study.

A. The Depreciation Study used the straight line method, broad group procedure, and remaining life technique model in arriving at the recommended accrual rates for the Company based on plant balances ending December 31, 2005. The remaining life

depreciation accrual technique is the net sum of gross plant less depreciation reserve, plus or minus a net salvage, all divided by the average remaining life.

Q. When was Vectren South's last depreciation study?

A. Vectren South's last depreciation study was completed in 1994 by Stone & Webster Management Consultants, Inc. and was based on property as of December 31, 1992.

Q. Is the depreciation model from your study consistent with the Company's last study?

A. Yes, it is.

Q. Will you be submitting workpapers supporting your depreciation study?

A. Yes.

Q. Would you please describe the Depreciation Study Workpapers that you are providing?

A. The Depreciation Study Workpapers being provided are the detailed computer calculations, database plant balances and detailed analyses for each plant account provided as evaluation notes. A detailed Index of Workpapers has also been provided to facilitate the review of this material along with explanatory notes of computer outputs where appropriate.

III. DEPRECIATION STUDY

Q. What is the definition of depreciation?

A. The National Association of Regulatory Utility Commissioners (NARUC) has adopted the following definition of depreciation:

> *"Depreciation," as applied to depreciable utility plant, means the loss in service value not restored by current maintenance incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.*

Another commonly referenced definition of depreciation is that of the American Institute of Certified Public Accounts (AICPA):

> *Depreciation accounting is a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any) over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation. Depreciation for the year is the portion of the total charge under such a system that is allocated to the year. Although the allocation may properly take into account occurrences during the year, it is not intended to be a measurement of the effect of all such occurrences.*

The two foregoing citations are found on Pages 13 and 14, respectively, of "Public Utility Depreciation Practices," August 1996, by the NARUC Staff Subcommittee on Depreciation. In our opinion, the AICPA definition helps clarify the NARUC definition in that it brings to the description the process of allocation of cost.

Q. What is the purpose of the periodic book depreciation rate studies?

A. Consistent with the definitions above, the purpose of a depreciation rate study is to develop depreciation accrual rates reflective of engineering judgment, current industry and specific Company experience, and current projections for the future, relative to the particular depreciable assets under study. The objective of depreciation as an element of the cost of service is to provide for the systematic and rational allocation of the cost of depreciable assets (adjusted for salvage and cost of removal) over the life of the property.

Q. Have you prepared a depreciation study for Vectren South?

A. Yes. The results of this study are shown in a report entitled, "Electric and Common Plant Depreciation Accrual Rate Study – at December 31, 2005" ("the Depreciation Study") identified as Petitioner's Exhibit JHA-PMN-2 and prepared by James H. Aikman and myself. Schedule A of this study presents the recommended accrual rates for Electric Plant, and Schedule B presents the accrual rates for the Company's Common Plant.

Q. What procedures did you employ in compiling the depreciation study?

A. First, we created the depreciation study databases. Vectren South provided us with the necessary property accounting history to create the depreciation study databases of plant in service at December 31, 2005. We were also provided with the Vectren South gross salvage and removal cost history. In addition, Mr. Aikman and I inspected the actual physical plant of Vectren South and held discussions with Vectren South management concerning matters relevant to depreciation.

Q. Please continue.

A. We analyzed the historical data using computerized statistical routines and evaluated the output by considering the indications from the statistical analyses, input from Vectren South's management, the character of the depreciable assets, knowledge gained during property inspections, our experience with like assets, and engineering knowledge and judgment. Final calculations were then made to develop the recommended accrual rates for each category of plant as shown in the Depreciation Study (Petitioner's Exhibit JHA-PMN-2) sections entitled "Schedules," Schedules A – Electric Plant and B – Common Plant.

Q. You referred to "statistical analyses." Please explain what is meant by this term?

A. For mass plant, e.g. poles, meters, etc., we are referring to Simulated Plant Record (SPR) life analysis, a well known and well accepted technique employed in depreciation studies. This procedure is used as a tool to assist us in the estimation of investment life. An SPR life analysis can be performed whenever there is an adequate volume and frequency of additions and retirements. In Vectren South's case, the available data was adequate to perform this analysis.

SPR life analyses are known by some as "semi-actuarial life analyses." The SPR-Balances (SPR-BAL) analysis used in these studies is an iterative procedure in which certain values (survivor factors) from empirical survivor curves (Iowa curves) are applied to the Company actual, recorded annual capital additions to generate theoretical surviving year-end balances. The procedure identifies the empirical curves that best simulate the actual ending balances in a specified band of years. As an example, the bands of balance years simulated in these studies were primarily 10 years (1996 to 2005), 20 years (1986 to 2005), and 30 years (1976 to 2005).

The Iowa survivor curves used in our analyses were developed in the 1930s at Iowa State University; they are empirical curves whose equations are published, along with tables of various values, e.g., survivor factors at various ages. Iowa curves are widely accepted in the industry as a common and convenient means of communicating and calculating technical depreciation parameters.

The SPR life analyses of property history can sometimes provide us with an estimate of the historical life of plant investments, possibly a starting point in the life estimation process; however, it must be noted that life analysis is not life estimation. Unfortunately, life analysis can only provide an indication as to what has happened in the past. Our need is to estimate what will occur in the future; i.e., we must predict the future, not merely measure the past.

Q. Did you employ any other analyses other than SPR to assist in the life estimation process?

A. Yes. We also studied the pattern of annual additions to and retirements from the plant accounts to determine the relative volumes of capital activity typically by decade. These

analyses and volume changes can often assist in understanding why life and/or curve changes occur in our studies.

Q. In evaluating the SPR life analyses, you previously stated that you also considered input from Vectren South. What type of information did you consider?

A. We conferred with Vectren South management to determine if there were any occurrences, changes in policy, procedures, equipment, or practices which might impact upon service life, salvage, or removal cost associated with depreciable assets. The major consideration was to determine whether indications of the past would likely be representative of the near-term future.

Q. Can you give any examples of specific input provided to you which influenced your life estimates?

A. We were advised that Vectren South is in the process of reconductoring some transmission lines which includes replacement of some support structures. A review of the data also indicated increased levels of additions. As a result, our study recommendations were to increase the average service lives (ASL) moderately from existing levels in this study.

Q. Your answers to previous questions indicate judgment and experience play a significant role in life estimation and in the interpretation of statistical analyses. Do other depreciation experts and authoritative sources concur?

A. Yes, the literature is unambiguous on this point. For example, page I.1 of the New York State Department of Public Service publication, "Computer Supported Property Mortality Studies," published in 1971, states:

> *The purpose of an actuarial mortality study of public utility property is to make a statistical determination of a representative life table and average service life. The method used to derive these quantities in this report is that of smoothing and extending the retirement ratios.*
>
> *It must be clearly understood that the computer procedure explained in Section II accomplishes electronically only those computations which have had to be done manually, and nothing else. Because of the computer's large storage capacity and extremely fast running time, it is*

able to calculate a great deal more than has ever been obtained manually in the past.

The computer exercises no judgment, reflects no opinions or company policies and does not forecast the future. The computer programs are merely the results of applying certain mathematical formulae to a set of statistics obtained from accounting records – and, based on these data and formulae give an indication of what has been the retirement experience of the past and what would be the future life pattern if the same experience were constant over the entire life of the surviving property under study.

Under no circumstances should it be construed that a specific indicated service life and life table developed by this computer process must necessarily be used as the life table and average service life in arriving at a final estimate of annual and accrued depreciation. Stress is placed on the fact that the selected life table and average service life finally used, whether or not developed by program PSU-2 or PSU-2A must be the engineer's best estimate for the property under study.

Q. Can you provide other citations?

A. Mr. Alex E. Bauhan, the person who developed the SPR-Balances Method of life analysis, cites the need for exercising judgment in his paper in which the Balances Method was introduced to the industry. In his paper, given in April 1947, to the National Conference of Electric and Gas Utility Accountants of the American Gas Association (AGA) and Edison Electric Institute (EEI), under the heading, "Multiple Indications," he states:

The method reads the past and not the future, and has no way of telling which patterns will be followed in the future. Neither the actuarial or any other statistical process can eliminate this dilemma. Only by the exercise of reasonable judgment, or by the passage of time, can a selection be made.

In discussing the Retirement Experience Index, regarding the situation where the index is "poor or valueless," Mr. Bauhan states:

> *In all such cases, for estimating purposes, the result of the analysis should be discarded and a judgment figure should be substituted in place of it. In those cases where the experience index is only fair, the result should be examined critically, and if it is not supported by reasoned judgment, it should be accordingly modified.*

Mr. Bauhan's paper is found in the Edison Electric Institute Publication No. 51-23, titled, "Methods of Estimating Utility Plant Life" published in 1952; the foregoing citations are found on Pages 61 and 63, titled respectively.

The Retirement Experience Index (REI) is the percentage of the accumulated retirements with the given Iowa curve from the oldest capital addition, e.g., if the oldest addition was 1930, by convention it would be 70.5 years old at year-end 2000. If the Iowa curve in question was a 35-year L 1.0, the REI would be 96; that is, the 35-year L 1.0 Iowa curve shows 4 percent surviving at age 70.5 years, and 100 percent less 4 percent equals 96 percent.

In summary, life estimates consider many factors, including the importance of informed judgment.

Q. Have you employed your judgment in this depreciation study?

A. Yes. In the course of our study, we have conferred with Vectren South's management and operating personnel, conducted property inspections, reviewed and considered the types of property in the various primary plant accounts, and have performed life analyses of the history of the property. We have relied upon our experience in doing similar studies as engineers and consultants in evaluating, interpreting and estimating the life analysis of property history.

Q. What was the purpose of the property inspections?

A. The inspections were intended to accomplish several functions. First and foremost, the inspections verified that the assets identified on Vectren South's books actually exist. Second, the inspections verified that the assets continue to be maintained and are useable. In addition, inspections facilitate discussion regarding the existing facilities with

the Vectren South management who accompany us and provide for a better understanding of the overall system, the equipment, and ongoing changes to the service territory of the Company.

Q. What is the total Company electric plant composite annual accrual rate which results from your Depreciation Study?

A. The composite of the proposed straight line, remaining life individual account rates detailed in the Depreciation Study Schedule A for Electric Plant is 3.49% as shown on page 6 with the detail for each plant account shown in column 10 of this schedule. This composite rate excludes Culley Unit One which is being retired by December 31, 2006.

Q. Have you made a comparison of your depreciation study results against the Company's existing accrual rates?

A. Yes, we have presented a detailed comparison of each primary account and subaccount in our depreciation study, Schedule C for Electric Plant. Please note that these results are based on Culley Unit One included in order to make this comparison with existing accrual rates from the Company's last study.

Q. Have you made this same analysis for Common Plant?

A. Yes we have. Our Depreciation Study developed a composite accrual rate of 2.95% as detailed on Schedule B. Schedule D of our Depreciation Study presents a comparison of our results with existing accrual rates for each primary account and subaccount.

IV. CONCLUSION

Q. What is the primary reason for the overall lower depreciation expense from your study?

A. Our analyses of the Company's plant determined that a longer average service life was appropriate for several plant accounts. In addition, Mr. Aikman discusses the factors affecting the changes in our proposed Production Plant depreciation accrual rates.

Q. Would you please summarize your results by major functional plant categories with respect to existing accrual rates and associated depreciation expense change?

A. The following functional detail comparison of existing versus our proposed accrual rate composites and related annual depreciation expenses are presented in detail in Schedules C and D of our Depreciation Study:

Plant Category	Existing Accrual Rate (%)	Proposed Accrual Rate (%)
Total Steam Production	4.03	3.81
Other Production	4.02	3.45
Transmission	2.68	2.02
Distribution	3.38	2.98
General	3.17	4.18
Total Electric Plant	3.76	3.46
Common	4.18	2.95

Q. In your opinion, are the recommendations contained in the depreciation study reasonable and appropriate?

A. Yes.

Q. Does this complete your prepared direct testimony?

A. Yes.

PAUL M. NORMAND
Principal

Experience in the electric, gas, and water industry includes project management of various cost analyses, engineering system planning and design functions, and detailed electric power loss analyses. Also, experienced in the analysis and preparation of economic and plant data, revenue requirements and presentation before state and federal regulatory agencies. Presented expert testimony on behalf of utilities in over 30 applications before regulatory commissions.

EXPERIENCE:

1984 - Present **MANAGEMENT APPLICATIONS CONSULTING, INC.**
Principal consultant providing consulting services to industry in planning, pricing, and regulation. Extensive experience in analyzing power systems for power loss studies and regulatory issues.

- Assist in gathering and updating property accounting data for depreciation studies.
- Review and analyze life analyses relating to simulated plant balances and actuarial data.
- Perform property inspections to aid in service life estimation and salvage and removal cost estimations.

1983 - 1984 **P. M. NORMAND ASSOCIATES**
Independent consultant providing services to the utility industry in cost analyses, regulatory services and expert testimony.

1976 - 1983 **GILBERT/COMMONWEALTH**, Reading, Pa.
Director, Rate Regulatory Services - Administrative and fiscal responsibility for rate and regulatory services nationally for electric, gas, and water utilities. Additional responsibilities included all marketing, research and development efforts, and contract negotiations for all studies performed by the Regulatory Service Department. Provided consulting service to utilities in project management, personnel staffing, and future development efforts.

Manager, Austin, Texas Office - Responsibility for the overall administrative and business aspects for the department in the Southwest.

Senior Management Consultant - Responsibilities included project management of various electric and gas cost-of-service studies.

Consulting Engineer - Prepared class and time-differentiated cost-of- service studies, revenue requirements exhibits, and expert testimony for formal rate proceedings before regulatory agencies. Performed forecasted ten-year cost-of-service studies by customer classes. Analyzed and prepared transmission (wheeling) rates based on cost-of-service.

Engineer - Derived system demand and energy loss factors and customer load characteristics required for cost-of-service results and related rate schedules.

1975 - 1976 **WESTINGHOUSE ELECTRIC CORPORATION,** Pittsburgh, PA
Responsible for the procurement of electrical/electronic control equipment and power cables for the nuclear reactor control system. Assisted in the development of procedures for the seismic testing of various electronic equipment related to reactor control.

1971 - 1974 **NEW ENGLAND ELECTRIC SYSTEM,** Westborough, Massachusetts
Experience from various system assignments in conjunction with formal education. Assigned to the Transmission and Distribution Department with responsibilities in several voltage conversion efforts and system planning. Development of network modeling techniques, load flow, and fault study analyses for the system planning department.

1966 - 1970 **U.S. NAVY**
Aviation electronic technician with responsibilities for maintenance and trouble-shooting of electronic communication equipment.

EDUCATION:

B.S.E.E., Electrical Engineering, Northeastern University, 1975
M.S.E.E., Electrical Power Systems, Northeastern University, 1975

Graduate Studies - MBA Program, Lehigh University and Albright College, 1977 to 1980

SOCIETIES:

Institute of Electrical and Electronic Engineers

APPEARANCES AS EXPERT WITNESS:

New Hampshire Public Utilities Commission
Massachusetts Department of Public Utilities
Federal Energy Regulatory Commission
Maine Public Utilities Commission
Public Utilities Commission of Texas
Arkansas Public Service Commission
Louisiana Public Service Commission
Illinois Commerce Commission
Kentucky Public Service Commission
Missouri Public Service Commission
New Jersey Board of Public Utilities
New York Public Service Commission
Pennsylvania Public Utility Commission
Delaware Public Service Commission

PAPERS AND PRESENTATIONS:

"Probability of Dispatch Costing Method for Electric Utility Cost-of-Service Analysis." Co-authored with P. S. Hurley, presented to Edison Electric Institute Rate Research Committee May 4, 1982.

"Costing Strategies under Changing Marketing Goals and Long Term Investment Growth." Presented to Missouri Valley Electric Association (MVEA), Kansas City, MO, November 13, 1991.

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August 28, 2006

Ms. Susan Hardwick
Vice President and Controller
Southern Indiana Gas and Electric Company
d/b/a Vectren Energy Delivery of Indiana, Inc.
P. O. Box 209
Evansville, IN 47702-0209

Dear Ms. Hardwick:

As authorized by your Company, depreciation accrual rate studies have been completed for the electric and common plant of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (Vectren South) in service at December 31, 2005. This study was accomplished primarily by MAC with considerable assistance from your Plant Accounting Department. The results are presented in the attached report.

The studies included appropriate analyses of statistical, engineering, and accounting history to aid in the estimation of average service lives and net salvage (gross salvage less cost to retire) and the projection of appropriate mortality dispersions. The methods utilized are those typically employed within the industry.

We appreciate the opportunity to have been of service. We would be pleased to meet with you should you have any questions about this report.

Respectfully submitted,

James H. Aikman, P.E.
Paul M. Normand, President

JHA, PMN/rjp

Enclosures

SOUTHERN INDIANA
GAS AND ELECTRIC COMPANY

d/b/a
VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH)

ELECTRIC AND COMMON PLANT
DEPRECIATION ACCRUAL RATE STUDY

AT DECEMBER 31, 2005

AUGUST 2006

FOREWORD

This report presents the results of detailed studies of the life, salvage and removal cost characteristics of the depreciable electric and common plant of Vectren South, as of December 31, 2005. The studies result in broad-group, average remaining life accrual rates which are appropriate until subsequent studies indicate a need for revision.

Vectren South
Depreciation Accrual Rate Study at December 31, 2005

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EXECUTIVE SUMMARY

A. Introduction

Management Applications Consulting, Inc. (MAC) was authorized by Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (Vectren South or the Company) to prepare a depreciation accrual rate study of its electric and common depreciable properties. The study was to develop average service life (ASL) and net salvage estimates for each depreciable plant account and certain subaccounts.

This report presents the results of the study together with MAC's recommendations for the recovery of Vectren South's depreciable electric and common plant investments.

B. The Meaning of Depreciation

The purpose of depreciation accounting is the full recovery of the capital invested in certain property over the useful life of that property in a timely and equitable manner.

The National Association of Regulatory Utility Commissioners defines depreciation, as applied to depreciable utility plant, as:

> *...the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.*

The study was prepared with this definition in mind.

In addition, the straight line method, broad group procedure, remaining life technique[1] of depreciation accounting has been used. The straight line method and the "broad group" procedure are the most commonly employed and accepted method and procedure for the recovery of capital. In contrast to the "whole life" technique, the "remaining life" technique is considered more appropriate for the utility industry since it recognizes the inevitable variances between the indicated (computed) depreciation reserve and the Accumulated Provision for Depreciation (book depreciation reserve) and it automatically adjusts for such variances which will continue to arise because of the uncertainty of the future. The remaining life technique was also used in the Company's last depreciation study.

[1] The remaining life depreciation accrual is the net sum of gross plant investment less the depreciation reserve, plus or minus expected net salvage, divided by the average remaining life.

C. Study Procedure

The study procedure employed is consistent with the generally-accepted engineering and accounting procedures used to develop annual depreciation accrual rates. The methodology used in this study, which has been used in the preparation of other depreciation studies approved by numerous state regulatory commissions is briefly set out as follows:

1. Identification of depreciable property in the various property accounts

This included inspection by Vectren South staff and MAC engineers of a sample of the Vectren South above ground facilities, to observe the physical condition of the facilities and the surrounding environment, and also to observe the maintenance and construction practices.

2. Collection and examination of historical data

Certain Vectren South Property Accounting data were collected to create the depreciation study historical databases. These data were examined and analyzed using statistical methods. We also solicited input from various Vectren South management as to past and projected capital activity, as well as accounting practices which can impact the (dollar) life of facilities. The foregoing inputs must be considered as we predict future lives, not merely measure the lives realized in the past, i.e., our primary role is life estimation, not merely life analyses.

3. Statistical analysis of the depreciable plant investments

Depending upon the nature of the property records in the property account, one or two analysis methods are typically used to arrive at the historically realized mortality patterns and service lives of the depreciable plant investments. These methods are identified below with brief descriptions of each.

a. Actuarial Analysis

Both the actuarial and simulation (described below) analyses can be employed for "mass plant" investments, such as poles, services, and meters. The actuarial analysis is used where there is a sufficient history of aged plant investment and retirements. This method may derive a historically realized mortality pattern (dispersion type) and related average service life by determining the average rate at which property has retired, given adequate mortality experience; the analysis is similar to that used by life insurance actuaries.

Due to the limited dated/vintage retirement history available, no actuarial life analyses were attempted.

b. Simulation Analysis

The simulation method is used where there is not sufficient history of dated (aged) plant investment and aged retirements to perform actuarial analyses.

Balances Method

This is a semi-actuarial technique, in that annual additions are aged, but not retirements nor balances. In the Simulated Plant Record-Balances (SPR-BAL) Method, combinations of survivor curves and average lives are used to compute series of theoretical year-end plant balances. Each curve-life combination is tested to find the one that leads to simulated plant balances which most closely approximate the actual book plant balances.

The Balances Method was used in this study for all mass plant.

c. Life Span Forecast Analysis

This is the generation arrangement forecast (GenFrc) analysis, applicable to the properties expected to go out of service at one time. The inputs include the actuarial (dated) investment history for the given life span (as opposed to mass plant) account or subaccount, typically by location, e.g., Account 312, A. B. Brown Station. Another input is the projected "deactivation" date for the given location and retirements expected to occur between the study date and the deactivation date (interim retirements).

The program computes the realized life and projected unrealized life for each vintage and develops the composite total location average service life, average remaining life and computed reserve.

Appendix B contains samples of all analysis types employed in this study plus explanatory notes which explain each output, column by column.

4. Evaluation of analysis indications, followed by their acceptance, modification or rejection

The historical-based indications derived from the statistical analyses described above were then carefully scrutinized to ensure that the results appropriately reflected the effect of current and projected circumstances on the various property

accounts, and that they were generally consistent with findings for similar equipment investment accounts of other utilities. The decision as to whether to accept, modify, or reject the statistical indication was based on its reliability in light of the following factors, among others:

a. The Company's current and projected policies and plans for existing equipment, as well as new or different equipment, and

b. The existence of non-homogeneous accounts or accounts with highly variable, erratic or limited retirement experience which might affect the reliability of the statistical indications.

c. MAC experience with like properties of other utilities.

D. Summary Results and Findings

The summary composite accrual rate results from our depreciation study using plant balances ended 12/31/05 as compared to the existing approved rate levels are listed in the following table (reference Schedules C and D) by major functional categories:

	Composite Accrual Rates (%)	
Plant Category	Existing	Proposed
Steam Production	4.03	3.81 *
Other Production	4.02	3.45
Transmission	2.68	2.02
Distribution	3.38	2.98
General	3.17	4.19
Total	3.76	3.46 *
Common	4.18	2.95

Section II, of this study, entitled "Interpretation of Findings," sets out estimated average service lives, net salvage allowances, and mortality dispersions for each depreciable plant account or subaccount; the schedules develop remaining life accrual rates, reflective of the foregoing parameters.

**Note: The proposed accrual composite rates excluding Culley Unit 1 are 3.85% for Steam Production and 3.49% for Total Depreciable Plant as detailed on the attached Accrual Rate Schedule A of this Depreciation Report.*

RECOMMENDATIONS

As a result of the study, Management Applications Consulting, Inc. recommends that Vectren South:

1. Request regulatory approval of the revised accrual rates as soon as practicable, as they reflect the most current estimates relative to the plant accounts.

2. Review depreciation accrual rates and all their constituent elements periodically, preferably at about five-year intervals.

Further, there are a number of accounts and/or subaccounts which are fully-depreciated or the average remaining lives are such that the given account will likely be fully-depreciated prior to the next depreciation study, i.e., the remaining life is about five years or less. Obviously, if capital additions are made to a fully-depreciated account, Vectren South needs depreciation accrual rates to compute accruals for such additions.

We recommend Vectren South use the appropriate whole-life depreciation rates for new capital additions until the next complete depreciation rate study is completed. For example, Common Plant Account 398, Miscellaneous Equipment, is fully-depreciated. The whole life accrual rate for new additions would be 4.55%/year (= 100% / 22years). For Common Plant Account 392.10, Autos, the rate would be 15.00% (= [100% - 25%] / 5 years); the 25% factor is the estimated net salvage, column (4) of the "Schedule of Indicated Remaining Life Accrual Rates." If the estimated net salvage were (25)%, the whole life accrual rate would be [100% - [-25%]] / 5 years = 25.00%/year.

The one exception to the foregoing is in Other Production Plant. If capital additions are made to either of the two fully-depreciated plants, MAC proposes a 10.00% accrual rate, subject to review by Vectren South production plant management.

DEPRECIATION STUDY

I. STATISTICAL ANALYSES

The historical Property Accounting data employed in the study relative to mass plant is gross annual activity, also known as semi-actuarial. In contrast, actuarial data are those data in which everything is aged, i.e., we know the ages of the dollars which sum to the current surviving gross plant balance in the given plant account and we know the age at retirement of the retirements in the prior years. For example, in Account X, we know the $517 balance at year-end 2005 consists of $55 of vintage 1960, $73 of vintage 1964, $137 of vintage 1969, and $252 of vintage 1977.

As mentioned previously, the gross annual activity data includes only the year of the capital addition, the year the retirements occur, without regard to age(s), and the ending balance each year, without regard to the ages of the surviving investments which make up the balance.

Appendix B contains examples of each type analysis employed in this study, along with explanatory notes for each analysis.

Analysis of History

The Property Accounting history was analyzed using the MAC proprietary depreciation programs.

The life analysis employed was the Simulated Plant Record-Balances Method (SPR-BAL). Appendix B.2. contains a sample SPR-BAL output, along with explanatory notes which explain the analysis output. SPR-BAL was introduced at a utility conference in 1947 by Mr. Alex E. Bauhan of Public Service Electric & Gas Company in a paper titled "Life Analysis of Utility Plant for Depreciation Accounting Purposes by the Simulated Plant Record Method".

Gross salvage less removal cost (or cost to retire) is net salvage. When salvage exceeds the removal cost, positive net salvage results. When removal costs exceed salvage, the result is negative net salvage or net removal cost. In recent times net removal cost is the norm, due to the fact that removal cost is primarily labor. Labor costs have increased almost constantly over the past 30 or more years, whereas, salvage generally has not increased as much as labor. Furthermore, one must realize that a significant portion of any utility capital retirement is labor (installation cost), which cannot be salvaged upon retirement. For example, assume a piece of utility property retired which had a cost in place of $1500; assume further the cost in place was half labor and half material. If the item were 100% salvaged, that would be only 50% of the total retirement value. In this example, the net salvage would be 50%, i.e., 50% of $1500 was salvage, $750, and $750/$1500 is 50% net salvage. We can't salvage the installation labor of $750.

Gross salvage, removal costs, and net salvage by plant accounts and/or groups of plant accounts realized by the Company in the period 1991 through 2005 was analyzed to determine historical

averages and trends. Based upon the Company experience, our experience, and judgment, net salvage as a percent of year-end 2005 plant balances was estimated for each plant account.

II. INTERPRETATION OF FINDINGS

A. Background

The development of appropriate book depreciation accrual rates is a subjective process in which the primary task is life estimation. Some think that life analysis is the primary point; certainly one should collect property history and analyze it to collect whatever "evidence" can be gleaned therefrom, but life estimation is not life analysis.

One must recognize weaknesses and peculiarities in the life analysis employed, he must be generally aware of the equipment in the group analyzed; he must be aware of what the rest of the industry estimates for like equipment; and he must make every effort to get qualitative, first hand input relative to the particular company and equipment under study.

In connection with the latter point, we have solicited from Company management their input as to plans, projections, and any circumstances which have or might yet impact upon the elements of depreciation rates. We have also made property inspections to familiarize ourselves with the equipment, the system, and the environment in which it functions. We visited the facilities, looked at their outward physical appearance and discussed them with our "tour guide(s)". The purpose of the inspections was to familiarize us with the equipment and the environment in which it functions and to observe housekeeping, maintenance and construction practices.

Property inspections give us an opportunity to discuss with our tour guides the facilities history and expected future, a sort of facilities conference on-the-go. Furthermore, in some regulatory jurisdictions a depreciation rate study done without an inspection tour is termed a "paper study" and is not accepted. It is our opinion an inspection tour is cost effective and a necessary step in a proper depreciation rate study.

B. Application of Capital Recovery Theories

Almost all utilities use one of two techniques to develop depreciation accrual rates, whole life or remaining life.

The whole life technique is the most generally understood and the simpler of the two, e.g., given an average service life (ASL) estimate (the whole life) of 20 years and zero net salvage, the accrual rate is 5%; given a 40 year average service life, the rate is 2.50%. That is, the whole life accrual rate is the reciprocal of the average service life, expressed as a percentage, assuming zero net salvage. The correction for estimated net salvage may be made by multiplying the whole life accrual rate without net salvage by the net salvage factor. The net salvage factor is one minus the net salvage ratio. For example, if the net salvage estimate is +10%, the net salvage factor is 0.90, i.e., 1 - 0.10; if net salvage of

-15% were estimated, the net salvage factor would be 1.15. With +10% net salvage, we need only recover $90 for every $100 of depreciable property; with -15% net salvage, we must recover $115 per $100 of depreciable property.

The whole life accrual rates adjusted for net salvage from the previous examples would be:

Average Service Life, Years	Estimated Net Salvage %	Adjusted Whole Life Accrual Rate %
20	+10	4.500
20	–15	5.750
40	+10	2.250
40	–15	2.875

Whole life accrual rates may be all right if the accrual rate element estimates are accurate and they are reviewed frequently; however, part of the depreciation analyst's job is to assess the book depreciation reserve adequacy. One major shortcoming of whole life depreciation rates is that they need have no relationship to the depreciation reserve. The object of charging depreciation as a cost of service element is the recovery of the (prepaid) cost of utility property. Obviously, a depreciation rate study should give some consideration as to whether the utility's recoveries to date are reasonably well on target. The only check we have of that is the book depreciation reserve; however, we need some way to gauge the adequacy of the depreciation reserve. To be more specific, we need to come up with the best current estimates of average service lives, net salvage and mortality patterns to compute the theoretical depreciation reserves.

At this point it must be made clear that the computed or theoretical depreciation reserve is not precise; it must not be construed as "the required reserve". The theoretical reserve gives us an approximation. Foremost—the theoretical reserve, as most depreciation analysts compute it, is developed by estimating the depreciation accruals from the study date forward in time (using the new study average service lives, net salvage estimates, and mortality dispersions) subtracted from the current plant balances. It is a prospective calculation.

If one continues to use whole life accrual rates, then the difference (the variance) between the book depreciation reserve and the theoretical depreciation reserve should be amortized. The amortization period most logical to use is the average remaining life of the property. The foregoing is a must to come close to achieving inter-generational equity. Further, the reserve variance indicated in one study (at one point in time) must not be considered final and "forever." The estimation of average service lives, etc. is not a precise science; hence, we revisit the accrual rates and their constituent elements about every five years. Even though it is unlikely that past and/or projected circumstances would be so different from one study to the next as to cause the reserve variance to swing drastically, the reserve

variance should be recomputed at each study if the use of whole life accrual rates is continued, and the variance amortization revised as necessary.

The most commonly employed alternative to whole life accrual rates and reserve variance amortization is to use remaining life depreciation rates. This is the same procedure used to calculate the existing approved accrual rates, and we have recommended its use in this study. The remaining life annual accrual is the balance to be recovered (net plant) divided by the average remaining life. That accrual expressed as a percent of the plant balance is the remaining life accrual rate (ARL). More specifically, the balance to be recovered is the plant balance less the book depreciation reserve, plus or minus expected net salvage. The average remaining life of a plant account is a function of the age distribution of the account balance and the mortality dispersion—usually a specific Iowa curve. Iowa curves, a widely accepted depreciation analysis "tool," provide a convenient communication medium. They were introduced in the 1930's by Mr. Robley Winfrey in the booklet "Statistical Analyses of Industrial Property Retirements", published in 1935 by the Iowa State University Engineering Research Institute.

Reference was made to remaining life accrual rates and it should be noted that frequently remaining life accrual rates are developed at one point in time and recommended for use for several years thereafter (typically three to five years). One might wonder how can such be appropriate, given the expectation that the remaining life should decline one year for each passing year for property under study.

It is true that the remaining life for each specific unit of property drops by one year with each passing year, but this is not the case for a total plant account nor even for one vintage of plant within that plant account. Because of the age dispersion of retirements, past and projected, the average remaining life for a vintage does not necessarily reduce by one year for each passing year. For example, assume a 30 year R 2.0 Iowa curve is found to be appropriate for a certain plant account. At year-end 1993, the 1983 vintage is 10.5 years old, as convention has it all placements are assumed to occur at mid-year; the average remaining life of 10.5 year old property following a 30 year R 2.0 pattern is 21.0 years. At the end of 1994, at age 11.5, the 1983 property has an average remaining life of 20.2 years, a drop in one year of 0.8 years. The year to year change is even less, the older the property gets, e.g., at age 29.5 years the average remaining life is 8.5 years and at age 30.5 years, it is 8.1 years.

From years and years of experience we know the use of ARL accrual rates for more than one year to be reasonable because there are enough capital additions to and retirements from most plant accounts each year that the plant account level composite ARL hardly changes at all, year after year. Further, it is almost impossible to revise the average remaining lives annually in a timely fashion, due to the time required to assemble the necessary plant data.

To help assure appropriate (timely) capital recovery necessitates periodic depreciation rate studies, such as this. The reason is utility property is not as static as one might think. The equipment, technology, life expectations, mortality patterns, salvage and removal costs,

and demands of the public all change. Periodic studies are made to detect such changes and to reflect them in the depreciation rates.

As the objective of depreciation is complete and timely recovery of depreciable plant investment less net salvage, periodic reviews and revisions to accrual rates help to minimize the magnitude of the revisions which may be necessary to keep the recovery process in tune. Obviously, when a change in either net salvage or life expectations is made, the book depreciation reserve immediately appears either over or under accrued. Changes to either the life or net salvage cannot generally be discerned on an annual basis; therefore, if such changes began to occur immediately upon completion of one depreciation rate study, it might be three to five years later (in another study) before the effect of the change is observed and the accrual rates adjusted to reflect it.

Remaining life depreciation acts to minimize the accrual rate change, yet it still provides for complete recovery—no more and no less. It also allows the more appropriate generation of ratepayers to be charged their correct share of capital recovery. As courts have said several times that a utility has the right to complete recovery of capital, the only other option outside remaining life depreciation is to amortize any unrecovered balance after the assets have retired. When this occurs, the wrong generation of ratepayers will most likely be paying for what should have been previously charged.

For some categories of property, particularly mass properties, statistical mortality studies of past retirement experience may provide historical indications of the dispersion of retirements and of average service life, if there has been sufficient retirement activity over a reasonable period of time. Such indications can possibly provide a guide as to what to expect in the future, but it should not be taken for granted that the future will mirror the past, especially when present policies, plans, or external circumstances which are different dictate otherwise. In such instances, as well as when reliable retirement experience is lacking, reliance must be placed upon informed judgment in the establishment of expected average service lives and accrual rates. A basic factor which must be considered in the selection of a reasonable dispersion or mortality pattern (Iowa curve) is the probable total life span. The probable total life span is the age at retirement of the oldest survivors of each vintage installation (each year's additions). For example, an Iowa L 0.0 dispersion with a 20-year average life indicates that the longest lived elements of each vintage installation will be about 76 years old or more at retirement and will require a 5.00% basic accrual rate on average investment balances over a 76-year total span.[2] On the other hand, an S 0.0 dispersion with a 20-year average life indicates the longest lived elements of each vintage installation will be 40 years old at retirement, similarly requiring a 5.00% accrual rate, but which rate is expected to be applied to average balances over only a 40-year total span. The technical name for the 76-year and the 40-year span is "maximum probable life." An example should help clarify the foregoing discussion.

[2] The actual L 0.0 Iowa curve tables show a total life span of 445.53% of ASL, 88.9 years; 76 years is the approximate age at which only 0.1% survives.

Assume the life analysis of history indicates the best statistical fit to be a 30-year (average service life) L 0.0 Iowa curve for electric Account 364, Distribution Poles, and one of the next best to be a 30-year S 0.0 Iowa curve. As our calculations are done vintage by vintage, this means we are projecting from year 2005 vintage addition that the very last retirement will occur in the year 2119 with the 30-year L 0.0 and 2065 with the 30-year S 0.0 Iowa curve. The life span impacts the theoretical reserve and the remaining life.

When evaluating the historical life analysis, one must consider what the equipment in the account is and the life spans projected, i.e., most people can recognize that it is very unlikely anything in Account 364 will survive 114 years. Ergo, it makes far more sense to propose the 30-year S 0.0 Iowa curve than the 30-year L 0.0 Iowa curve.

There is nothing wrong with either type of pattern—so long as the judgment with respect to the future is well founded; however, in general, it is risky to depend upon the extra long time span (L 0.0 type) for some portion of equipment investments to survive. It is not possible to "see" far in the future with any clarity, and there is too much chance for unforeseen developments to occur which may shorten the average life and cause retirements to be made prematurely before full recovery of the capital is achieved. Therefore, the selection of both a realistic curve type and average service life is an element of prudent management.

C. Electric Plant in Service

1. Steam Production Plant

Steam Production Plant in service consists of three coal-fired steam electric generating stations:

Plant	Nameplate, MW	In-Service Date	Projected Deactivation Date
Culley One	46	1955	2006
Culley Two	90	1966	2018
Culley Three	270	1973	2018
A. B. Brown One	250	1979	2031
A. B. Brown Two	250	1986	2031
Warrick Four (Vectren South share)	150	1970	2017

These projected deactivation dates result in life spans of 45 to 52 years for the generating units; life span is the span of years from the in-service date to the deactivation date. Based on our experience, we consider these life spans to be

realistic. We recognize these can be extended; however, to do so would require the expenditure of very large amounts of capital for components like cooling towers, replacement of significant quantities of boiler tubing, etc. Were we to include the impact of possible future capital additions, the (dollar) average lives would decrease and the depreciation rates increase. This is because additions late in the life seldom are "life extenders," per se, rather they merely enable the plant to keep operating.

Further contributing to the impact of future additions is the fact there has been and quite likely will continue to be inflation. Keeping in mind that our unit of measure is the original cost dollar, that $200,000 original cost property unit of vintage 1970 replaced in 2010 may have an original cost of $1,000,000, ergo, the impact is greater on the overall composite average dollar life of the plant.

All boilers are balanced draft, i.e., they have both induced draft (ID) and forced draft (FD) fans. All boilers currently have sulfur-dioxide removal equipment (scrubbers) except Culley Unit One and Warrick Four, i.e., where a scrubber system is being installed and should be on-line by about the year 2009. Culley Unit One is to be retired in December 2006 to conform with EPA dictates.

Selective Catalytic Reduction (SCR) systems were recently added at the A. B. Brown Station, Culley Unit 3 and Warrick Unit 4 to reduce NO_x emissions. Also, a bag-house (fabric filter system) is being installed on Culley Unit 3.

Another significant capital project is the December 2006 retirement of Culley Unit One as a result of a settlement agreement with the U.S. Environmental Protection Agency.

As mentioned in the Executive Summary of this report, the average service lives and average remaining lives of this study were developed using a generation arrangement, life-span forecast analysis. The key inputs to the analyses are the vintage surviving balances which make up the surviving plant balance for the given plant, e.g., Account 311 at the A. B. Brown Station, the projected deactivation date for the location and projected interim retirements. Interim retirements are those retirements which occur between the study date and the deactivation date. We have included in our analyses those projects currently underway which come under the Multi Pollutant Environmental Settlement Agreement approved by the Indiana Utility Regulatory Commission (IURC) in Cause No. 42861 providing for an 18-year depreciable life for these facilities:

Culley 3 Fabric Filter (Bag House)
Warrick 4 Scrubber

An 18-year depreciation life was also used for NO_x control equipment installed pursuant to the Settlement Agreement in Cause No. 42248, Phase II. The life spans (time period from in-service date to deactivation date) which result for the generating units are 45 to 52 years. These units will most likely require

significant interim additions which additions are not specifically included in our analysis to be able to achieve these long life spans. The deactivation dates for our study are based upon MAC experience and judgment, and the resulting life spans are typical for such generating units. To extend the lives, say another 10 years or more, will require the expenditure of significant capital.

The exclusion of future additions is based on our experience that some regulatory bodies require depreciation rates to be reflective of only that plant which is in-service. Limited exceptions typically allowed are projects underway (like the Culley Bag House and the Warwick Scrubber) which will be in-service within one to two years and for which reliable and accurate cost estimates are available.

The forecast analysis includes projected interim retirements based upon our experience and the Vectren South history of interim retirements. Also included as specific interim retirements is the retirement of Culley Unit One in 2006 and the A. B. Brown scrubber's replacement in about 2010.

Site-specific demolition estimates are not available for the Vectren South plants; therefore, we have used an estimated demolition cost basis of $51 per kW of nameplate capacity. The $51/kW value stems from an ongoing analysis by Mr. Aikman over about a 30-year period. The inputs have been demolition estimates of eighty-seven (87) steam electric plants, which estimates have been made by demolition contractors, engineering firms like Stone & Webster, Sargent & Lundy, utility engineers like those of Southern Company Services, Entergy engineers, etc. The coal plant record relates to costs for 66 plants, 62 of which are demolition cost estimates and four are demolition costs for plants actually demolished. All costs, actual and estimated, have been restated to year-end 2005 purchasing power, using the Handy-Whitman Construction Cost Index for Common Labor.

The values so restated result in a kW weighted average of $50.81/kW and a median of $51.12/kW. The Company has a current demolition cost estimate to demolish the (retired) Ohio River Station. That station had a nameplate capacity of about 117,000 kW, and the demolition contractor's estimate of $9,548,647 translates to $81/kW.

The foregoing shows the $51/kW estimate to be a conservative cost estimate for the demolition of the Culley, Brown and Warrick Stations. Further, the Vectren South plants are similar to the dozens of plants we have studied, for many of which the demolition estimates were based upon the aforementioned analysis by Mr. Aikman.

The estimated demolition cost of $9,548,647 for the Ohio River Station was allocated to each plant based on the initial calculated net salvage and incorporated into the final recommended net salvage percentages shown on the accrual rate schedule, Schedule A.

The accrual rates are developed for each generating plant by plant account or subaccount, as appropriate. In the aggregate, the total Steam Production accrual rate of this study is 3.81% versus the existing 4.03%. See pages 1 and 2 of the accrual rate schedule for the proposed rates for each plant account. Although we are unable to determine what deactivation dates were employed in the prior study, if we were to estimate the deactivation date to be the study date plus the average remaining life, we can get an estimate of values to compare. They are:

Plant	ARL @ EOY 1992	Study Date	Prior Study End of Life	ARL @ EOY 2005	Study Date	Study "End of Life"
Culley	21	1992	2013	13	2005	2018
Brown	27	1992	2019	26	2005	2031
Warrick	17	1992	2009	12	2005	2017

The "Prior Study End of Life" dates are not necessarily the deactivation dates of that study, but they do give us a basis for comparison. The real (projected) life spans are typically longer than the sum of the age plus the average remaining lives, simply because the average remaining life is NOT equal to the life span remaining. The difference is due to projected interim retirements, i.e., not 100% of the year 2005 balance is going to survive to the deactivation date.

Using our depreciation study life estimate and assuming no major investments in plant replacement, a comparison of our resulting proposed composite accrual rates versus the corresponding existing approved accrual rates for each plant results in the following:

	Composite Depreciation Accrual Rates	
Plant	Existing	Proposed
Culley	4.42	4.29
Brown	3.65	3.50
Warrick	5.19	3.56

Note: For comparison purposes only, all of the Culley Units were considered in the calculations presented above.

2. Other Production Plant

The Other Production Plant generating facilities consist of six generating units, two at each of three locations, Broadway, Northeast and A. B. Brown. The Broadway and Northeast plants are fully depreciated, only the investment in natural gas fueled combustion turbine (CT) at A. B. Brown is not fully recovered.

The 29.8-year average service life which develops for the A. B. Brown CT's reflects the projected deactivation of each unit 30 years after the in-service date. Given the interim retirement history of almost zero, our analysis includes no projected interim retirements, other than that of Unit 3, 30 years after its in-service date. The net salvage estimate for each of the two units is the same amount as that of the prior study at which time only the first unit was in service. The net salvage translates to (4.3)% of the plant balance, a value we consider reasonable for such facilities and somewhat typical within the industry.

The individual plant account accrual rates proposed are those shown on page 4 of the accrual rate schedule. The rates composite to a 3.45% rate for the entire plant and is a decrease from the existing 4.02% composite rate.

3. Transmission Plant

Studies by the Edison Electric Institute/American Gas Association and by MAC show that the majority of utility plant retirements are not due to the property/equipment being physically worn out; the retirements are mostly due to technological and physical obsolescence, inadequacy, exposure to the elements, requirements of others—typically public agencies. The latter relates to public works such as highway and street projects, urban renewal, sewer and/or water projects, airport construction, harbor/riverfront projects etc.

The point of the foregoing is that one cannot just quickly look at only the physical condition (and age) of the utility plant in order to properly estimate the likely remaining life.

As to retirements, the Company has reconductored and replaced several structures of the 138 kV Cloverport transmission line within the past five years. It is imperative to consider retirement volumes as the life analyses employed in depreciation studies are retirement driven, i.e., if retirements are low for an extended period, the life analyses will likely show an increase in the average life and the converse is true. Specifically, Vectren South had transmission line retirements of $1.2 million in 2005 and 2000, but the average annual retirement over the 1991 to 2005 period has been under $400,000.

Account 350.2/350.3 – Land Rights

The investments in these subaccounts are not for land in fee; they are for the right to build, operate and maintain electric transmission lines. There is very little likelihood of salvage (via sale) upon retirement; therefore, unless they are depreciated, they would remain 100% in plant in service until retirement. By charging depreciation, the net plant (rate base) decreases over time.

A typical life basis for depreciating land rights is generally longer than the average service life of the lines (Accounts 354, 355, 356) related to the land

rights. A life of about twice the average life of the related accounts is used in some instances.

We propose a significant adjustment to the existing 40-year estimate up to 60 years. Zero net salvage is most likely to be realized, i.e., our proposal is a 60-year SQ "curve" with zero net salvage. The respective remaining life accrual rates for Accounts 350.2 and 350.3 are 1.83% and 2.10%.

Account 352 – Structures and Improvements

The depreciation study database contains almost no retirement history of Account 352; hence, only a 30-year band (2005-1976) SPR-BAL life analysis was attempted; the analysis was almost meaningless as the indicated average lives ranged from 49 years to 470 years.

The 50-year S 5.0 Iowa curve proposed is, of necessity, primarily a judgment-based estimate and gives consideration to the fencing, yard lighting, small buildings and other properties that constitute Account 352. This compares to the industry average estimate of about 48 years.

With net salvage estimated at (5)%, a 1.75% remaining life accrual rate results.

Account 353 – Station Equipment

Some of the life analyses of the history of Account 353 yield mostly unreasonably long average life indications, at least as to the top statistically ranked curves in the 20- and 30-year bands, i.e., average lives as high as 64 years. One "sanity" check we make as to equipment lives is to consider the age of most of the significant equipment in service. The most significant equipment in Account 353 is transformers and circuit breakers, and in that regard, most of such equipment in service is less than 40 years old. Were the SPR life analyses truly indicative of the plant surviving, there should be considerable survivors of the 1930s, 1940s and 1950s, and there are not.

Accordingly, we have elected to base the accrual rate on an Iowa curve which is conservative for Account 353, in our opinion and compared to the Edison Electric Institute (EEI) member companies reported average, 37 years, i.e., our proposal is a 42-year R 1.0 Iowa curve. The existing accrual rate is 2.51%.

Our proposal includes (1)% net salvage and results in a remaining life accrual rate of 1.78%.

Account 354 – Towers and Fixtures

Typical of most utilities, the retirement history of Account 354 is minimal, resulting in mostly very high average life indications in the SPR-Bal life analyses.

We propose no change from the prior study 45-year R 4.0 Iowa curve, nor from the existing (15)% net salvage estimate.

A 1.43% accrual rate develops.

Account 355 – Poles and Fixtures and
Account 356 – Overhead Conductors and Devices

Although the top five statistical best-fitting Iowa curves have average lives of 41 to 57 years in all three Account 355 bands analyzed, i.e., 1976 to 2005, 1986 to 2005 and 1996 to 2005, we do note the vast majority of the 81 curve types (3 * 27 in each band) have average lives less than or equal to 39 years. In fact, the average of the 27 indicated average lives in each respective band is 37 years, 38 years and 39 years.

In evaluating the significance of life analyses as predictors of the near term future for a given plant account, we always look at least four parameters. These include the top five statistically ranked curves, the average of all 27 indicated average lives, the total range of indicated lives (from the lowest to the highest) and the distribution of the indicated average lives, e.g., how many are less than or equal to 19 years, how many less than or equal to 29 years, etc., and sometimes some intermediate reference points, like how many less than or equal to 25 years.

We also consider the volumes and consistency of annual retirements; that is, if the account experiences minimal retirements for several years and relatively large retirements perhaps only once in thirty years, we must consider which analysis bandwidth(s), if any, are impacted by the large retirement. It is true that some plant accounts only realize sizable retirements infrequently, unlike a "busy" account such as Distribution poles or meters. Transmission Plant does not usually experience steady, large annual retirement volumes; hence, the life analyses often do not yield meaningful average lives, and we must rely upon engineering judgment in estimating the average lives.

The 26-year R 5.0 Iowa curve selected in the prior study is not supported by current life analyses. In keeping with our established/recognized practice of limiting mass plant life estimate changes to about 20%, our conservative proposal for Account 355 is a 32-year R 1.0 Iowa curve, which curve projects that nothing lives beyond 2.01 times the average life.

Most of the analysis life indications relative to Account 356 are similarly unrealistic as those of Account 355. Specifically, the five top-ranked curves have average lives of 45 to 70 years for Account 356. It is our opinion that most overhead conductors cannot realize an average life of 70 years.

We propose a 45-year R 2.0 for Account 356 and (10)% net salvage, i.e., 10% net cost to retire. The resulting respective remaining life accrual rates are 2.54% and 2.04%.

Account 357 – Underground Conduit and
Account 358 – Underground Conductors and Devices

The relatively minor investment, $1,180,973, in Account 357 has experienced so few retirements (none since 1990), no SPR-BAL life analysis was attempted. It is our opinion the 50-year R 4.0 proposed in the prior study is a reasonable expectation, as is the zero net salvage estimate.

The resulting remaining life accrual rate of 1.89% for Account 357 results in no change from that of the prior study.

We also propose no change for Account 358 from the prior study 35-year R 3.0 and zero net salvage, although the life analyses indicate lower lives. On the basis of our judgment and experience, we believe the 35-year life to be more realistic. Also, the most significant statistical index of the life analyses is poor.

A 2.99% accrual rate develops for Account 358.

Our composite Transmission Plant accrual rate is 2.02% which is less than the existing 2.68%. These results did not incorporate the Company's recent reclassification of plant using the FERC seven factor test analysis.

4. Distribution Plant

Account 360.2 – Land Rights

Similar comments as in the Account 350.2/350.3 narrative. We propose the same 60-year SQ and zero net salvage for Account 360.2 as for 350.2/350.3. The remaining life accrual rate which develops is 1.68%.

Account 361 – Structures and Improvements

Annual capital activity in Account 361 has been (typically) sporadic, e.g., there were no retirements 1990 through 1999. In spite of this, the life analyses indicate what we consider to be realistic average lives, i.e., statistical ranks 1 to 5 range only from 35 years to 36 years. Further, the average of all 27 Iowa curves in each band analyzed (10, 20, 30) was 36.7 years and 38.1 years.

Based upon judgment and the life analyses, we propose no change from the prior study finding, a 35-year S 6.0 Iowa curve; the same is true of the (5)% net salvage estimate.

A 3.15% accrual rate results.

Account 362 – Station Equipment

Although the top five SPR-BAL statistically ranked curves have average lives of 51 to 64 years, the 10, 20 and 30 band analysis average of all 27 curves is lives of 42.8 years, 43.5 years and 46.0 years, respectively. Further, the distribution of life indications shows the top five to be in the minority:

Band	Distribution (out of 27 total)
10-year (1996 – 2005)	22 ≤ 49 years
20-year (1986 – 2005)	22 ≤ 49 years
30-year (1976 – 2005)	20 ≤ 49 years

In keeping with our practice as to mass plant life estimate adjustments, we propose a 40-year S 4.0 Iowa curve, up about 10% from the prior study 36-year proposal.

In recognition of the (7)% to (9)% net salvage realized by the Company, we propose to revise the net salvage estimate to (5)%, down from the existing zero.

The foregoing parameters yield a 2.53% remaining life accrual rate.

Account 364 – Poles, Towers and Fixtures

The average annual retirements from Account 364 are largest in the 1986 to 1995 decade of the three decades in the 1976 to 2005 period. This results in slightly higher average life indications in the analysis of the 1996 to 2005 period, compared to the analysis of the 1986 to 2005 period; however, it is not absolutely clear from the analyses of the various bandwidths whether there is a trend up, but we suspect there is.

Our proposal is a 37-year S 1.0 Iowa curve which is a moderate move upward from the prior study 34-year estimate.

Net removal cost is estimated to be 35%, a conservative value based upon our analysis of Vectren South experience.

The remaining life accrual rate which develops is 3.51%.

Account 365 – Overhead Conductors and Devices

The various life analysis bands provide rather conclusive indications; that is, the life analyses indicate a life decrease. The existing average service life of the existing accrual rate is 38 years; our proposal is a 33-year R 1.0 Iowa curve.

Net removal cost of 20% is estimated; this compares to the EEI average estimate of about 14% net removal cost. Removal costs for Distribution conductors are higher than one might first expect as most conductor retirements are in connection with reconductoring. Because of the proximity of the retired conductor to the energized new conductor, the retired conductor must be handled as if it were energized, resulting in higher removal cost than to simply cut it and pull it down.

A 3.46% remaining life accrual rate results.

Account 366 – Underground Conduit

The retirement history of Account 366 is far more consistent than what we typically see in Account 366. On the other hand, the average annual retirements vary; by decade they are: 1976 to 1985, $4k; 1986 to 1995, $16k; and 1996 to 2005, $16k; annual additions (average per year) are, respectively: $198k, $326k and $1,076k.

Along the same lines, the balance in Account 366 has increased from $2,411k at year-end 1976 to $3,673k at year-end 1986, to $6,893k at 1996, to $17,219k at 2005.

The life analyses of this history suggest to us an average life longer than that of the prior study 41-year estimate, and our proposal is a 35-year L 1.5 Iowa curve. With net salvage estimated at (5)%, a 2.59% accrual rate develops.

Account 367 – Underground Conductors and Devices

Our proposed 33-year S 4.0 Iowa curve is supported by the top ranks of the 30-year and 20-year band analyses. It is a minimal change from the existing 30-year average life estimate. Our estimate is close to the industry average life estimate for Account 367 of about 35 years.

With zero net salvage estimated, the remaining life accrual rate which develops is 2.83%.

Account 368 – Line Transformers

The 36-year R 1.5 Iowa curve we propose for Account 368 reflects primarily our interpretation of the life analyses. It appears to us the life is trending upwards; the top five ranked statistical best fits range from 38 to 45 years. On the other hand,

the averages of all 27 life indications in each band analyzed (10, 20, 30 years) are: 35.9 years, 34.5 years and 33.6 years, respectively. Similarly, the distribution of life indications points to slightly lower lives than the top five ranks:

Band	Distribution (out of 27 total)
30-year	25 ≤ 39 years
20-year	23 ≤ 39 years
10-year	22 ≤ 39 years

Based upon all the foregoing, we propose a moderate upward revision of the life estimate, a 36-year R 1.5, rather than the prior study 33-year estimate.

With net salvage estimated at (2)%, based on Vectren South experience, the remaining life accrual rate which results is 2.50%.

Account 369 – Services

A change in retirement pricing of services has caused annual retirement volumes to decline significantly, beginning with the year 2001. The impact upon the life analyses of that history is as expected; the top five best ranks have lives which range from 48 years to 75 years.

We recognize that an average life of 48 to 75 years is totally unrealistic for services in a physical sense, i.e., were we able to analyze the retirement history of units (not dollars), we would NOT find average life indications as high as 50 (or more) years.

Accordingly, we propose a moderate upward adjustment to the average life estimate. Our proposal is a 30-year S 1.0. The prior study estimate was 24 years, and the industry average estimate is about 34 years.

Based upon Vectren South history and our judgment, we propose a (25)% net salvage estimate.

The remaining life accrual rate which results is 3.28%.

Account 370 – Meters

The Account 370 proposed 33-year R 3.0 Iowa curve is no change from the prior study finding. The SPR-BAL life analyses present somewhat conflicting indications. The top five best statistical fits of the 10-year band—the most sensitive—are 31- to 47-year average lives; the 20-year band top five are 32 to 48 years, and the 30-year band, 39 to 47 years. The averages of the lives of all 27 curves in each band are 36.4 years, 36.4 years and 36.6 years.

The total range of indicated lives is:

Band	Highest	Lowest
10-year	31 years	47 years
20-year	31 years	48 years
30-year	31 years	48 years

Another consideration is that more and more electronic meters are being used, and the life of electronic meters is not expected to be as long as the tried and true electro-mechanical meters.

Given all the foregoing, it is our opinion the safest course is to propose no change at this time.

With a 33-year R 3.0 Iowa curve and zero net salvage, a 2.97% remaining life accrual rate results.

Account 371 – Installations on Customer Premises

The $2,760,463 balance in Account 371 represents primarily area lighting equipment, equipment which is somewhat similar to that of Account 373. The life analyses appear to indicate an increase in life; however, even with the increase, the indicated lives fit our experience with area lighting.

We have noted that the public is inconsistent as to area lighting (security lights, dusk-to-dawn, etc.) in that they want them for awhile, then they don't, or it may be that when a home with area lighting is sold, the new buyer doesn't want the area light. Whatever the reason, there is considerable turnover, and our proposed 15-year L 5.0 Iowa curve reflects the foregoing and is a slight increase from the existing estimate.

Zero net salvage is estimated which combined with the 15-year L 5.0 curve yields a 4.33% remaining life accrual rate.

Account 373 – Street Lighting and Signal Systems

The prior study 27-year average life finding is not supported by the current SPR-BAL life analyses. The current analyses suggest to us an average life of about 29 to 35 years. Accordingly, we propose a 30-year S 1.0 Iowa curve. Vectren South net salvage experience leads us to our zero net salvage estimate.

The 30-year S 1.0 with zero net salvage yields a 2.83% remaining life accrual rate.

Our depreciation study calculated a composite Distribution Plant accrual rate of 2.98% which is a reduction from the existing 3.38% using plant balances as of 12/31/05.

5. General Plant

Account 390 – Structures and Improvements

No SPR-BAL life analysis was attempted as the depreciation study database includes only one year with a retirement, $5,646 in 1980.

The prior study finding was a 37-year S 6.0, but we propose a 40-year S 6.0 only because 37 years implies undue precision. As the estimate is strictly judgment/experience based, we propose a less precise appearing 40-year estimate.

With zero net salvage estimated, the remaining life accrual rate which develops is 1.89%.

Account 391 – Office Furniture and Equipment

The Company segregates this account into two subaccounts:

391.1 – Electronic Equipment
391.2 – Furniture and Fixtures

Mortality data for SPR-BAL life analysis was available only at the total Account 391 level; therefore, we developed the weighted composite average life of Account 391 using the prior (1992) study average life estimates and balances. The composite average life was about 12 years, with the 391.1 estimate being 10 years and 391.2, 21 years.

It is our opinion the current SPR-BAL life analyses indications are close enough to 12 years to warrant no change; therefore, we propose the 21-year R 4.0 for Account 391.20 and 10-year R 2.0 Iowa curve for Account 391.10.

Reflective of the Vectren South net salvage history, 2% net salvage is proposed for each subaccount, the respective remaining life accrual rates proposed for each account are 11.83% and zero, as Account 391.2 is fully depreciated. When new capital additions are made to Account 391.2, they should be depreciated at a rate of 4.67% (100% - 2% / 21 years), until the next depreciation rate study.

Account 392 – Transportation Equipment

Vectren South segregates Account 392 into four subaccounts, 392.1 – Autos, 392.2 – Light Trucks, 392.3 – Trailers and 392.4 – Heavy Trucks.

Similar to Account 391, mortality data for SPR-Life analyses of the history was available only at the total Account 392 level. As with Account 391, we developed the prior study weighted composite average life (13 years).

The current SPR-BAL life analyses support 13 years as a reasonable estimate; therefore, we propose no change from the prior study estimates:

Account	Proposed	Proposed Net Salvage	Proposed Remaining Life Accrual Rates
392.1	5-year R 0.5	22%	22.40%
392.2	8-year R 3.0	18%	0
392.3	19-year S 3.0	14%	2.44%
392.4	14-year R 0.5	12%	4.97%

Similarly, as the prior study net salvage estimates composite to about 13% and the recent Vectren South salvage experience has been about that, we propose no change.

Account 392.2, Light Trucks, is full depreciated. When Vectren South acquires some new light trucks, the accrual rate to use until the next depreciation study is 10.25% (100% - 18% / 8 years).

Account 393 – Stores Equipment

We are proposing a change from a 27-year S 6.0 to a 28-year L 3.0 and zero net salvage for the $1,503 balance in Account 393. These parameters yield a 4.39% remaining life accrual rate.

Account 394 – Tools, Shop and Garage Equipment

The current life analyses do not support the existing average life estimate of about 18 years; they indicate about 22 years, and our proposal is a 22-year S 1.5 Iowa curve. The EEI average life estimate for account 394 is about 24 years.

With 5% net salvage estimated, the remaining life accrual rate is 1.59%.

Account 395 – Laboratory Equipment

The current SPR-BAL life analyses do not support the prior study 18-year average life estimate, they indicate about 19 to 29 years, with the top ranked curves having lives of 22 to 29 years. The average of all indicated average lives of the 10-year and 20-year band analyses is 22 years.

We propose an upward adjustment to the life estimate of about 20%, i.e., from 18 to 22 years. Our proposal is a 22-year R 2.0 Iowa curve.

The proposed 2.47% remaining life accrual rate reflects zero net salvage.

Account 396 – Power Operated Equipment

The most relevant experience to analyze for a short-lived group like Account 396 is the most recent experience; therefore, the 10- and 20-year band analyses should be the most meaningful. These analyses yield average lives of about 17 years and are the primary basis for our proposed 17-year R 3.0 Iowa curve. Net salvage is estimated at 15% as a function of Vectren South experience.

The remaining life accrual rate which develops is 4.95%.

Account 397 – Communication Equipment

The Vectren South capital activity history of Account 397 is quite erratic, i.e., there are only two years with retirements, and there are many years with no additions. It should be noted that erratic Account 397 capital activity is not uncommon in the industry. The 1999 retirement is $46,319, while the 1989 retirement is only $4,212.

As a result of the limited/erratic capital activity, the SPR-BAL conformance indices are very poor; however, the range of indicated average lives is not as bad as one might expect, the high was 49 years and the low, 23 years. Our analysis indicates a slight increase from the existing 18-year S 4.0 to a 20-year S 4.0.

Account 397 is fully depreciated, so the remaining life accrual rate is zero; however, when any new item is capitalized to Account 397, we propose that it be depreciated at a rate of 5% (100% / 20 years). Zero net salvage is expected.

Account 398 – Miscellaneous Equipment

The prior study life estimate for Account 398 was 18 years. Since that time, $5,047,665 of "Direct Load Control Devices" have been added to the account, specifically in 1994.

The account is now segregated between "normal" Account 398.10 and 398.20 – Direct Load Control Devices. The 398.20 equipment is that electronic equipment which is placed directly on the customer's air conditioner or other high energy consuming devices to allow Vectren South to help decrease peak loads. Typical life estimates for such electronic devices is 15 years, and our proposal for Account 398.20 is a 15-year SQ, with zero net salvage.

The SPR-BAL life analyses lack credibility, but they do tell us the should be higher than the prior study estimate. We propose a 20-year R 0.5 for Account 398.10 with a zero net salvage estimate.

The remaining life accrual rates which we propose are:

Account 398.10	1.73%
Account 398.20	4.08%

Our analysis of General Plant data resulted in an increase in the overall composite rate from the existing 3.17% to a 4.18% level.

D. Common Plant in Service

Account 390 – Structures and Improvements

Typical ASL ranges in this account within the industry are from about 25 to 50 years. Even though the SPR-BAL analyses indicate levels generally lower than the low end of this range, based on our experience, we believe that the current 32-year ASL is a reasonable predictor for this account. Our recommendation is a change from the existing 35-year S 1.0 Iowa curve to a 32-year R 2.5.

The existing net salvage estimate is (5)%; however, since the prior study, the Wagener Center Complex has been built. It is our opinion some of the buildings may be saleable upon retirement, and we propose 10% net salvage. There is no doubt about the salability of the land. The best approach for this estimate would be to get a market value appraisal of all structures and their corresponding demolition costs; however, this is not cost effective at this time for this study.

These parameters, a 32-year R 2.5 with 10% net salvage yield a 2.41% remaining life accrual rate.

Account 391 – Office Furniture and Equipment

The Company segregates this account into two separate subaccounts in order to provide more homogeneous groups to better recognize the very different service lives:

Account 391.1 – Electronic Equipment
Account 391.2 – Furniture and Fixtures

As in certain Electric Plant accounts, the mortality history of the segregated accounts in not available; therefore, we made SPR-BAL life analyses of the total account, Account 391, in this instance. The dollar-weighted composite of the

prior study 9- and 18-year average life estimates for the two subaccounts is about 11 years.

The current SPR-BAL analyses indicate a total Account 391 average life of about 11 to 18 years, with the top five statistically ranked curves having lives of about 15 years, higher than the 11-year composite of the existing estimates. A 12-year average life estimate for Account 391.1 and 22 years for 391.2 yield a composite average life of about 15 years; therefore, we propose:

Account 391.1	12-year R 3.0
Account 391.2	22-year R 3.0

Net salvage of 2% is proposed, based upon our review of the Vectren South total Account 391 history.

The proposed remaining life accrual rates are:

Account 391.10	9.55%
Account 391.20	3.39%

Account 392 – Transportation Equipment

The weighted composite of the existing average life estimates of the three subaccounts which make up Account 392 is about 14 years.

The subaccounts and their existing estimates of average life and net salvages are:

		--- Proposed ---		--- Existing ---	
Account	Description	Iowa Curve	Net Salvage	Iowa Curve	Net Salvage
392.10	Autos	5-year S 4.0	25%	5-year R 2.0	15%
392.20	Light Trucks	7-year S 2.0	15%	7-year S 2.0	5%
392.30	Trailers	20-year SQ	5%	20-year L 5.0	0%

The salvage history provided was that of Accounts 392 and 396 (Power Operated Equipment) combined. Weighting the existing net salvage estimates for the two accounts yields about 14%, but the current Vectren South salvage history suggests to us that about 20% is appropriate.

The remaining life accrual rates are zero as all subaccounts of Account 392 are fully depreciated. When Vectren South acquires equipment of the subaccounts, the accrual rates proposed are:

Vectren South
Depreciation Accrual Rate Study at December 31, 2005

Account	Accrual Rate
392.10	15.00%
392.20	12.14%
392.30	4.75%

The rates developed are whole life accrual rates, computed as (100% - net salvage) / average life.

Account 393 – Stores Equipment

Our review and analysis of this account indicates that the existing 20-year S 2.0 Iowa curve is not supported by the SPR-BAL life analyses. Based on our results, we are recommending a change to a 28-year L 3.0 Iowa curve.

A review of the net salvage showed very little activity, and we therefore recommend that the existing zero net salvage be maintained.

Based on our recommendations, the current 3.79% accrual rate for this account is reduced to 0.94%.

Account 394 – Tools, Shop & Garage Equipment

The SPR-BAL analysis of the history of this account using 15- and 30-year bands shows an average service life that is much higher than the existing 13-year estimate. Based on our analyses and judgment, we propose a 25-year S 5.0 Iowa curve.

The Company's existing zero net salvage estimate is not supported by the Vectren South history, and we therefore propose a change to 10%.

The proposed accrual rate for this account is a change from the current 0.65% to 0.47%.

Account 396 – Power Operated Equipment

Our experience suggests the results of the SPR-BAL analyses of this account are almost inconclusive; the statistical reliability is very doubtful. Even though the analyses indicate a lower life, we propose a change from the existing 18-year R 2.0 to a 17-year R 3.0.

Net salvage of 20% is proposed, as discussed in the Account 392 narrative.

These parameters lead to a 1.77% remaining life accrual rate.

Account 397 – Communications Equipment

The SPR-BAL analyses of the limited history of Account 397 capital activity produce average life results which are totally unrealistic for this equipment. The top statistical fitting curves have lives of 40 to 122 years.

Our proposal is a 27-year S 4.0 Iowa curve, compared to the existing 25-year S 4.0. The proposed 27-year S 4.0 is rank number 14 (of 27) in the analysis.

With zero net salvage, a 1.97% remaining life accrual rate results.

Account 398 – Miscellaneous Equipment

The SPR-BAL analyses of this account resulted in average lives much higher than the existing 15-year estimate. Based on our review of this data, we propose a change to a 22-year S 4.0 Iowa curve.

We consider the existing zero net salvage estimate to be reasonable, and we propose no change.

Account 398 is fully depreciated; therefore, the remaining life accrual rate is zero. If Vectren South capitalizes some property as Account 398, it should use a 4.55% accrual rate (100% / 22 years).

Our analysis of the Company's Common Plant resulted in an overall composite rate of 2.95% which is a reduction from the existing 4.18% using plant balances as of 12/31/05.

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

ACCRUAL RATE SCHEDULES

REMAINING LIFE ACCRUAL RATE SCHEDULE

EXPLANATORY NOTES

The following is a description of each column:

1. The column labeled "PLANT BALANCE @ 12/31/05" shows the actual book balance for each account, subaccount, and location as of the date indicated.

2. The column labeled "DISP TYPE" is designated as either Forecast or some selected Iowa curve type as discussed in the text.

3. The column labeled "ASL" is the average dollar service life estimate in years for each investment group. For investments in Transmission, Distribution, and General Plant, the average service life and a corresponding dispersion curve type is selected based on the investment history of the group and future expectations.

4. The column labeled "EST NET SALVAGE - PCT" is the estimated percent net salvage.

5. The column labeled " EST NET SALVAGE AMOUNT" is the estimated net salvage amount obtained by multiplying the plant balance @ 12/31/05 (1) times the estimated net salvage percentage (4).

6. The column labeled "12/31/2005 DEPRECIATION BOOK RESERVE" shows the Company's book reserve, allocated in some instances, at the date indicated.

7. The column labeled "BALANCE TO BE RECOVERED" is equal to the plant balance @ 12/31/05 (1) less the estimated net salvage amount (5) less the 12/31/2005 book depreciation book reserve (6).

8. The column labeled "EST REM LIFE" contains the estimated average dollar remaining life.

9. The column labeled "ANNUAL DEP AMOUNT" is the annual depreciation accrual derived by dividing the balance to be recovered (7) by the estimated remaining life (8).

10. The column labeled "ACCRUAL RATE" is the annual depreciation accrual (9) divided by the plant balance @ 12/31/05 (1), with the quotient Expressed as a percentage.

11. The column labeled "COR RATE" is the cost of removal percent that is included in the estimated net salvage percent.

Schedule A

Accrual Rate Schedule

Electric Plant

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE A

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT *	NET SALVAGE AMOUNT *	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	STEAM PRODUCTION PLANT											
	A.B. BROWN STATION											
311.00	STRUCTURES & IMPROVEMENTS	47,018,664	FORECAST	43.8	-7.2	-3,385,344	24,877,637	25,526,371	24.7	1,033,456	2.20	0.16%
312	BOILER PLANT EQUIPMENT											
312.10	BOILER PLANT EQUIPMENT	184,530,540	FORECAST	39.9	-7.2	-13,286,199	98,007,611	99,809,128	23.0	4,339,527	2.35	0.18%
312.20	SO2 REMOVAL SYSTEM	62,028,875	FORECAST	18.7	-7.2	-4,466,079	53,669,642	12,825,312	5.1	2,514,767	4.05	0.39%
312.30	RAILROAD COAL CARS	2,411,679	SQ	30.0	0	0	2,115,131	296,548	5.6	52,955	2.20	0.00%
312.40	NOX REMOVAL SYSTEM	175,005,926	SQ	18.0	0	0	9,141,141	165,864,785		9,712,829	5.55	0.00%
	TOTAL ACCOUNT 312	423,977,020		23.9		-17,752,278	162,933,525	278,795,773		16,620,078	3.92	
314.00	TURBOGENERATOR UNITS	90,227,967	FORECAST	36.2	-7.2	-6,496,414	43,334,101	53,390,280	21.3	2,506,586	2.78	0.20%
315.00	ACCESSORY ELECTRIC EQUIPMENT	26,277,384	FORECAST	46.7	-7.2	-1,891,972	16,115,391	12,053,965	24.7	488,015	1.86	0.15%
316.00	MISC. POWER PLANT EQUIPMENT	7,084,235	FORECAST	37.6	-7.2	-510,065	2,863,805	4,730,495	24.7	191,518	2.70	0.19%
	TOTAL A. B. BROWN STATION	594,585,270		27.0		-30,036,073	250,124,459	374,496,884		20,839,653	3.50	

* Ohio River Station Net Salvage (demolition) Included

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE A

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT *	NET SALVAGE AMOUNT *	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	F.B. CULLEY STATION											
311.00	STRUCTURES & IMPROVEMENTS	21,278,980	FORECAST	41.2	-8.5	-1,808,713	18,361,714	4,725,979	12.3	384,226	1.81	0.21%
312	BOILER PLANT EQUIPMENT											
312.10	BOILER PLANT EQUIPMENT	113,750,678	FORECAST	27.6	-8.5	-9,668,808	77,056,547	46,362,939	11.6	3,996,805	3.51	0.31%
312.10	LESS CULLEY UNIT 1 TO BE RETIRED @12/31/06	10,178,470	FORECAST	31.6	-9.8	-997,490	8,805,716	2,370,244		159,847		
	TOTAL 312.10 EXCL. CULLEY UNIT 1	103,572,208				-8,671,318	68,250,831	43,992,695		3,836,958	3.70	
312.20	SO2 REMOVAL SYSTEM	92,296,651	FORECAST	22.5	-8.5	-7,845,215	52,045,979	48,095,887	12.3	3,910,235	4.24	0.38%
312.40	NOX REMOVAL SYSTEM	62,013,152	SQ	18.0	0	0	7,506,078	54,507,074		3,441,730	5.55	0.00%
	TOTAL ACCOUNT 312	268,060,481		23.0		-17,514,023	136,608,604	148,965,900		11,348,770	4.23	
	312.50 FUTURE ADDS	49,000,000		18.0	-13					3,077,200	6.28	
	TOTAL ACCOUNT 312.00	317,060,481								14,425,970	4.55	
312.10	LESS CULLEY UNIT 1 TO BE RETIRED @12/31/06	10,178,470	FORECAST	31.6	-9.8	-997,490	8,805,716	2,370,244		159,847		
	TOTAL ACCOUNT 312 EXCL. CULLEY UNIT 1	306,882,011				-16,516,533	127,802,888	146,595,656		14,266,123	4.65	
314.00	TURBOGENERATOR UNITS											
314.00	TURBOGENERATOR UNITS	55,499,376	FORECAST	23.2	-8.5	-4,717,447	32,337,208	27,879,615	12.3	2,266,635	4.08	0.37%
314.00	LESS CULLEY UNIT 1 TO BE RETIRED @12/31/06	13,034,286	FORECAST	13.4	-9.8	-1,277,360	11,031,394	3,280,252		236,405		
	TOTAL ACCOUNT 314.00 EXCL. CULLEY UNIT 1	42,465,090				-3,440,087	21,305,814	24,599,363		2,030,230	4.78	
315.00	ACCESSORY ELECTRIC EQUIPMENT											
315.00	ACCESSORY ELECTRIC EQUIPMENT	4,264,744	FORECAST	43.5	-8.5	-362,503	4,181,041	446,206	12.3	36,277	0.85	0.20%
315.00	LESS CULLEY UNIT 1 TO BE RETIRED @12/31/06	668,726	FORECAST	28.1	-9.8	-65,535	577,399	156,862		12,046		
	TOTAL ACCOUNT 315.00 EXCL. CULLEY UNIT 1	3,596,018				-296,968	3,603,642	289,344		24,231	0.67	
316.00	MISC. POWER PLANT EQUIPMENT	4,619,292	FORECAST	24.5	-8.5	-392,640	2,886,094	2,125,838	12.3	172,832	3.74	0.35%
	TOTAL F.B. CULLEY STATION	353,722,873		23.8		-24,795,326	194,374,661	184,143,538		14,208,740	4.02	
	312.50 FUTURE ADDS	49,000,000		18.0	-13					3,077,200	6.28	
	TOTAL CULLEY INCL. FUTURE ADDS	402,722,873								17,285,940	4.29	
	LESS UNIT 1 CULLEY TO BE RETIRED @12/31/06	23,881,482			-9.8	-2,340,385	20,414,509	5,807,358		408,298	1.71	
	TOTAL F.B. CULLEY STATION EXCL. UNIT 1	378,841,391				-22,454,941	173,960,152	178,336,180		16,877,642	4.46	

* Ohio River Station Net Salvage (demolition) Included

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE A

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT *	NET SALVAGE AMOUNT *	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	WARRICK UNIT #4											
311.00	STRUCTURES & IMPROVEMENTS	1,015,722	FORECAST	45.3	-23.8	-241,742	915,595	341,869	11.3	30,254	2.98	0.53%
312	BOILER PLANT EQUIPMENT											
312.10	BOILER PLANT EQUIPMENT	28,108,086	FORECAST	30.4	-23.8	-6,689,724	27,509,729	7,288,081	11.1	656,584	2.34	0.78%
312.40	NOX REMOVAL SYSTEM	25,211,486	SQ	18.0	0	0	2,131,500	23,079,986		1,399,237	5.55	0.00%
	TOTAL ACCOUNT 312	53,319,572		22.9		-6,689,724	29,641,229	30,368,067		2,055,821	3.86	
314.00	TURBOGENERATOR UNITS	6,479,122	FORECAST	37.4	-23.8	-1,542,031	6,913,738	1,107,415	10.7	103,497	1.60	0.64%
315.00	ACCESSORY ELECTRIC EQUIPMENT	2,224,241	FORECAST	31.8	-23.8	-529,369	2,132,029	621,581	11.3	55,007	2.47	0.75%
316.00	MISC. POWER PLANT EQUIPMENT	117,828	FORECAST	24.2	-23.8	-28,043	86,657	59,214	11.3	5,240	4.45	0.98%
	TOTAL WARRICK UNIT #4	63,156,485		24.3		-9,030,909	39,689,248	32,498,146		2,249,819	3.56	
	* Ohio River Station Net Salvage (demolition) Included											
	WHOLESALE POWER MKT.											
312.10	BOILER PLANT EQUIPMENT	5,620					1,544	4,076		101	1.79	N/A
316.00	MISC. POWER PLANT EQUIPMENT	860,252					127,153	733,099		15,399	1.79	N/A
	TOTAL WHOLESALE POWER MKT.	865,872					128,697	737,175		15,499	1.79	
	TOTAL DEPREC. STEAM PRODUCTION PLANT	1,012,330,500		25.6		-63,862,308	484,317,065	591,875,743		37,313,711	3.69	
	312.50 FUTURE ADDS	49,000,000		18.0	-13					3,077,200	6.28	
	TOTAL DEPREC. STEAM INCL. FUTURE ADDS	1,061,330,500								40,390,911	3.81	
	LESS UNIT 1 CULLEY TO BE RETIRED @12/31/06	23,881,482			-9.8	-2,340,385	20,414,509	5,807,358		408,298	1.71	
	TOTAL DEPREC. STEAM PROD. PLANT EXCL. CULLEY 1	1,037,449,018				-61,521,923	463,902,556	586,068,385		39,982,613	3.85	

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE A

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT *	NET SALVAGE AMOUNT *	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OTHER PRODUCTION PLANT											
	A.B.BROWN GAS TURBINE 3											
341.00	STRUCTURES & IMPROVEMENTS	1,692,935	FORECAST	30.0		-49,751	515,192	1,227,494	21.5	57,093	3.37	0.10%
342.00	FUEL HOLDERS, PRODUCERS & ACCESS.	4,017,728	FORECAST	30.0		-164,914	1,236,448	2,946,194	21.5	137,032	3.41	0.13%
343.00	PRIME MOVERS	36,490,528	FORECAST	29.9		-1,619,796	10,586,450	27,523,874	21.9	1,256,798	3.44	0.13%
344.00	GENERATORS	14,960,075	FORECAST	29.4		-664,885	2,711,844	12,913,116	24.6	524,923	3.51	0.14%
345.00	ACCESORY ELECTRIC EQUIPMENT	2,252,165	FORECAST	30.0		-105,454	694,367	1,663,252	21.5	77,361	3.43	0.17%
346.00	MISC. POWER PLANT EQUIPMENT	1,092,276	FORECAST	29.0		0	112,588	979,688	26.5	36,969	3.38	0.00%
	TOTAL A.B. BROWN GAS TURBINE 3	60,505,707		29.8		-2,604,800	15,856,889	47,253,618		2,090,176	3.45	
	TRANSMISSION PLANT											
350.20	LAND RIGHTS	5,608,486	SQ	60.0	0	0	1,373,774	4,234,712	41.3	102,535	1.83	0.00%
350.30	LAND RIGHTS-KY	52,895	SQ	60.0	0	0	10,651	42,244	38.0	1,112	2.10	0.00%
352.00	STRUCTURES & IMPROVEMENTS	1,666,114	S 5.0	50.0	-5	-83,306	929,331	820,089	28.2	29,081	1.75	0.10%
353.00	STATION EQUIPMENT	71,121,616	R 1.0	42.0	-1	-711,216	32,141,528	39,691,304	31.3	1,268,093	1.78	0.02%
354.00	TOWERS & FIXTURES	4,475,413	R 4.0	45.0	-15	-671,312	4,085,527	1,061,198	16.6	63,928	1.43	0.33%
355.00	POLES & FIXTURES	35,907,967	R 1.0	32.0	-20	-7,181,593	21,474,265	21,615,295	23.7	912,038	2.54	0.63%
356.00	OH CONDUCTORS & DEVICES	31,262,900	R 2.0	45.0	-10	-3,126,290	13,909,396	20,479,794	32.1	638,000	2.04	0.22%
357.00	UNDERGROUND CONDUIT	1,180,973	R 4.0	50.0	0	0	507,047	673,926	30.2	22,315	1.89	0.00%
358.00	UNDERGROUND CONDUCTORS & DEVICES	1,356,646	R 3.0	35.0	0	0	463,600	893,046	22.0	40,593	2.99	0.00%
	TOTAL DEPREC. TRANSMISSION PLANT	152,633,010		40.2		-11,773,717	74,895,119	89,511,608		3,077,695	2.02	

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE A

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT *	NET SALVAGE AMOUNT *	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	DISTRIBUTION PLANT											
360.20	LAND RIGHTS	6,025	SQ	60.0	0	0	12	6,013	59.5	101	1.68	0.00%
361.00	STRUCTURES & IMPROVEMENTS	668,478	S 6.0	35.0	-5	-33,424	250,790	451,112	21.4	21,080	3.15	0.14%
362.00	STATION EQUIPMENT	53,917,071	S 4.0	40.0	-5	-2,695,854	20,667,632	35,945,293	26.4	1,361,564	2.53	0.18%
364.00	POLES, TOWERS & FIXTURES	43,302,010	S 1.0	37.0	-35	-15,155,704	18,640,385	39,817,329	26.2	1,519,745	3.51	1.08%
365.00	OH CONDUCTORS & DEVICES	50,411,937	R 1.0	33.0	-20	-10,082,387	20,551,584	39,942,740	22.9	1,744,224	3.46	0.76%
366.00	UNDERGROUND CONDUIT	17,219,549	L 1.5	35.0	-5	-860,977	5,948,107	12,132,419	27.2	446,045	2.59	0.14%
367.00	UG CONDUCTORS & DEVICES	41,711,574	S 4.0	33.0	0	0	15,538,174	26,173,400	22.2	1,178,982	2.83	0.00%
368.00	LINE TRANSFORMERS	52,278,148	R 1.5	36.0	-2	-1,045,563	22,360,694	30,963,017	23.7	1,306,456	2.50	0.06%
369.00	SERVICES	41,801,896	S 1.0	30.0	-25	-10,450,474	22,815,787	29,436,583	21.5	1,369,143	3.28	0.83%
370.00	METERS	15,488,555	R 3.0	33.0	0	0	6,510,328	8,978,227	19.5	460,422	2.97	0.00%
371.00	INSTALLATIONS ON CUSTOMERS' PREMISES	2,760,463	L 5.0	15.0	0	0	1,864,585	895,878	7.5	119,450	4.33	0.00%
373.00	STREET LIGHTING & SIGNAL SYSTEMS	10,113,803	S 1.0	30.0	0	0	4,840,644	5,273,159	18.4	286,585	2.83	0.00%
	TOTAL DEPREC. DISTRIBUTION PLANT	329,679,509		34.1		-40,324,383	139,988,722	230,015,170		9,813,797	2.98	
	GENERAL PLANT											
390.00	STRUCTURES AND IMPROVEMENTS	1,630,297	S 6.0	40.0	0	0	947,662	682,635	22.1	30,888	1.89	0.00%
391	OFFICE FURNITURE & EQUIPMENT											
391.10	ELECTRONIC EQUIPMENT	737,501	R 2.0	10.0	2	14,750	408,674	314,077	3.6	87,244	11.83	0.00%
391.20	FURNITURE & FIXTURES	63,853	R 4.0	21.0	2	1,277	62,576	FULLY DEPRECIATED				0.00%
	TOTAL ACCOUNT 391	801,354		10.4		16,027	471,250	314,077		87,244	10.89	
392	TRANSPORTATION EQUIPMENT											
392.10	AUTOS	213,104	R 0.5	5.0	22	46,883	75,541	90,680	1.9	47,726	22.40	0.00%
392.20	LIGHT TRUCKS	1,288,199	R 3.0	8.0	18	231,876	1,056,323	FULLY DEPRECIATED				0.00%
392.30	TRAILERS	229,616	S 3.0	19.0	14	32,146	148,725	48,745	8.7	5,603	2.44	0.00%
392.40	HEAVY TRUCKS	7,660,911	R 0.5	14.0	12	919,309	3,122,923	3,618,679	9.5	380,914	4.97	0.00%
	TOTAL ACCOUNT 392	9,391,830		12.3		1,230,214	4,403,512	3,758,104		434,243	4.62	

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE A

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT *	NET SALVAGE AMOUNT *	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
393.00	STORES EQUIPMENT	1,503	L 3.0	28.0	0	0	319	1,184	17.9	66	4.39	0.00%
394.00	TOOLS, SHOP & GARAGE EQUIPMENT	807,986	S 1.5	22.0	5	40,399	592,076	175,511	13.7	12,811	1.59	0.00%
395.00	LABORATORY EQUIPMENT	1,479,361	R 2.0	22.0	0	0	1,059,948	419,413	11.5	36,471	2.47	0.00%
396.00	POWER OPERATED EQUIPMENT	1,082,610	R 3.0	17.0	15	162,392	438,104	482,114	9.0	53,568	4.95	0.00%
397.00	COMMUNICATION EQUIPMENT	240,996	S 4.0	20.0	0	0	240,996	FULLY DEPRECIATED				0.00%
398	MISCELLANEOUS EQUIPMENT											
398.10	MISCELLANEOUS EQUIPMENT	162,778	R 0.5	20.0	0	0	128,402	34,376	12.2	2,818	1.73	0.00%
398.20	DIRECT LOAD CONTROL DEV.	5,047,665	SQ	15.0	0	0	4,326,293	721,372	3.5	206,106	4.08	0.00%
	TOTAL ACCOUNT 398	5,210,443		15.1		0	4,454,695	755,748		208,924	4.01	
	TOTAL DEPREC. GENERAL PLANT	20,646,380		14.7		1,449,032	12,608,562	6,588,786		864,215	4.19	
	TOTAL DEPREC ELECTRIC PLANT	1,575,795,106		27.9		-117,116,176	727,666,357	965,244,925		53,159,594	3.37	
	312.50 FUTURE ADDS	49,000,000		18.0	-13					3,077,200	6.28	
	TOTAL DEPREC. ELECTRIC INCL. FUTURE ADDS	1,624,795,106								56,236,794	3.46	
	LESS UNIT 1 CULLEY TO BE RETIRED @12/31/06	23,881,482			-9.8	-2,340,385	20,414,509	5,807,358		408,298		
	TOTAL DEPREC. ELECTRIC PLANT EXCL. CULLEY 1	1,600,913,624				-114,775,791	707,251,848	959,437,567		55,828,496	3.49	
	ORGANIZATION	12,151										
	INTANGIBLE PLANT	364,279										
310.00	STEAM PLANT LAND & LAND RIGHTS	3,349,970					-5,617					
311.00	OHIO RIVER STATION	0					1,366,823					
317.00	ARO STEAM	1,435,385										
340.00	OTHER PROD. PLANT LAND	79,288										
	OTHER PROD. BROADWAY GAS TURBINE	19,941,000				-2,100,120	22,041,120					
	OTHER PROD NORTHEAST GAS TURBINE	2,231,058				-328,560	2,559,618					
350.10	TRANSM.-LAND	2,548,233										
360.10	DISTR. PLANT LAND	1,020,135										
374.00	ARO DISTRIBUTION	578,766										
389.00	GENERAL PLANT LAND	31,955										
392.70	GENERAL TRAILERS-NON DEPREC.	35,768					41,745					
	TOTAL ELECTRIC PLANT EXCL FUTURE ADDS	1,607,423,094				-119,544,856	753,670,046					

Schedule B

Accrual Rate Schedule

Common Plant

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH COMMON PLANT
DEPRECIATION STUDY AS OF 12/31/05
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

SCHEDULE B

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	DISP	ASL	EST PCT	NET SALVAGE AMOUNT	12/31/2005 DEPRECIATION BOOK RESERVE	BALANCE TO BE RECOVERED	EST REM LIFE	ANN DEP AMOUNT	ACCRUAL RATE	COR RATE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	GENERAL PLANT											
390.00	STRUCTURES AND IMPROVEMENTS	30,623,526	R 2.5	32.0	10	3,062,353	12,808,928	14,752,245	20.0	737,612	2.41	0.00%
391	OFFICE FURNITURE & EQUIPMENT											
391.10	ELECTRONIC EQUIPMENT	3,762,797	R 3.0	12.0	2	75,256	777,635	2,909,906	8.1	359,248	9.55	0.00%
391.20	FURNITURE & FIXTURES	1,338,381	R 3.0	22.0	2	26,768	862,054	449,559	9.9	45,410	3.39	0.00%
	TOTAL ACCOUNT 391	5,101,178		13.6		102,024	1,639,689	3,359,465		404,658	7.93	
392	TRANSPORTATION EQUIPMENT											
392.10	AUTOS	392,606	S 4.0	5.0	25	98,152	294,454	FULLY DEPRECIATED				
392.20	LIGHT TRUCKS	475,599	S 2.0	7.0	15	71,340	404,259	FULLY DEPRECIATED				
392.30	TRAILERS	6,687	SQ	20.0	5	334	6,353	FULLY DEPRECIATED				
	TOTAL ACCOUNT 392	874,892		6.0		169,826	705,066					
393.00	STORES EQUIPMENT	536,366	L 3.0	28.0	0	0	463,604	72,762	14.4	5,053	0.94	0.00%
394.00	TOOLS, SHOP & GARAGE EQUIPMENT	390,972	S 5.0	25.0	10	39,097	335,739	16,136	8.7	1,855	0.47	0.00%
396.00	POWER OPERATED EQUIPMENT	59,587	R 3.0	17.0	20	11,917	39,346	8,324	7.9	1,054	1.77	0.00%
397.00	COMMUNICATION EQUIPMENT	3,405,540	S 4.0	27.0	0	0	2,585,252	820,288	12.2	67,237	1.97	0.00%
398.00	MISCELLANEOUS EQUIPMENT	279,718	S 4.0	22.0	0	0	279,718	FULLY DEPRECIATED				
	TOTAL DEPREC. COMMON PLANT	41,271,779		24.9		3,385,217	18,857,342	19,029,220		1,217,469	2.95	0.00%
303.00	MISC. INTANGIBLE PLANT	61,758					18,269					
389.10	LAND	2,864,386					0					
392.40	HEAVY TRUCKS	0					159,537					
392.60	LIGHT TRUCKS - NON-DEPREC.	2,269					2,269					
	TOTAL COMMON PLANT	44,200,192					19,037,417					

Schedule C

Accrual Rate Schedule

Electric Plant Comparison
Existing and Proposed

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	CURRENT DEPREC. ACCRUAL RATES	PROPOSED DEPREC. ACCRUAL RATES
		(1)	(2)	(4)
	STEAM PRODUCTION PLANT			
	A.B. BROWN STATION			
311.00	STRUCTURES & IMPROVEMENTS	47,018,664	0.0296	0.0220
312	BOILER PLANT EQUIPMENT			
312.10	BOILER PLANT EQUIPMENT	184,530,540	0.0266	0.0235
312.20	SO2 REMOVAL SYSTEM	62,028,875	0.0404	0.0405
312.30	RAILROAD COAL CARS	2,411,679	0.0266	0.0220
312.40	NOX REMOVAL SYSTEM	175,005,926	0.0555	0.0555
	TOTAL ACCOUNT 312	423,977,020	0.0405	0.0392
314.00	TURBOGENERATOR UNITS	90,227,967	0.0257	0.0278
315.00	ACCESSORY ELECTRIC EQUIPMENT	26,277,384	0.0244	0.0186
316.00	MISC. POWER PLANT EQUIPMENT	7,084,235	0.0236	0.0270
	TOTAL A. B. BROWN STATION	594,585,270	0.0365	0.0350

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	CURRENT DEPREC. ACCRUAL RATES	PROPOSED DEPREC. ACCRUAL RATES
		(1)	(2)	(4)
	F.B. CULLEY STATION			
311.00	STRUCTURES & IMPROVEMENTS	21,278,980	0.0377	0.0181
312	BOILER PLANT EQUIPMENT			
312.10	BOILER PLANT EQUIPMENT	113,750,678	0.0336	0.0351
312.20	SO2 REMOVAL SYSTEM	92,296,651	0.0506	0.0424
312.40	NOX REMOVAL SYSTEM	62,013,152	0.0555	0.0555
	TOTAL ACCOUNT 312	268,060,481	0.0445	0.0423
	312.50 FUTURE ADDS	49,000,000	0.0628	0.0628
	TOTAL 312.00	317,060,481	0.0473	0.0455
314.00	TURBOGENERATOR UNITS	55,499,376	0.0300	0.0408
315.00	ACCESSORY ELECTRIC EQUIPMENT	4,264,744	0.0357	0.0085
316.00	MISC. POWER PLANT EQUIPMENT	4,619,292	0.0383	0.0374
	TOTAL F.B. CULLEY STATION	353,722,873	0.0416	0.0402
	312.50 FUTURE ADDS	49,000,000	0.0628	0.0628
	TOTAL CULLEY INCL. FUTURE ADDS	402,722,873	0.0442	0.0429

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05 (1)	CURRENT DEPREC. ACCRUAL RATES (2)	PROPOSED DEPREC. ACCRUAL RATES (4)
	WARRICK UNIT #4			
311.00	STRUCTURES & IMPROVEMENTS	1,015,722	0.0708	0.0298
312	BOILER PLANT EQUIPMENT			
312.10	BOILER PLANT EQUIPMENT	28,108,086	0.0503	0.0234
312.40	NOX REMOVAL SYSTEM	25,211,486	0.0555	0.0555
	TOTAL ACCOUNT 312	53,319,572	0.0528	0.0386
314.00	TURBOGENERATOR UNITS	6,479,122	0.0436	0.0160
315.00	ACCESSORY ELECTRIC EQUIPMENT	2,224,241	0.0459	0.0247
316.00	MISC. POWER PLANT EQUIPMENT	117,828	0.0570	0.0445
	TOTAL WARRICK UNIT #4	63,156,485	0.0519	0.0356

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	CURRENT DEPREC. ACCRUAL RATES	PROPOSED DEPREC. ACCRUAL RATES
		(1)	(2)	(4)
	WHOLESALE POWER MKT.			
312.10	BOILER PLANT EQUIPMENT	5,620	0.0179	0.0179
316.00	MISC. POWER PLANT EQUIPMENT	860,252	0.0179	0.0179
	TOTAL WHOLESALE POWER MKT.	865,872	0.0179	0.0179
	TOTAL DEPREC. STEAM PRODUCTION PLANT	1,012,330,500	0.0392	0.0369
	312.50 FUTURE ADDS	49,000,000	0.0628	0.0628
	TOTAL DEPREC. STEAM INCL. FUTURE ADDS	1,061,330,500	0.0403	0.0381

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05 (1)	CURRENT DEPREC. ACCRUAL RATES (2)	PROPOSED DEPREC. ACCRUAL RATES (4)
	OTHER PRODUCTION PLANT			
	A.B.BROWN GAS TURBINE 3			
341.00	STRUCTURES & IMPROVEMENTS	1,692,935	0.0408	0.0337
342.00	FUEL HOLDERS, PRODUCERS & ACCESS.	4,017,728	0.0408	0.0341
343.00	PRIME MOVERS	36,490,528	0.0408	0.0344
344.00	GENERATORS	14,960,075	0.0390	0.0351
345.00	ACCESORY ELECTRIC EQUIPMENT	2,252,165	0.0390	0.0343
346.00	MISC. POWER PLANT EQUIPMENT	1,092,276	0.0371	0.0338
	TOTAL A.B. BROWN GAS TURBINE 3	60,505,707	0.0402	0.0345
	TRANSMISSION PLANT			
350.20	LAND RIGHTS	5,608,486	0.0250	0.0183
350.30	LAND RIGHTS-KY	52,895	0.0250	0.0210
352.00	STRUCTURES & IMPROVEMENTS	1,666,114	0.0198	0.0175
353.00	STATION EQUIPMENT	71,121,616	0.0251	0.0178
354.00	TOWERS & FIXTURES	4,475,413	0.0181	0.0143
355.00	POLES & FIXTURES	35,907,967	0.0348	0.0254
356.00	OH CONDUCTORS & DEVICES	31,262,900	0.0238	0.0204
357.00	UNDERGROUND CONDUIT	1,180,973	0.0189	0.0189
358.00	UNDERGROUND CONDUCTORS & DEVICES	1,356,646	0.0263	0.0299
	TOTAL DEPREC. TRANSMISSION PLANT	152,633,010	0.0268	0.0202

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05 (1)	CURRENT DEPREC. ACCRUAL RATES (2)	PROPOSED DEPREC. ACCRUAL RATES (4)
	DISTRIBUTION PLANT			
360.20	LAND RIGHTS	6025	0.0250	0.0168
361.00	STRUCTURES & IMPROVEMENTS	668,478	0.0314	0.0315
362.00	STATION EQUIPMENT	53,917,071	0.0306	0.0253
364.00	POLES, TOWERS & FIXTURES	43,302,010	0.0322	0.0351
365.00	OH CONDUCTORS & DEVICES	50,411,937	0.0243	0.0346
366.00	UNDERGROUND CONDUIT	17,219,549	0.0266	0.0259
367.00	UG CONDUCTORS & DEVICES	41,711,574	0.0330	0.0283
368.00	LINE TRANSFORMERS	52,278,148	0.0263	0.0250
369.00	SERVICES	41,801,896	0.0604	0.0328
370.00	METERS	15,488,555	0.0315	0.0297
371.00	INSTALLATIONS ON CUSTOMERS' PREMISES	2,760,463	0.0759	0.0433
373.00	STREET LIGHTING & SIGNAL SYSTEMS	10,113,803	0.0405	0.0283
	TOTAL DEPREC. DISTRIBUTION PLANT	329,679,509	0.0338	0.0298
	GENERAL PLANT			
390.00	STRUCTURES AND IMPROVEMENTS	1,630,297	0.0275	0.0189
391	OFFICE FURNITURE & EQUIPMENT			
391.10	ELECTRONIC EQUIPMENT	737,501	0.0475	0.1183
391.20	FURNITURE & FIXTURES	63,853	N/A	FULLY DEPREC.
	TOTAL ACCOUNT 391	801,354	0.0437	0.1089
392	TRANSPORTATION EQUIPMENT			
392.10	AUTOS	213,104	0.0542	0.2240
392.20	LIGHT TRUCKS	1,288,199	N/A	FULLY DEPREC.
392.30	TRAILERS	229,616	0.0453	0.0244
392.40	HEAVY TRUCKS	7,660,911	0.0111	0.0497
	TOTAL ACCOUNT 392	9,391,830	0.0114	0.0462

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH ELECTRIC PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE C

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	CURRENT DEPREC. ACCRUAL RATES	PROPOSED DEPREC. ACCRUAL RATES
		(1)	(2)	(4)
393.00	STORES EQUIPMENT	1,503	0.0357	0.0439
394.00	TOOLS, SHOP & GARAGE EQUIPMENT	807,986	0.0552	0.0159
395.00	LABORATORY EQUIPMENT	1,479,361	0.0553	0.0247
396.00	POWER OPERATED EQUIPMENT	1,082,610	0.0496	0.0495
397.00	COMMUNICATION EQUIPMENT	240,996	N/A	FULLY DEPREC.
398	MISCELLANEOUS EQUIPMENT			
398.10	MISCELLANEOUS EQUIPMENT	162,778	0.0551	0.0173
398.20	DIRECT LOAD CONTROL DEV.	5,047,665	0.0551	0.0408
	TOTAL ACCOUNT 398	5,210,443	0.0551	0.0401
	TOTAL DEPREC. GENERAL PLANT	20,646,380	0.0317	0.0419
	TOTAL DEPREC ELECTRIC PLANT	1,575,795,106	0.0368	0.0337
	312.50 FUTURE ADDS	49,000,000	0.0628	0.0628
	TOTAL DEPREC. ELECTRIC INCL. FUTURE ADDS	1,624,795,106	0.0376	0.0346
	ORGANIZATION	12,151		
	INTANGIBLE PLANT	364,279		
310.00	STEAM PLANT LAND & LAND RIGHTS	3,349,970		
311.00	OHIO RIVER STATION	0		
317.00	ARO STEAM	1,435,385		
340.00	OTHER PROD. PLANT LAND	79,288		
	OTHER PROD. BROADWAY GAS TURBINE	19,941,000		
	OTHER PROD NORTHEAST GAS TURBINE	2,231,058		
350.10	TRANSM.-LAND	2,548,233		
360.10	DISTR. PLANT LAND	1,020,135		
374.00	ARO DISTRIBUTION	578,766		
389.00	GENERAL PLANT LAND	31,955		
392.70	GENERAL TRAILERS-NON DEPREC.	35,768		
	TOTAL ELECTRIC PLANT EXCL FUTURE ADDS	1,607,423,094		

Schedule D

Accrual Rate Schedule

Comon Plant Comparison
Existing and Proposed

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
VECTREN SOUTH COMMON PLANT
DEPRECIATION STUDY AS OF 12/31/05
COMPARISON OF PROPOSED AND CURRENT DEPRECIATION ACCRUAL RATES

SCHEDULE D

ACCOUNT NUMBER	DESCRIPTION	PLANT BALANCE @12/31/05	CURRENT DEPREC. ACCRUAL RATES	PROPOSED DEPREC. ACCRUAL RATES
		(1)	(2)	(4)
	GENERAL PLANT			
390.00	STRUCTURES AND IMPROVEMENTS	30,623,526	0.0284	0.0241
391	OFFICE FURNITURE & EQUIPMENT			
391.10	ELECTRONIC EQUIPMENT	3,762,797	0.1730	0.0955
391.20	FURNITURE & FIXTURES	1,338,381	0.0429	0.0339
	TOTAL ACCOUNT 391	5,101,178	0.1389	0.0793
392	TRANSPORTATION EQUIPMENT			
392.10	AUTOS	392,606	N/A	FULLY DEPREC.
392.20	LIGHT TRUCKS	475,599	N/A	FULLY DEPREC.
392.30	TRAILERS	6,687	N/A	FULLY DEPREC.
	TOTAL ACCOUNT 392	874,892		
393.00	STORES EQUIPMENT	536,366	0.0379	0.0094
394.00	TOOLS, SHOP & GARAGE EQUIPMENT	390,972	0.0065	0.0047
396.00	POWER OPERATED EQUIPMENT	59,587	0.0286	0.0177
397.00	COMMUNICATION EQUIPMENT	3,405,540	0.0363	0.0197
398.00	MISCELLANEOUS EQUIPMENT	279,718	N/A	FULLY DEPREC.
	TOTAL DEPREC.COMMON PLANT	41,271,779	0.0418	0.0295
303	MISC. INTANGIBLE PLANT	61,758		
389.00	LAND	2,864,386		
392.40	HEAVY TRUCKS	0		
392.60	LIGHT TRUCKS-NON DEPREC.	2,269		
	TOTAL COMMON PLANT	44,200,192		

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

APPENDICES

APPENDIX A

SUMMARY OF DATABASE

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix A. 1.
Summary of Database

Electric Plant
Actuarial Database

SOUTHERN INDIANA GAS&ELECTRIC-ELECTRIC 001 CO. NO. 1

SUMMARY OF DATA BASE - MRI FILE NO. c:\dp\166A

*=MEMO	A/C #	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	BALANCE AS OF	LAST MAINT.
	300.00		1		.00	12/31/2005	
300.00	TOTAL SUBACCOUNT (NONMEMO)				.00*		
300	TOTAL ACCOUNT (NONMEMO)				.00**		
	311.00	STEAM STRUCTURES & IMPROV.	1	BROWN STATION	47018664.00	12/31/2005	
	311.00	STEAM STRUCTURES & IMPROV.	2	CULLEY STATION	21278980.00	12/31/2005	
	311.00	STEAM STRUCTURES & IMPROV.	3	WARRICK STATION	1015722.00	12/31/2005	
311.00	TOTAL SUBACCOUNT (NONMEMO)				69313366.00*		
311	TOTAL ACCOUNT (NONMEMO)				69313366.00**		
	312.10	STEAM BOILER PLANT EQUIP.	1	BROWN STATION	184530540.00	12/31/2005	
	312.10	STEAM BOILER PLANT EQUIP.	2	CULLEY STATION	113750678.00	12/31/2005	
	312.10	STEAM BOILER PLANT EQUIP.	3	WARRICK STATION	28108086.00	12/31/2005	
	312.10	STEAM BOILER PLANT EQUIP.	4	WHOLESALE POWER MKT	5620.00	12/31/2005	
312.10	TOTAL SUBACCOUNT (NONMEMO)				326394924.00*		
	312.20	STEAM SO2 REMOVAL SYSTEM	1	BROWN STATION	62028875.00	12/31/2005	
	312.20	STEAM SO2 REMOVAL SYSTEM	2	CULLEY STATION	92296651.00	12/31/2005	
312.20	TOTAL SUBACCOUNT (NONMEMO)				154325526.00*		
	312.30	STEAM RAILROAD COAL CARS	1	BROWN STATION	2411679.00	12/31/2005	
312.30	TOTAL SUBACCOUNT (NONMEMO)				2411679.00*		
	312.40	STEAM NOX REMOVAL SYSTEM	1	BROWN STATION	175005926.00	12/31/2005	
	312.40	STEAM NOX REMOVAL SYSTEM	2	CULLEY STATION	62013152.00	12/31/2005	
	312.40	STEAM NOX REMOVAL SYSTEM	3	WARRICK STATION	25211486.00	12/31/2005	
312.40	TOTAL SUBACCOUNT (NONMEMO)				262230564.00*		
312	TOTAL ACCOUNT (NONMEMO)				745362693.00**		
	314.00	STEAM TURBOGENERATOR UNITS	1	BROWN STATION	90227967.00	12/31/2005	
	314.00	STEAM TURBOGENERATOR UNITS	2	CULLEY STATION	55499376.00	12/31/2005	
	314.00	STEAM TURBOGENERATOR UNITS	3	WARRICK STATION	6479122.00	12/31/2005	
314.00	TOTAL SUBACCOUNT (NONMEMO)				152206465.00*		
314	TOTAL ACCOUNT (NONMEMO)				152206465.00**		
	315.00	STEAM ACCESS ELECTRIC EQUIP.	1	BROWN STATION	26277384.00	12/31/2005	
	315.00	STEAM ACCESS ELECTRIC EQUIP.	2	CULLEY STATION	4264744.00	12/31/2005	
	315.00	STEAM ACCESS ELECTRIC EQUIP.	3	WARRICK STATION	2224241.00	12/31/2005	
315.00	TOTAL SUBACCOUNT (NONMEMO)				32766369.00*		
315	TOTAL ACCOUNT (NONMEMO)				32766369.00**		
	316.00	STEAM MISC. POWER PLANT EQ.	1	BROWN STATION	7084235.00	12/31/2005	
	316.00	STEAM MISC. POWER PLANT EQ.	2	CULLEY STATION	4619292.00	12/31/2005	
	316.00	STEAM MISC. POWER PLANT EQ.	3	WARRICK STATION	117828.00	12/31/2005	
	316.00	STEAM MISC. POWER PLANT EQ.	4	WHOLESALE POWER MKT.	860252.00	12/31/2005	
316.00	TOTAL SUBACCOUNT (NONMEMO)				12681607.00*		
316	TOTAL ACCOUNT (NONMEMO)				12681607.00**		
	341.00	OTHER STRUCTS & IMPROV.	1	BROADWAY GAS TURBINE STAT.	64183.00	12/31/2005	
	341.00	OTHER STRUCTS & IMPROV.	2	BROWN GAS TURBINE STAT.	1692935.00	12/31/2005	
	341.00	OTHER STRUCTS & IMPROV.	3	NORTHEAST GAS TURBINE STA.	5040.00	12/31/2005	

SOUTHERN INDIANA GAS&ELECTRIC-ELECTRIC 001 CO. NO. 1

SUMMARY OF DATA BASE - MRI FILE NO. c:\dp\166A

*=MEMO	A/C #	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	BALANCE AS OF	LAST MAINT.
341.00	TOTAL SUBACCOUNT (NONMEMO)				1762158.00*		
341	TOTAL ACCOUNT (NONMEMO)				1762158.00**		
	342.00	OTHER FUEL PROD & ACCESS.	1	BROADWAY GAS TURBINE STAT.	953650.00	12/31/2005	
	342.00	OTHER FUEL PROD & ACCESS.	2	BROWN GAS TURBINE STAT.	4017728.00	12/31/2005	
	342.00	OTHER FUEL PROD & ACCESS.	3	NORTHEAST GAS TURBINE	20952.00	12/31/2005	
342.00	TOTAL SUBACCOUNT (NONMEMO)				4992330.00*		
342	TOTAL ACCOUNT (NONMEMO)				4992330.00**		
	343.00	PRIME MOVERS	1	BROADWAY GAS TURBINE STAT.	12514649.00	12/31/2005	
	343.00	PRIME MOVERS	2	BROWN GAS TURBINE STAT.	36490528.00	12/31/2005	
	343.00	PRIME MOVERS	3	NORTHEAST GAS TURBINE STAT.	1525329.00	12/31/2005	
343.00	TOTAL SUBACCOUNT (NONMEMO)				50530506.00*		
343	TOTAL ACCOUNT (NONMEMO)				50530506.00**		
	344.00	OTHER GENERATORS	1	BROADWAY GAS TURBINE STAT.	4730844.00	12/31/2005	
	344.00	OTHER GENERATORS	2	BROWN GAS TURBINE STAT.	14960075.00	12/31/2005	
	344.00	OTHER GENERATORS	3	NORTHEAST GAS TURBINE STA.	673358.00	12/31/2005	
344.00	TOTAL SUBACCOUNT (NONMEMO)				20364277.00*		
344	TOTAL ACCOUNT (NONMEMO)				20364277.00**		
	345.00	OTHER ACCESS. ELECTRIC EQUIP	1	BROADWAY GAS TURBINE STAT.	1129753.00	12/31/2005	
	345.00	OTHER ACCESS. ELECTRIC EQUIP	2	BROWN GAS TURBINE STAT.	2252165.00	12/31/2005	
	345.00	OTHER ACCESS. ELECTRIC EQUIP	3	NORTHEAST GAS TURBINE STAT.	6378.00	12/31/2005	
345.00	TOTAL SUBACCOUNT (NONMEMO)				3388296.00*		
345	TOTAL ACCOUNT (NONMEMO)				3388296.00**		
	346.00	OTHER MISC. POWER PLANT EQP	1	BROADWAY GAS TURBINE STAT.	547921.00	12/31/2005	
	346.00	OTHER MISC. POWER PLANT EQP	2	BROWN GAS TURBINE STAT.	1092276.00	12/31/2005	
346.00	TOTAL SUBACCOUNT (NONMEMO)				1640197.00*		
346	TOTAL ACCOUNT (NONMEMO)				1640197.00**		
	391.10	OFFICE FURN & EQUIP-ELECT.	1	TOTAL ACCOUNT	737501.00	12/31/2005	
391.10	TOTAL SUBACCOUNT (NONMEMO)				737501.00*		
	391.20	OFFICE FURN & EQUIP-FURN&FIX	1	TOTAL ACCOUNT	63853.00	12/31/2005	
391.20	TOTAL SUBACCOUNT (NONMEMO)				63853.00*		
391	TOTAL ACCOUNT (NONMEMO)				801354.00**		
	392.10	TRANSP. EQUIP.-AUTOS	1	TOTAL ACCOUNT	213104.00	12/31/2005	
392.10	TOTAL SUBACCOUNT (NONMEMO)				213104.00*		
	392.20	TRANSP. EQUIP.-LIGHT TRUCKS	1	TOTAL ACCOUNT	1288199.00	12/31/2005	
392.20	TOTAL SUBACCOUNT (NONMEMO)				1288199.00*		
	392.30	TRANSP. EQUIP.-TRAILERS	1	TOTAL ACCOUNT	229616.00	12/31/2005	
392.30	TOTAL SUBACCOUNT (NONMEMO)				229616.00*		
	392.40	TRANSP. EQUIP.-HEAVY TRUCKS	1	TOTAL ACCOUNT	7660911.00	12/31/2005	
392.40	TOTAL SUBACCOUNT (NONMEMO)				7660911.00*		

SOUTHERN INDIANA GAS&ELECTRIC-ELECTRIC 001 CO. NO. 1

SUMMARY OF DATA BASE - MRI FILE NO. c:\dp\166A

*=MEMO	A/C #	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	BALANCE AS OF	LAST MAINT.
392	TOTAL ACCOUNT (NONMEMO)				9391830.00**		
	396.00	POWER OPERATED EQUIPMENT	1	TOTAL ACCOUNT	1082610.00	12/31/2005	
396.00	TOTAL SUBACCOUNT (NONMEMO)				1082610.00*		
396	TOTAL ACCOUNT (NONMEMO)				1082610.00**		
	398.20	GNL DIRECT LOAD CONTROL DEV.	1	TOTAL ACCOUNT	5047665.00	12/31/2005	
398.20	TOTAL SUBACCOUNT (NONMEMO)				5047665.00*		
398	TOTAL ACCOUNT (NONMEMO)				5047665.00**		

TOTALS -	49 UPDATE DATA SETS	1111331723.00***
-	0 MEMO DATA SETS	.00***
-	49 ALL DATA SETS	1111331723.00****

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix A. 2.
Summary of Database

Electric Plant
Semi-Actuarial Database

MANAGEMENT RESOURCES INTERNATIONAL, INC. PAGE NO. 1
SOUTHERN INDIANA GAS & ELECTRIC CO.-ELECTRIC CO. NO. 1
SUMMARY OF DATA BASE COMPANY FILE NO. 166 TYPE S DATE 07/05/06

ACCT. NO.	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	AS OF	LAST MAINT
352.00	STRUCTURES & IMPRVOEMENTS	0	TOTAL ACCOUNT	1666113.86	12/31/2005	07/05/06
352.00	TOTAL SUBACCOUNT (NONMEMO)			1666113.86*		
352	TOTAL ACCOUNT (NONMEMO)			1666113.86**		
353.00	STATION EQUIPMENT	0	TOTAL ACCOUNT	71121615.82	12/31/2005	07/05/06
353.00	TOTAL SUBACCOUNT (NONMEMO)			71121615.82*		
353	TOTAL ACCOUNT (NONMEMO)			71121615.82**		
354.00	TOWERS & FIXTURES	0	TOTAL ACCOUNT	4475412.75	12/31/2005	07/05/06
354.00	TOTAL SUBACCOUNT (NONMEMO)			4475412.75*		
354	TOTAL ACCOUNT (NONMEMO)			4475412.75**		
355.00	POLES & FIXTURES	0	TOTAL ACCOUNT	35907966.60	12/31/2005	07/05/06
355.00	TOTAL SUBACCOUNT (NONMEMO)			35907966.60*		
355	TOTAL ACCOUNT (NONMEMO)			35907966.60**		
356.00	OVERHEAD CONDUCTORS & DEVICE	0	TOTAL ACCOUNT	31262900.08	12/31/2005	07/05/06
356.00	TOTAL SUBACCOUNT (NONMEMO)			31262900.08*		
356	TOTAL ACCOUNT (NONMEMO)			31262900.08**		
357.00	UNDERGROUND CONDUIT	0	TOTAL ACCOUNT	1180973.33	12/31/2005	07/05/06
357.00	TOTAL SUBACCOUNT (NONMEMO)			1180973.33*		
357	TOTAL ACCOUNT (NONMEMO)			1180973.33**		
358.00	UNDERGROUND CONDUCTORS & DEV	0	TOTAL ACCOUNT	1356646.30	12/31/2005	07/05/06
358.00	TOTAL SUBACCOUNT (NONMEMO)			1356646.30*		
358	TOTAL ACCOUNT (NONMEMO)			1356646.30**		
361.00	STRUCTURES & IMPROVEMENTS	0	TOTAL ACCOUNT	668478.35	12/31/2005	07/05/06
361.00	TOTAL SUBACCOUNT (NONMEMO)			668478.35*		
361	TOTAL ACCOUNT (NONMEMO)			668478.35**		
362.00	STATION EQUIPMENT	0	TOTAL ACCOUNT	53917071.35	12/31/2005	07/05/06
362.00	TOTAL SUBACCOUNT (NONMEMO)			53917071.35*		
362	TOTAL ACCOUNT (NONMEMO)			53917071.35**		
364.00	POLES, TOWERS & FIXTURES	0	TOTAL ACCOUNT	43302009.51	12/31/2005	07/05/06
364.00	TOTAL SUBACCOUNT (NONMEMO)			43302009.51*		
364	TOTAL ACCOUNT (NONMEMO)			43302009.51**		
365.00	OH CONDUCTORS & DEVICES	0	TOTAL ACCOUNT	50411937.24	12/31/2005	07/05/06
365.00	TOTAL SUBACCOUNT (NONMEMO)			50411937.24*		
365	TOTAL ACCOUNT (NONMEMO)			50411937.24**		
366.00	UNDERGROUND CONDUIT	0	TOTAL ACCOUNT	17219548.89	12/31/2005	07/05/06
366.00	TOTAL SUBACCOUNT (NONMEMO)			17219548.89*		
366	TOTAL ACCOUNT (NONMEMO)			17219548.89**		
367.00	UG CONDUCTORS & DEVICES	0	TOTAL ACCOUNT	41711574.34	12/31/2005	07/05/06
367.00	TOTAL SUBACCOUNT (NONMEMO)			41711574.34*		

ACCT. NO.	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	AS OF	LAST MAINT
367	TOTAL ACCOUNT (NONMEMO)			41711574.34**		
	368.00 LINE TRANSFORMERS	0	TOTAL ACCOUNT	52278147.61	12/31/2005	07/05/06
368.00	TOTAL SUBACCOUNT (NONMEMO)			52278147.61*		
368	TOTAL ACCOUNT (NONMEMO)			52278147.61**		
	369.00 SERVICES	0	TOTAL ACCOUNT	41801896.17	12/31/2005	07/05/06
369.00	TOTAL SUBACCOUNT (NONMEMO)			41801896.17*		
369	TOTAL ACCOUNT (NONMEMO)			41801896.17**		
	370.00 METERS	0	TOTAL ACCOUNT	15488554.70	12/31/2005	07/05/06
370.00	TOTAL SUBACCOUNT (NONMEMO)			15488554.70*		
370	TOTAL ACCOUNT (NONMEMO)			15488554.70**		
	371.00 INSTALLATION ON CUST. PREM.	0	TOTAL ACCOUNT	2760463.36	12/31/2005	07/05/06
371.00	TOTAL SUBACCOUNT (NONMEMO)			2760463.36*		
371	TOTAL ACCOUNT (NONMEMO)			2760463.36**		
	373.00 STREET LIGHTING & SIG. SYS.	0	TOTAL ACCOUNT	10113802.91	12/31/2005	07/05/06
373.00	TOTAL SUBACCOUNT (NONMEMO)			10113802.91*		
373	TOTAL ACCOUNT (NONMEMO)			10113802.91**		
	390.00 STRUCTURES & IMPROVEMENTS	0	TOTAL ACCOUNT	1630297.13	12/31/2005	07/05/06
390.00	TOTAL SUBACCOUNT (NONMEMO)			1630297.13*		
390	TOTAL ACCOUNT (NONMEMO)			1630297.13**		
	391.00 OFFICE FURNITURE & EQUIP.	0	TOTAL ACCOUNT	801353.72	12/31/2005	07/05/06
391.00	TOTAL SUBACCOUNT (NONMEMO)			801353.72*		
391	TOTAL ACCOUNT (NONMEMO)			801353.72**		
	392.00 TRANSPORTATION EQUIPMENT	0	TOTAL ACCOUNT	9427598.99	12/31/2005	07/05/06
392.00	TOTAL SUBACCOUNT (NONMEMO)			9427598.99*		
392	TOTAL ACCOUNT (NONMEMO)			9427598.99**		
	393.00 STORES EQUIPMENT	0	TOTAL ACCOUNT	1503.00	12/31/2005	07/05/06
393.00	TOTAL SUBACCOUNT (NONMEMO)			1503.00*		
393	TOTAL ACCOUNT (NONMEMO)			1503.00**		
	394.00 TOOLS, SHOP & GARAGE EQUIP.	0	TOTAL ACCOUNT	807986.04	12/31/2005	07/05/06
394.00	TOTAL SUBACCOUNT (NONMEMO)			807986.04*		
394	TOTAL ACCOUNT (NONMEMO)			807986.04**		
	395.00 LABORATORY EQUIPMENT	0	TOTAL ACCOUNT	1479360.87	12/31/2005	07/05/06
395.00	TOTAL SUBACCOUNT (NONMEMO)			1479360.87*		
395	TOTAL ACCOUNT (NONMEMO)			1479360.87**		
	396.00 POWER OPERATED EQUIPMENT	0	TOTAL ACCOUNT	1082610.47	12/31/2005	07/05/06
396.00	TOTAL SUBACCOUNT (NONMEMO)			1082610.47*		
396	TOTAL ACCOUNT (NONMEMO)			1082610.47**		
	397.00 COMMUNICATION EQUIPMENT	0	TOTAL ACCOUNT	240996.43	12/31/2005	07/05/06

ACCT. NO.	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	AS OF	LAST MAINT
397.00	TOTAL SUBACCOUNT (NONMEMO)			240996.43*		
397	TOTAL ACCOUNT (NONMEMO)			240996.43**		
398.10	MISCELLANOUS EQUIPMENT	0	TOTAL ACCOUNT	162777.78	12/31/2005	07/05/06
398.10	TOTAL SUBACCOUNT (NONMEMO)			162777.78*		
398	TOTAL ACCOUNT (NONMEMO)			162777.78**		

TOTALS -	27 UPDATE DATA SETS	492279597.60***
-	0 MEMO DATA SETS	.00***
-	27 ALL DATA SETS	492279597.60****

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix A. 3.
Summary of Database

Common Plant
Actuarial Database

SOUTHERN INDIANA GAS&ELECTRIC-COMMON 001 CO. NO. 1

SUMMARY OF DATA BASE - MRI FILE NO. c:\dp\167A

*=MEMO	A/C #	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	BALANCE AS OF	LAST MAINT.
	200.00		1		.00	12/31/2005	
200.00	TOTAL SUBACCOUNT (NONMEMO)				.00*		
200	TOTAL ACCOUNT (NONMEMO)				.00**		
	291.10	OFFICE FURN & EQUIP-ELECT.	1	TOTAL ACCOUNT	3762797.00	12/31/2005	
291.10	TOTAL SUBACCOUNT (NONMEMO)				3762797.00*		
	291.20	OFFICE FURN & EQUIP-FURN&FIX	1	TOTAL ACCOUNT	1338381.00	12/31/2005	
291.20	TOTAL SUBACCOUNT (NONMEMO)				1338381.00*		
291	TOTAL ACCOUNT (NONMEMO)				5101178.00**		
	292.10	TRANSP. EQUIP.-AUTOS	1	TOTAL ACCOUNT	392606.00	12/31/2005	
292.10	TOTAL SUBACCOUNT (NONMEMO)				392606.00*		
	292.20	TRANSP. EQUIP.-LIGHT TRUCKS	1	TOTAL ACCOUNT	475599.00	12/31/2005	
292.20	TOTAL SUBACCOUNT (NONMEMO)				475599.00*		
	292.30	TRANSP. EQUIP.-TRAILERS	1	TOTAL ACCOUNT	6687.00	12/31/2005	
292.30	TOTAL SUBACCOUNT (NONMEMO)				6687.00*		
292	TOTAL ACCOUNT (NONMEMO)				874892.00**		
	296.00	POWER OPERATED EQUIPMENT	1	TOTAL ACCOUNT	59587.00	12/31/2005	
296.00	TOTAL SUBACCOUNT (NONMEMO)				59587.00*		
296	TOTAL ACCOUNT (NONMEMO)				59587.00**		

TOTALS -	7 UPDATE DATA SETS	6035657.00***
-	0 MEMO DATA SETS	.00***
-	7 ALL DATA SETS	6035657.00****

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix A. 4.
Summary of Database

Common Plant
Semi-Actuarial Database

MANAGEMENT RESOURCES INTERNATIONAL, INC. PAGE NO. 1
SOUTHERN INDIANA GAS & ELECTRIC CO.-COMMON CO. NO. 1
SUMMARY OF DATA BASE COMPANY FILE NO. 167 TYPE S DATE 07/19/06

ACCT. NO.	ACCOUNT NAME	LOC. NO.	LOCATION NAME	SURVIVING BALANCE	AS OF	LAST MAINT
290.00	STRUCTURES & IMPRVOEMENTS	0	TOTAL ACCOUNT	30623525.92	12/31/2005	07/19/06
290.00	TOTAL SUBACCOUNT (NONMEMO)			30623525.92*		
290	TOTAL ACCOUNT (NONMEMO)			30623525.92**		
291.00	OFFICE FURN. & EQUIPMENT	0	TOTAL ACCOUNT	5101177.81	12/31/2005	07/19/06
291.00	TOTAL SUBACCOUNT (NONMEMO)			5101177.81*		
291	TOTAL ACCOUNT (NONMEMO)			5101177.81**		
292.00	TRANSPORTATION EQUIPMENT	0	TOTAL ACCOUNT	877161.13	12/31/2005	07/19/06
292.00	TOTAL SUBACCOUNT (NONMEMO)			877161.13*		
292	TOTAL ACCOUNT (NONMEMO)			877161.13**		
293.00	STORES EQUIPMENT	0	TOTAL ACCOUNT	536365.66	12/31/2005	07/19/06
293.00	TOTAL SUBACCOUNT (NONMEMO)			536365.66*		
293	TOTAL ACCOUNT (NONMEMO)			536365.66**		
294.00	TOOLS,SHOP & GARAGE EQUIP.	0	TOTAL ACCOUNT	390972.05	12/31/2005	07/19/06
294.00	TOTAL SUBACCOUNT (NONMEMO)			390972.05*		
294	TOTAL ACCOUNT (NONMEMO)			390972.05**		
296.00	POWER OPERATED EQUIPMENT	0	TOTAL ACCOUNT	59587.24	12/31/2005	07/19/06
296.00	TOTAL SUBACCOUNT (NONMEMO)			59587.24*		
296	TOTAL ACCOUNT (NONMEMO)			59587.24**		
297.00	COMMUNICATION EQUIPMENT	0	TOTAL ACCOUNT	3405540.22	12/31/2005	07/19/06
297.00	TOTAL SUBACCOUNT (NONMEMO)			3405540.22*		
297	TOTAL ACCOUNT (NONMEMO)			3405540.22**		
298.00	MISCELLANEOUS EQUIPMENT	0	TOTAL ACCOUNT	279717.60	12/31/2005	07/19/06
298.00	TOTAL SUBACCOUNT (NONMEMO)			279717.60*		
298	TOTAL ACCOUNT (NONMEMO)			279717.60**		

TOTALS -	8 UPDATE DATA SETS	41274047.63***
-	0 MEMO DATA SETS	.00***
-	8 ALL DATA SETS	41274047.63****

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

APPENDIX B

SAMPLES OF DEPRECIATION PROGRAM OUTPUTS

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix B. 1.
Samples of
Depreciation Program Outputs

DATABASES

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

ELECTRIC PLANT
ACTUARIAL DATABASE

```
1 312.10      1 STEAM BOILER PLANT EQUIP.    BROWN STATION                1  A1
1 312.10      1 1231    0 DOLLARS  ELECTRIC      2005     18453054000 07/09/06A2
1 312.10      12005 2003     1471570200 2002       14802000 2001       91672600A3
1 312.10      12005 2000      576533500 1999      427171400 1998      697 43300A3
1 312.10      12005 1997       25797100 1996       57284600 1995       22796800A3
1 312.10      12005 1994       35526500 1993       20531100 1992       79728200A3
1 312.10      12005 1991       99801000 1990        1542800 1989        0117600A3
1 312.10      12005 1988      144554200 1987      247875900 1986     8376310500A3
1 312.10      12005 1985       78196300 1984       67565000 1979     5916633400A3
1 312.10      1                                                                A3
1 312.10      1 20051986  28 540001985 2823824001979 320841800    0    0      0A4
1 312.10      1 20041986  741918001979  87674300    0    0      0    0    0      0A4
1 312.10      1 20031979 301956900    0    0      0    0    0      0    0    0      0A4
1 312.10      1 20021979   3100000    0    0      0    0    0      0    0    0      0A4
1 312.10      1 20011986   34062001983  143518001979   3313000    0    0      0A4
1 312.10      1                                                                A4
1 312.10      12005 2003     1471570200 2002       14802000 2001       91672600A8
1 312.10      12005 2000      576533500 1999      427171400 1998      697 43300A8
1 312.10      12005 1997       25797100 1996       57284600 1995       22796800A8
1 312.10      12005 1994       35526500 1993       20531100 1992       79728200A8
1 312.10      12005 1991       99801000 1990        1542800 1989        0117600A8
1 312.10      12005 1988      144554200 1987      247875900 1986     8404364500A8
1 312.10      12005 1985      360578700 1984       67565000 1979     6237475200A8
1 312.10      12004 2003     1471570200 2002       14802000 2001       91672600A8
1 312.10      12004 2000      576533500 1999      427171400 1998      697 43300A8
1 312.10      12004 1997       25797100 1996       57284600 1995       22796800A8
1 312.10      12004 1994       35526500 1993       20531100 1992       79728200A8
1 312.10      12004 1991       99801000 1990        1542800 1989        0117600A8
1 312.10      12004 1988      144554200 1987      247875900 1986     8478556300A8
1 312.10      12004 1985      360578700 1984       67565000 1979     6325149500A8
1 312.10      12003 2003     1471570200 2002       14802000 2001       91672600A8
1 312.10      12003 2000      576533500 1999      427171400 1998      697 43300A8
1 312.10      12003 1997       25797100 1996       57284600 1995       22796800A8
1 312.10      12003 1994       35526500 1993       20531100 1992       79728200A8
1 312.10      12003 1991       99801000 1990        1542800 1989        0117600A8
1 312.10      12003 1988      144554200 1987      247875900 1986     8478556300A8
1 312.10      12003 1985      360578700 1984       67565000 1979     6627106400A8
1 312.10      12002 2002       14802000 2001       91672600 2000      576533500A8
1 312.10      12002 1999      427171400 1998      697 43300 1997       25797100A8
1 312.10      12002 1996       57284600 1995       22796800 1994       35526500A8
1 312.10      12002 1993       20531100 1992       79728200 1991       99801000A8
1 312.10      12002 1990        1542800 1989        0117600 1988      144554200A8
1 312.10      12002 1987      247875900 1986     8478556300 1985      360578700A8
1 312.10      12002 1984       67565000 1979     6630206400    0        0      0A8
1 312.10      12001 2001       91672600 2000      576533500 1999      427171400A8
1 312.10      12001 1998      697 43300 1997       25797100 1996       57284600A8
1 312.10      12001 1995       22796800 1994       35526500 1993       20531100A8
1 312.10      12001 1992       79728200 1991       99801000 1990        1542800A8
1 312.10      12001 1989        0117600 1988      144554200 1987      247875900A8
1 312.10      12001 1986     8481962500 1985      360578700 1984       67565000A8
1 312.10      12001 1983       14351800 1979     6633519400    0        0      0A8
1 312.10      1                                                                A8
```

Actuarial Data Base Explanatory Notes

The records on an actuarial data base are A1, A2, A3, A4, and A8 records. Every record includes the account number and location number for the given account/location in columns 6 through 17.

The A1 and A2 records are alpha-numeric records that specify certain information relative to each account/location. We call each account/location a data set. The A1 record gives the account and location name. The A2 record identifies the utility as to gas, electric, etc. and most importantly gives the data set balance at the end of the specified year. Note that in every case amounts are right-justified, they do include pennies, but they do not include a decimal point; this is true for all record types.

The A3 records are the vintage survivors which total to the data set balance at the study date and the A4 records are the vintaged retirements. The A8 records are the exposure matrix values; i.e., they are vintage dollars (and pennies) surviving at the beginning of the indicated years, unlike the A3 record amounts which are the vintage survivors at the end of the indicated year.

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

ELECTRIC PLANT
SEMI-ACTUARIAL DATABASE

1	365.00	0 OH CONDUCTORS & DEVICES				TOTAL ACCOUNT			1	S1
1	365.00	0 07/05/06	1 DOLLARS	ELECTRIC		2005	5041193724	1976	1949	S2
1	365.00	012005	427924500	12732800	0	0	0	0	5041193724	S3
1	365.00	012004	366336100	11239000	0	0	0	0	46260 2024	S3
1	365.00	012003	269779300	11336100	0	0	0	0	42709 4924	S3
1	365.00	012002	233633800	12196700	0	0	0	0	4012461724	S3
1	365.00	012001	147171900	27419600	0	0	0	0	3791024624	S3
1	365.00	012000	204419500	36441700	0	0	0	0	3671272324	S3
1	365.00	011999	137377200	15974700	0	0	0	0	3503294524	S3
1	365.00	011998	112919935	12753045	0	0	0	0	3381892024	S3
1	365.00	011997	214777253	33416305	0	0	0	0	3281725134	S3
1	365.00	011996	76365687	6427859	0	0	0	0	3100364186	S3
1	365.00	011995	125479241	39835565	0	0	0	0	3030426358	S3
1	365.00	011994	146560156	27978479	0	0	0	0	2944782682	S3
1	365.00	011993	112442455	21795423	0	0	0	0	28262 1005	S3
1	365.00	011992	103066139	18327757	0	0	0	0	2735553973	S3
1	365.00	011991	68715746	22549676	0	0	0	0	2650815591	S3
1	365.00	011990	132692615	25431981	0	0	0	0	2604649521	S3
1	365.00	011989	113989919	24545226	0	0	0	0	2497388887	S3
1	365.00	011988	159566480	21380237	0	0	0	0	2407944194	S3
1	365.00	011987	1134 3535	26452690	0	0	0	0	2269757951	S3
1	365.00	011986	1105 140	17199540	0	0	0	0	21828 7106	S3
1	365.00	011985	116850336	12653903	0	0	0	0	20895 6506	S3
1	365.00	011984	113378231	14519896	0	0	0	0	1985310073	S3
1	365.00	011983	82544527	11558238	0	0	0	0	1886451738	S3
1	365.00	011982	227771554	21655419	0	0	0	0	1815465449	S3
1	365.00	011981	148974633	23361847	0	0	0	0	1609349314	S3
1	365.00	011980	1328 1445	22398838	0	0	0	0	1483736528	S3
1	365.00	011979	99794032	14734637	0	0	0	0	1373333921	S3
1	365.00	011978	74983604	12710724	0	0	0	0	1288274526	S3
1	365.00	011977	726 4578	12463858	0	0	0	0	12260 1646	S3
1	365.00	011976	56969170	11781984	0	0	0	0	1165860926	S3
1	365.00	011975	120454300	0	0	0	0	0	1120673740	S3
1	365.00	011974	71016500	0	0	0	0	0	0	0	S3
1	365.00	011973	55214500	0	0	0	0	0	0	0	S3
1	365.00	011972	1000174500	0	0	0	0	0	0	0	S3
1	365.00	011971	62911700	0	0	0	0	0	0	0	S3
1	365.00	011970	71446200	0	0	0	0	0	0	0	S3
1	365.00	011969	45374000	0	0	0	0	0	0	0	S3
1	365.00	011968	38087200	0	0	0	0	0	0	0	S3
1	365.00	011967	58858000	0	0	0	0	0	0	0	S3
1	365.00	011966	49819900	0	0	0	0	0	0	0	S3
1	365.00	011965	42574900	0	0	0	0	0	0	0	S3
1	365.00	011964	302 1000	0	0	0	0	0	0	0	S3
1	365.00	011963	21356700	0	0	0	0	0	0	0	S3
1	365.00	011962	253 6000	0	0	0	0	0	0	0	S3
1	365.00	011961	27228400	0	0	0	0	0	0	0	S3
1	365.00	011960	397 0	0	0	0	0	0	0	0	S3
1	365.00	011959	24277000	0	0	0	0	0	0	0	S3
1	365.00	011958	416 6600	0	0	0	0	0	0	0	S3
1	365.00	011957	38374000	0	0	0	0	0	0	0	S3
1	365.00	011956	40252200	0	0	0	0	0	0	0	S3
1	365.00	011955	53559900	0	0	0	0	0	0	0	S3
1	365.00	011954	32150300	0	0	0	0	0	0	0	S3
1	365.00	011953	25743100	0	0	0	0	0	0	0	S3
1	365.00	011952	263 400	0	0	0	0	0	0	0	S3
1	365.00	011951	25958800	0	0	0	0	0	0	0	S3
1	365.00	011950	21026000	0	0	0	0	0	0	0	S3
1	365.00	011949	205599300	0	0	0	0	0	0	0	S3
1	365.00	01								S3

"S" DATA BASE OUTPUT EXPLANATORY NOTES

The "S" type data base consists of a record of the adjusted annual additions, retirements and ending balances. The "S" stems from the fact these data are typically used with Simulated Plant Record (SPR) semi-actuarial life analyses. Semi-actuarial is the relevant term as only the capital additions are aged; the vintage (age) of neither retirements nor survivors (balances) is known. Another term for "S" data is gross annual activity. The records are three types; S1, S2 and S3. The record type is indicated in the last and next to last column of each record. The S1 and S2 records are similar to the A1 and A2 records; they are header information. The S1 record includes the alpha description of the account and location, as well as the numeric identifiers. As with "A" data, all records contain the company, account and location numeric identifiers in the first 17 columns. The S2 record defines the data type (dollars, pesos, units...), the type of property (electric, gas, water...) and it contains the most recent (study date) account balance. Also noted on the S2 record are the years of the oldest balance and addition.

Column 18 of the S3 contains a "1", meaning the data is dollars, as opposed to other currency or physical units of property. There is one S3 record for each activity year; each S3 record includes the adjusted annual addition (if any), the adjusted annual retirement (if any) and the adjusted year end account balance. Adjustments referred to are typically such things as corrections to prior year's additions or retirements, due to late charges or erroneous original entries.

The dollar amounts in the S2 and S3 records are dollar and cents, with no decimal point.

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix B. 2.
Samples of
Depreciation Program Outputs

BAL Analysis

SOUTHERN INDIANA GAS & ELECTRIC CO.-ELECTRIC CO. NO. 1
PROPERTY CLASSIFICATION - ELECTRIC DATA IN DOLLARS AS OF 12/31/2005
ACCOUNT 365.00 OH CONDUCTORS & DEVICES LOCATION 0 TOTAL ACCOUNT
NO. OF BALANCES 30 BAL. INTERVAL 1 ADDS/SURV TO 1949

TYPE	SUBTYPE	LIFE	CINDEX	RINDEX	SIGMA	RANK	CYCLE INDEX
L	0.0	30.08	5.45	89.752	.732158557E+15	2.	49.425
L	0.5	28.85	5.18	93.275	.810089428E+15	5.	52.361
L	1.0	27.78	4.93	96.283	.894656963E+15	8.	67.129
L	1.5	27.08	4.71	97.858	.979047029E+15	11.	69.558
L	2.0	26.46	4.51	99.059	.107000845E+16	14.	78.513
L	3.0	25.64	4.22	99.984	.122010445E+16	19.	94.991
L	4.0	25.10	4.01	100.000	.135114619E+16	21.	100.000 *
L	5.0	24.84	3.87	100.000	.145451898E+16	24.	100.000 *
SC		29.33	5.66	96.312	.677870313E+15	1.	96.312
S	-.5	28.12	5.27	100.000	.783127231E+15	4.	100.000 *
S	0.0	27.01	4.93	100.000	.892652535E+15	7.	100.000 *
S	0.5	26.41	4.73	100.000	.970227843E+15	10.	100.000 *
S	1.0	25.91	4.54	100.000	.105231342E+16	13.	100.000 *
S	1.5	25.63	4.40	100.000	.112061969E+16	15.	100.000 *
S	2.0	25.37	4.27	100.000	.119354409E+16	17.	100.000 *
S	3.0	25.12	4.07	100.000	.131050180E+16	20.	100.000 *
S	4.0	24.90	3.90	100.000	.143105113E+16	23.	100.000 *
S	5.0	24.67	3.79	100.000	.151659737E+16	26.	100.000 *
S	6.0	24.52	3.72	100.000	.157101937E+16	27.	100.000 *
R	0.5	28.04	5.32	100.000	.768050708E+15	3.	100.000 *
R	1.0	26.89	5.02	100.000	.863687016E+15	6.	100.000 *
R	1.5	26.28	4.79	100.000	.949244023E+15	9.	100.000 *
R	2.0	25.79	4.57	100.000	.104178693E+16	12.	100.000 *
R	2.5	25.54	4.39	100.000	.112733913E+16	16.	100.000 *
R	3.0	25.31	4.22	100.000	.121951055E+16	18.	100.000 *
R	4.0	25.05	3.99	100.000	.136581995E+16	22.	100.000 *
R	5.0	24.73	3.82	100.000	.149333431E+16	25.	100.000 *

RANGE OF LIVES	FREQUENCY
0-9	0
10-19	0
20-29	26
30-39	1
40-49	0
50-59	0
60-69	0
70-79	0
GREATER THAN 80	0

0MEAN VALUE OF BEST FITTING LIVES IS 26.31 YEARS

→

SOUTHERN INDIANA GAS & ELECTRIC CO.-ELECTRIC CO. NO. 1
PROPERTY CLASSIFICATION - ELECTRIC DATA IN DOLLARS AS OF 12/31/2005
ACCOUNT 365.00 OH CONDUCTORS & DEVICES LOCATION 0 TOTAL ACCOUNT
NO. OF BALANCES 20 BAL. INTERVAL 1 ADDS/SURV TO 1949

TYPE	SUBTYPE	LIFE	CINDEX	RINDEX	SIGMA	RANK	CYCLE INDEX
L	0.0	32.63	9.72	86.034	.222265273E+15	2.	45.573
L	0.5	31.12	9.11	90.192	.253297754E+15	5.	48.538
L	1.0	29.87	8.56	93.827	.286510940E+15	7.	62.425
L	1.5	29.02	7.98	96.113	.329971623E+15	11.	64.888
L	2.0	28.28	7.47	97.944	.376959074E+15	14.	73.457
L	3.0	27.28	6.64	99.844	.476422663E+15	19.	89.272
L	4.0	26.65	6.03	100.000	.577655570E+15	22.	100.000 *
L	5.0	26.36	5.57	100.000	.678123010E+15	24.	100.000 *
SC		31.56	10.13	89.504	.204906871E+15	1.	89.504
S	-.5	30.11	9.23	96.066	.246435051E+15	4.	93.812
S	0.0	28.94	8.51	99.675	.290333047E+15	8.	97.609
S	0.5	28.25	8.03	100.000	.325536899E+15	10.	99.998
S	1.0	27.67	7.61	100.000	.362807733E+15	12.	100.000 *
S	1.5	27.31	7.24	100.000	.400817728E+15	15.	100.000 *
S	2.0	26.99	6.89	100.000	.442388626E+15	17.	100.000 *
S	3.0	26.68	6.31	100.000	.528605951E+15	20.	100.000 *
S	4.0	26.48	5.72	100.000	.642788521E+15	23.	100.000 *
S	5.0	26.26	5.31	100.000	.743970920E+15	26.	100.000 *
S	6.0	26.00	5.07	100.000	.816301190E+15	27.	100.000 *
R	0.5	29.98	9.29	96.711	.243491190E+15	3.	93.750
R	1.0	28.70	8.58	99.915	.285445265E+15	6.	97.930
R	1.5	28.00	8.06	100.000	.323143025E+15	9.	100.000 *
R	2.0	27.43	7.58	100.000	.365299892E+15	13.	100.000 *
R	2.5	27.16	7.14	100.000	.412493233E+15	16.	100.000 *
R	3.0	26.92	6.72	100.000	.465832563E+15	18.	100.000 *
R	4.0	26.71	6.04	100.000	.576839131E+15	21.	100.000 *
R	5.0	26.42	5.42	100.000	.714248804E+15	25.	100.000 *

RANGE OF LIVES	FREQUENCY
0-9	0
10-19	0
20-29	21
30-39	6
40-49	0
50-59	0
60-69	0
70-79	0
GREATER THAN 80	0

0MEAN VALUE OF BEST FITTING LIVES IS 28.10 YEARS

→

SOUTHERN INDIANA GAS & ELECTRIC CO.-ELECTRIC CO. NO. 1
PROPERTY CLASSIFICATION - ELECTRIC DATA IN DOLLARS AS OF 12/31/2005
ACCOUNT 365.00 OH CONDUCTORS & DEVICES LOCATION 0 TOTAL ACCOUNT
NO. OF BALANCES 10 BAL. INTERVAL 1 ADDS/SURV TO 1949

TYPE	SUBTYPE	LIFE	CINDEX	RINDEX	SIGMA	RANK	CYCLE INDEX
L	0.0	36.67	22.08	79.953	.306825609E+14	2.	40.547
L	0.5	34.85	20.74	84.566	.347970954E+14	4.	43.344
L	1.0	33.39	19.56	88.761	.391124372E+14	6.	55.842
L	1.5	32.38	18.13	92.027	.455149067E+14	9.	58.155
L	2.0	31.54	16.94	94.785	.521601657E+14	13.	65.866
L	3.0	30.22	14.65	98.832	.697292724E+14	18.	80.592
L	4.0	29.21	12.32	99.991	.985631505E+14	21.	94.827
L	5.0	28.68	10.56	100.000	.134217114E+15	24.	100.000 *
SC		35.26	22.69	80.130	.290681800E+14	1.	80.130
S	-.5	33.46	20.78	88.201	.346630372E+14	3.	84.432
S	0.0	32.12	19.21	94.784	.405290279E+14	7.	87.965
S	0.5	31.35	18.05	97.627	.459455535E+14	10.	90.124
S	1.0	30.68	17.03	99.443	.515628120E+14	12.	92.547
S	1.5	30.20	16.06	99.832	.580344389E+14	15.	94.024
S	2.0	29.77	15.16	99.993	.651087613E+14	17.	97.319
S	3.0	29.23	13.41	100.000	.831435028E+14	20.	100.000 *
S	4.0	28.80	11.38	100.000	.115496441E+15	23.	100.000 *
S	5.0	28.46	9.59	100.000	.162621297E+15	26.	100.000 *
S	6.0	28.05	8.22	100.000	.221679463E+15	27.	100.000 *
R	0.5	33.24	20.67	89.841	.350198822E+14	5.	84.577
R	1.0	31.74	18.95	97.238	.416481187E+14	8.	88.565
R	1.5	30.87	17.72	99.175	.476440024E+14	11.	91.044
R	2.0	30.15	16.59	100.000	.543815965E+14	14.	100.000 *
R	2.5	29.69	15.30	100.000	.638934589E+14	16.	100.000 *
R	3.0	29.29	14.11	100.000	.751428220E+14	19.	100.000 *
R	4.0	28.91	11.89	100.000	.105833847E+15	22.	100.000 *
R	5.0	28.60	9.85	100.000	.154229196E+15	25.	100.000 *

RANGE OF LIVES	FREQUENCY
0-9	0
10-19	0
20-29	9
30-39	18
40-49	0
50-59	0
60-69	0
70-79	0
GREATER THAN 80	0

0MEAN VALUE OF BEST FITTING LIVES IS 30.99 YEARS

→

At the top of the print-out the identification is made of the type of property (electric, gas, water, etc.), the date of the most recent data year included **(DATA IN DOLLARS AS OF XX/XX/XXXX)** in the analysis, the account and location, the number of balance fitting points **(NO. OF BALANCES XX BAL.)** , the interval in years **(INTERVAL X)** between these points, and the oldest year for which there are additions **(ADDS/SURV TO XXXX).**

The first column **(TYPE)** identifies the type of curve pattern family. An "L" denotes a survivor curve which has a retirement pattern showing the largest annual volumes of retirements (the mode) occurring to the left of an age equal to average service life. Similarly, an "S" denotes a retirement pattern distributing itself symmetrically about average service life, and an "R" denotes a pattern with the mode of retirements occurring to the right of average service life. An "SC" pattern is one with equal annual percentages of retirements throughout the span of the curve pattern. An "SQ" pattern is one which assumes that each addition suffers no retirements until an age equal to average service life, at which age the particular vintage of additions retires in total.

The second column **(SUBTYPE)** is one which shows the curve family subtype or subscript. As the subscript increases, it identifies a member of a family of curves which has a more concentrated modal pattern of retirements; that is relatively fewer retirements occur at both young ages and old ages with more retirements occurring in the area of average service life.

The third column **(LIFE)** contains the average service life found which best simulated the designated account balances for each curve pattern.

The fourth column titled **CINDEX** contains the conformance index which is the mean of the account balance fitting points divided by the standard error. The lower the standard error, the larger will be this conformance index, indicating a better statistical fit.

The fifth column titled **RINDEX** contains a retirement experience index. This indicates the percentage of retirements which are simulated to r survivor curve pattern with its associated average life.

The sixth column titled **SIGMA** contains the sum of squared differences between the simulated account balances and the actual account balances used as fitting points. The "D" stands for the base ten with the two digit following number being the exponent of the base.

The last column titled **(CYCLE INDEX)** is the percentage of the full time-cycle of the specific curve which is used in the fitting process. It is calculated as follows:

Age of the oldest addition/Age at full term of the cycle.

The denominator is also known as the maximum probable life of the given curve/life combination; e.g., a symmetrical distribution (bell curve) begins at age zero and ends at an age equal twice the average life. Assuming the oldest addition in the account being analyzed was 1950 and the most recent year included in the analysis was 1989, the numerator would be 49 years (1989-1950). Assume further the curve being used was a 40 year S2.0 (Iowa), a symmetrical distribution which means the maximum

probable life is 80 years (2 x 40). The Cycle Index would be 61% (49 years x 100/80 years). The * is an arbitrary value selected at the time the input for analyses is generated.
At the bottom of the output there is a table that shows in 10 year increments a **RANGE OF LIVES** and the associated **FREQUENCY** of appearance of given range. **MEAN VALUE OF BEST FITTING LIVES IS**, is the average of all indicated lives.

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix B. 3.
Samples of
Depreciation Program Outputs

Generation Arrangement
Forecast Analysis

MANAGEMENT RESOURCES, INC. GENERATION ARRANGEMENT FORECAST PAGE 1 07-11-06
SOUTHERN INDIANA GAS&ELECTRIC-ELECTRIC CO. NO. 1
PROPERTY CLASSIFICATION - ELECTRIC DATA IN DOLLARS AS OF 12/31/2005
ACCOUNT 312.10 STEAM BOILER PLANT EQUIP. LOCATION 1 BROWN STATION

PROJECTED LOCATION RETIREMENT AT 06/30/2041

YEAR PLACED	AGE (YRS) AT 12/31/2005	PLANT $SURV AT 12/31/2005	PRIOR RETS $	TOTAL KNOWN PL	REALIZED AVG LIFE	INTERIM RETIRE $	YEARS TO INT. RET	UNRLZD. AVG LIFE	AVG REM LIFE	VINTAGE AVG LIFE	THEO RESERVE	TREND INDEX	FACTOR
2003	2.50	14715702.	0.	14715702.	2.50	0.	.00	35.50	35.50	38.00	968138.	.00	.0
2002	3.50	148020.	0.	148020.	3.50	0.	.00	35.50	35.50	39.00	13284.	.00	.0
2001	4.50	916726.	0.	916726.	4.50	0.	.00	35.50	35.50	40.00	103132.	.00	.0
2000	5.50	5765335.	0.	5765335.	5.50	0.	.00	35.50	35.50	41.00	773399.	.00	.0
1999	6.50	4271714.	0.	4271714.	6.50	0.	.00	35.50	35.50	42.00	661099.	.00	.0
1998	7.50	6970433.	0.	6970433.	7.50	0.	.00	35.50	35.50	43.00	1215773.	.00	.0
1997	8.50	257971.	0.	257971.	8.50	0.	.00	35.50	35.50	44.00	49835.	.00	.0
1996	9.50	572846.	0.	572846.	9.50	0.	.00	35.50	35.50	45.00	120934.	.00	.0
1995	10.50	227968.	0.	227968.	10.50	0.	.00	35.50	35.50	46.00	52036.	.00	.0
1994	11.50	355265.	0.	355265.	11.50	0.	.00	35.50	35.50	47.00	86927.	.00	.0
1993	12.50	205311.	0.	205311.	12.50	0.	.00	35.50	35.50	48.00	53466.	.00	.0
1992	13.50	797282.	0.	797282.	13.50	0.	.00	35.50	35.50	49.00	219659.	.00	.0
1991	14.50	998010.	0.	998010.	14.50	0.	.00	35.50	35.50	50.00	289423.	.00	.0
1990	15.50	15428.	0.	15428.	15.50	0.	.00	35.50	35.50	51.00	4689.	.00	.0
1989	16.50	1176.	0.	1176.	16.50	0.	.00	35.50	35.50	52.00	373.	.00	.0
1988	17.50	1445542.	0.	1445542.	17.50	0.	.00	35.50	35.50	53.00	477302.	.00	.0
1987	18.50	2478759.	0.	2478759.	18.50	0.	.00	35.50	35.50	54.00	849204.	.00	.0

MANAGEMENT RESOURCES, INC. GENERATION ARRANGEMENT FORECAST PAGE 2 07-11-06
SOUTHERN INDIANA GAS&ELECTRIC-ELECTRIC CO. NO. 1
PROPERTY CLASSIFICATION - ELECTRIC DATA IN DOLLARS AS OF 12/31/2005
ACCOUNT 312.10 STEAM BOILER PLANT EQUIP. LOCATION 1 BROWN STATION

PROJECTED LOCATION RETIREMENT AT 06/30/2041

YEAR PLACED	AGE (YRS) AT 12/31/2005	PLANT $SURV AT 12/31/2005	PRIOR RETS $	TOTAL KNOWN PL	REALIZED AVG LIFE	INTERIM RETIRE $	YEARS TO INT. RET	UNRLZD. AVG LIFE	AVG REM LIFE	VINTAGE AVG LIFE	THEO RESERVE	TREND INDEX	FACTOR
1986	19.50	83763105.	1056520.	84819625.	19.48	461326.	.50	31.63	32.03	51.11	31274213.	.00	.0
						461326.	1.50						
						461326.	2.50						
						461326.	3.50						
						461326.	4.50						
						461326.	5.50						
						461326.	6.50						
						461326.	7.50						
						461326.	8.50						
						461326.	9.50						
						461326.	10.50						
						461326.	11.50						
						461326.	12.50						
						461326.	13.50						
						461326.	14.50						
						461326.	15.50						
						461326.	16.50						
						461326.	17.50						
						461326.	18.50						
						461326.	19.50						
						461326.	20.50						
						461326.	21.50						
						461326.	22.50						
						461326.	23.50						
						461326.	24.50						
						461326.	25.50						
						461326.	26.50						
						461326.	27.50						
						461326.	28.50						
						461326.	29.50						
						461326.	30.50						
						461326.	31.50						
						461326.	32.50						
						461326.	33.50						
						461326.	34.50						
1985	20.50	781963.	2823824.	3605787.	20.11	0.	.00	7.70	35.50	27.81	-216333.	.00	.0
1984	21.50	675650.	0.	675650.	21.50	0.	.00	35.50	35.50	57.00	254850.	.00	.0
1983	22.50	0.	143518.	143518.	18.00	0.	.00	.00	.00	18.00	0.	.00	.0
1979	26.50	59166334.	7168860.	66335194.	26.34	59166334.	28.50	25.42	28.50	51.76	26587206.	.00	.0
TOTALS		184530540.	11192722.	195723262.		75312744.			31.7	48.7	63838610.		

SOUTHERN INDIANA GAS&ELECTRIC-ELECTRIC CO. NO. 1
PROPERTY CLASSIFICATION - ELECTRIC DATA IN DOLLARS AS OF 12/31/2005
ACCOUNT 312.10 STEAM BOILER PLANT EQUIP. LOCATION 1 BROWN STATION

SUMMARY

	ORIGINAL COST	TRENDED ORIGINAL COST
BALANCE SURVIVING AT 12/31/2005	184530540.	0.
TOTAL INTERIM RETIREMENTS	75312744.	
THEORETICAL RESERVE	63838610.	0.
WHOLE LIFE ACCRUAL	3785345.	
AVERAGE WHOLE LIFE	48.7487	
AVERAGE REMAINING LIFE	31.6806	
TREND INDEX NAME		.100000
SPOT INDEX NUMBER		.00

→

GENERATION ARRANGEMENT FORECAST EXPLANATORY NOTES

The Generation Arrangement Forecast analysis output consists of 13 columns; the last column is irrelevant, as it relates only to trended (reproduction) cost studies.

Note that at the top of the page (fourth line down) the output specifies it is; e.g. Account 311.00 Structures and Improvements, Location X, and that the data is dollars at 12/31/20xx. Also specified is the projected year of retirement for and the Iowa curve used to project interim retirements.

Column 1 is "YEAR PLACED"; this is the year the given dollars were capitalized/placed in service; i.e., the vintage year. Using the industry standard convention that all additions (and retirements) are assumed to occur at mid-year, the second column "AGE (YRS) at 12/31/20xx" shows the most recent (vintage xxxx) survivors to be 0.5 years old, the xxxx - 1 survivors to be 1.5 years old, etc. The third column "PLANT $ SURV at 12/31/20xx", contains the surviving vintage dollars at year end 20xx which sum to the original cost balance in Account 311, _____, at 12/31/20xx.

The fourth column, "PRIOR RETS $", contains the dollars of capital retirements which have been made from the given vintage. Column five, "TOTAL KNOWN PL", is the total known placement (addition). It is equal to the sum of the surviving dollars of column 3 plus the prior retirements of column 4.

Column six, "REALIZED AVG LIFE", is the realized average life for each vintage which is the (dollar) years of service provided to date by the survivors of column 3 plus the (dollar) years of service provided by the prior retirements of column 4. The realized average life is equal to the age of the survivors where there are no prior retirements. Otherwise, the realized average life is the survivors times their age, which is the life they have realized plus the prior retirements times the life they realized, all divided by the total known placement, for each vintage.

The next column is labeled "INTERIM RETIRE $". This column contains the projected (future) interim retirements; these interim retirement amounts are developed using the survivor/retirement values of the interim retirement curve.

The next column, "YEARS TO INT RET", is the years to the interim retirement; 0.50 means the interim retirement is projected to occur in the next year, 1.5 means the year xxxx + 1, etc.

"UNRLZD AVG LIFE" is the unrealized average life. This column is equal to the future dollar years of service expected, divided by the total known placements (of the fourth column). Future dollar years of service for each vintage are computed by multiplying each future retirement times the years to its retirement and dividing the sum of the dollar years by the total known placements.

"AVG REM LIFE" is the average remaining life (ARL). The calculation is the same as "UNRLZD AVG LIFE" except for the denominator. The denominator in the ARL calculation is the current surviving balance.

"VINTAGE AVG LIFE" is vintage average life. This is the sum of the realized average life plus the unrealized average life.

"THEO RESERVE" is the theoretical accumulated provision for depreciation. It is equal to the average remaining life divided by the average life, that quotient subtracted from unity (1) with the remainder times current surviving plant.

The last column is unused and irrelevant.

The total, composite values are printed on the last page, with the heading "SUMMARY". The "BALANCE SURVIVING AT 12/31/20xx is the sum of the vintage survivors of column 3, above. "TOTAL INTERIM RETIREMENTS" is the sum of column 7. "THEORETICAL RESERVE" is similarly developed.

"WHOLE LIFE ACCRUAL" is the sum of the quotients of each surviving vintage balance divided by the given vintage average life.

"AVERAGE WHOLE LIFE" is the quotient of the "BALANCE SURVIVING AT 12/31/20xx" divided by the "WHOLE LIFE ACCRUAL".

"AVERAGE REMAINING LIFE" is equal to the quotient of the sum of the products of the individual vintage remaining lives times the individual vintage surviving balances divided by the sum of the individual vintage surviving balances. Theoretical net plant is "BALANCE SURVIVING AT 12/31/20xx less the "THEORETICAL RESERVE".

All the foregoing ignores net salvage; i.e., gross salvage less removal cost. If the net salvage is estimated to be other than zero, the necessary adjustment is made after completion of the forecast analysis.

Southern Indiana Gas and Electric Company
Electric and Common Plant
Depreciation Accrual Rate Study at December 31, 2005

Appendix B. 4.
Samples of
Depreciation Program Outputs

Theoretical Reserve Calculation

MANAGEMENT RESOURCES, INC. SPR DATA THEORETICAL RESERVE PROGRAM 07/10/06 PAGE 1

SIGECO ELECTRIC PLANT
PROPERTY CLASSIFICATION - ELECTRIC
ACCOUNT 365.00 OH CONDUCTORS & DEVICES
SPAN 0 BAND 0 LAP 0
DATA TYPE - GROSS ADDITIONS
INDEX ID - 0 .00 0

CO. NO. 1
DATA IN DOLLARS AS OF 12/31/2005
LOCATION 0 TOTAL ACCOUNT
ADDS/SURV 1949
CALCULATION METHOD - DIRECT REMAINING LIFE
INDEX DESCRIPTION -

PERIOD 1 SPAN 0 DISPERSION R 1.0 AVERAGE LIFE 33.0

YEAR	AGE	ADDITIONS	SURV FACTR	SVG PLANT	ADJ SVG PLANT	REM LIFE	RATIO	RESERVE	AVG BAL	ACCRUAL
2005	.500	4279245.	.99607	4262429.	4455970.	32.6	.01124	50074.	4437854.	
2004	1.500	3663361.	.98797	3619294.	3783633.	31.9	.03356	126976.	3767479.	
2003	2.500	2697793.	.97953	2642582.	2762572.	31.2	.05567	153792.	2750210.	
2002	3.500	2336338.	.97077	2268043.	2371026.	30.4	.07758	183949.	2359914.	
2001	4.500	1471719.	.96167	1415307.	1479571.	29.7	.09930	146923.	1472320.	
2000	5.500	2044195.	.95224	1946571.	2034958.	29.0	.12084	245902.	2024534.	
1999	6.500	1373772.	.94249	1294763.	1353554.	28.3	.14220	192474.	1346317.	
1998	7.500	1129199.	.93241	1052876.	1100683.	27.6	.16339	179845.	1094546.	
1997	8.500	2147773.	.92201	1980270.	2070187.	26.9	.18443	381811.	2058162.	
1996	9.500	763657.	.91130	695920.	727519.	26.2	.20533	149380.	723116.	
1995	10.500	1254792.	.90027	1129651.	1180944.	25.5	.22608	266988.	1173503.	
1994	11.500	1465602.	.88892	1302809.	1361965.	24.9	.24670	335997.	1353016.	
1993	12.500	1124425.	.87724	986393.	1031182.	24.2	.26717	275505.	1024101.	
1992	13.500	1030661.	.86520	891724.	932213.	23.5	.28748	267997.	925520.	
1991	14.500	687157.	.85277	585988.	612596.	22.8	.30763	188452.	607983.	
1990	15.500	1326926.	.83993	1114525.	1165132.	22.2	.32758	381671.	1155921.	
1989	16.500	1139899.	.82665	942298.	985084.	21.5	.34732	342141.	976897.	
1988	17.500	1595665.	.81291	1297130.	1356028.	20.9	.36685	497459.	1344151.	
1987	18.500	1134035.	.79867	905718.	946844.	20.3	.38613	365609.	938093.	
1986	19.500	1105001.	.78391	866218.	905549.	19.6	.40516	366896.	896711.	
1985	20.500	1168503.	.76860	898116.	938896.	19.0	.42393	398023.	929206.	
1984	21.500	1133782.	.75274	853443.	892194.	18.4	.44241	394715.	882448.	
1983	22.500	825445.	.73629	607769.	635366.	17.8	.46060	292648.	628019.	
1982	23.500	2277716.	.71926	1638280.	1712668.	17.2	.47849	819496.	1691688.	
1981	24.500	1489746.	.70164	1045269.	1092731.	16.6	.49608	542080.	1078548.	
1980	25.500	1328014.	.68343	907603.	948813.	16.1	.51336	487080.	935754.	
1979	26.500	997940.	.66461	663246.	693362.	15.5	.53031	367700.	683241.	
1978	27.500	749836.	.64521	483804.	505772.	15.0	.54695	276633.	497945.	
1977	28.500	726046.	.62524	453956.	474568.	14.4	.56327	267310.	466778.	
1976	29.500	569692.	.60472	344503.	360145.	13.9	.57926	208619.	353877.	
1975	30.500	1204543.	.58367	703053.	734976.	13.4	.59494	437268.	721410.	
1974	31.500	710165.	.56212	399199.	417325.	12.9	.61030	254694.	409155.	
1973	32.500	552145.	.54011	298220.	311761.	12.4	.62534	194957.	305287.	
1972	33.500	10001745.	.51768	5177722.	5412823.	11.9	.64007	3464588.	5293645.	
1971	34.500	629117.	.49489	311341.	325478.	11.4	.65449	213023.	317878.	
1970	35.500	714462.	.47177	337065.	352369.	10.9	.66861	235599.	343640.	
1969	36.500	453740.	.44840	203457.	212695.	10.5	.68243	145149.	207104.	
1968	37.500	380872.	.42483	161804.	169151.	10.0	.69595	117722.	164436.	
1967	38.500	588580.	.40114	236103.	246824.	9.6	.70920	175047.	239518.	
1966	39.500	498199.	.37739	188017.	196554.	9.2	.72215	141942.	190376.	
1965	40.500	425749.	.35367	150575.	157412.	8.8	.73484	115672.	152156.	
1964	41.500	302010.	.33005	99679.	104206.	8.3	.74725	77867.	100508.	
1963	42.500	213567.	.30663	65486.	68460.	7.9	.75940	51988.	65876.	
1962	43.500	253060.	.28348	71738.	74995.	7.5	.77129	57843.	71983.	
1961	44.500	272284.	.26071	70987.	74211.	7.2	.78293	58102.	71034.	
1960	45.500	397000.	.23839	94643.	98940.	6.8	.79433	78591.	94423.	
1959	46.500	242770.	.21663	52590.	54978.	6.4	.80548	44284.	52298.	
1958	47.500	416066.	.19551	81344.	85038.	6.1	.81640	69425.	80606.	
1957	48.500	383740.	.17513	67205.	70256.	5.7	.82710	58109.	66333.	
1956	49.500	402522.	.15557	62620.	65464.	5.4	.83755	54829.	61544.	
1955	50.500	535599.	.13694	73345.	76675.	5.0	.84780	65005.	71740.	
1954	51.500	321503.	.11931	38359.	40101.	4.7	.85783	34400.	37320.	
1953	52.500	257431.	.10277	26455.	27656.	4.4	.86765	23996.	25585.	
1952	53.500	263004.	.08737	22980.	24023.	4.0	.87728	21075.	22075.	

SIGECO ELECTRIC PLANT
PROPERTY CLASSIFICATION - ELECTRIC
ACCOUNT 365.00 OH CONDUCTORS & DEVICES
SPAN 0 BAND 0 LAP 0
DATA TYPE - GROSS ADDITIONS
INDEX ID - 0 .00 0

CO. NO. 1
DATA IN DOLLARS AS OF 12/31/2005
LOCATION 0 TOTAL ACCOUNT
ADDS/SURV 1949
CALCULATION METHOD - DIRECT REMAINING LIFE
INDEX DESCRIPTION -

PERIOD 1 SPAN 0 DISPERSION R 1.0 AVERAGE LIFE 33.0

YEAR	AGE	ADDITIONS	SURV FACTR	SVG PLANT	ADJ SVG PLANT	REM LIFE	RATIO	RESERVE	AVG BAL	ACCRUAL
1951	54.500	259588.	.07320	19002.	19865.	3.7	.88671	17614.	18115.	
1950	55.500	210260.	.06030	12679.	13255.	3.4	.89596	11876.	11982.	
1949	56.500	2055993.	.04872	100174.	104722.	3.1	.90507	94781.	93721.	
TOTAL				48222337.	50411937.			15469594.	49867599.	

ADJUST FOR SALVAGE FACTOR 1.00 15469594.

AVERAGE AGE 16.1 AGE/LIFE RSV 24551049. TERMINAL AGE 66.3

	2005 EOY	2006 AVERAGE
DEPRECIABLE GROSS PLANT	50411937.	49867599.
AVERAGE REMAINING LIFE	22.87	23.12
AVERAGE CONSUMED LIFE	10.13	9.88

THEORETICAL RESERVE PROGRAM

The following printout shows the development of the average remaining life and theoretical or computed reserve. Given the age of the plant investment, the theoretical survivors are computed from the adjusted gross additions of the SPR data base and the survivor factors for the given curve and life. The theoretical vintage survivors are then adjusted to total the actual book balance.

The adjusted vintage survivors are then multiplied by the vintage reserve ratios. The products of the vintage survivors and vintage reserve ratios are summed to give the total data set theoretical reserve. The average remaining life for the total data set is determined by multiplying the vintage survivors by the vintage average remaining lives, summing the products, and dividing that sum by the total data set book balance.

The total data set a average remaining life can also be derived by dividing the theoretical net unrecovered plant investment by the whole life accrual (investment/average service life).

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENEERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH-ELECTRIC)

IURC CAUSE NO. 43111

DIRECT TESTIMONY OF
JAMES H. AIKMAN

ON

DEPRECIATION ACCRUAL RATE STUDY

SPONSORING PETITIONER'S EXHIBIT NO. JHA-1, JHA-2 AND JHA-PMN-2

TABLE OF CONTENTS

I. INTRODUCTION 1
II. PURPOSE OF TESTIMONY 1
III. DEPRECIATION STUDY 1
IV. CONCLUSION 1

LIST OF PETITIONER'S EXHIBITS

JHA-2: Qualifications

JHA-PMN-2: Depreciation Rate Study

I. INTRODUCTION

Q. Would you please state your names, address and business affiliation.

A. My name is James H. Aikman. I am Managing Consultant with the firm of Management Applications Consulting, Inc. (MAC), 1103 Rocky Drive, Suite 201, Reading, PA 19609.

Q. Please describe MAC.

A. MAC is a management consulting firm which provides rate and regulatory assistance including depreciation services for electric, gas and water utilities.

Q. Would you please summarize your education and business experience?

A. This information is contained in the attached Petitioner's Exhibit JHA-2.

Q. What are your responsibilities in this proceeding?

A. Along with Mr. Paul M. Normand, I am currently a Co-Project Manager of the Depreciation Rate Study (Petitioner's Exhibit JHA-PMN-2) of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "the Company"). As Co-Project Managers, Mr. Normand and I are responsible for planning the study, delineating and coordinating data collection, ensuring the accuracy of the data and properly reflecting any accounting adjustments. Beyond data collection, we are responsible for the performance and interpretation of statistical analyses and the preparation of appropriate schedules to reflect the results of the study. My principal area in this study was for the analysis of production facilities. In addition, I analyzed the history of the Company's cost of removal data.

II. PURPOSE OF TESTIMONY

Q. Please discuss the purpose of your testimony.

A. Our consulting firm has been retained by Vectren South to conduct a new depreciation rate study of its electric and common properties. My testimony will discuss the study, particularly as it relates to the production plants.

III. DEPRECIATION STUDY

Q. Have you prepared a depreciation study for Vectren South?

A. Yes. The results of this study are shown in a report entitled, "Electric and Common Plant Depreciation Accrual Rate Study – at December 31, 2005" ("the

Depreciation Study" or "Report") identified as Petitioner's Exhibit JHA-PMN-2 and prepared by Paul M. Normand and myself.

Q. What procedures did you employ in compiling the depreciation study?

A. First, we created the depreciation study databases. Vectren South provided us with the necessary property accounting history to create the depreciation study databases of plant in service at December 31, 2005. We were also provided with the Vectren South gross salvage and removal cost history. In addition, Mr. Normand and I inspected the actual physical plant of Vectren South and held discussions with Vectren South management concerning matters relevant to depreciation.

Q. Please continue.

A. We analyzed the historical data using computerized statistical routines and evaluated the output by considering the indications from the statistical analyses, input from Vectren South's management, the character of the depreciable assets, knowledge gained during property inspections, our experience with like assets, and engineering knowledge and judgment. Final calculations were then made to develop the recommended accrual rates for each category of plant as shown in the Depreciation Study (Petitioner's Exhibit JHA-PMN-2) sections entitled "Petitioner's Exhibits."

Q. In developing your depreciation study, what areas of analysis did you concentrate on?

A. My principal area of concentration was with respect to Vectren South's production plant investment as discussed in the Report. I was also responsible for the cost of removal/salvage analyses and estimates.

Q. How did you develop the accrual rates proposed for the Company's production plants?

A. As discussed in the Report, I used a generation arrangement, life span forecast analysis method.

Q. Do your analyses require estimating life spans for these investments?

A. Yes, they do, and my estimates of life spans result in generating unit total life ranges from 45 to 52 years.

Q. Is it possible that these generating units could exceed your current estimates of life ranges which formed the foundation for your proposed accrual rates?

A. Yes. The estimates of life span for these facilities include the assumption that no major additions and investments would be undertaken or made to extend or add any additional years or life. Without sizeable additional investments, the proposed life spans are both reasonable and reflect an industry range that can be reasonably expected.

Q. How do you reflect future retirements in the forecast analysis?

A. In order to predict annual, future retirements to incorporate into our forecast analyses, we analyzed the history of capital retirements of the production facilities. As the depreciation study database history includes no completely retired production facilities, our review was that of interim retirements, i.e., retirements of components of plants which occur in the interim between the in-service date and the retirement from service of the complete plant. The historical retirement analysis was of total Steam Production and total Other Production Plant retirement history of the 1991 to 2005 period in five-year bands. The ratio for the retirements of each year to the year-end balance of that year was determined and those ratios averaged for five-year bands, i.e., 1991 to 1995, 1996 to 2000 and 2001 to 2005. The ratios were also separately determined for five, ten and 15-year bands, all ending in 2005. From these analyses and our experience, we concluded an interim retirement ratio of 0.0025 per year was a reasonable predictor for Steam Production Plant.

Q. In the Depreciation Study Executive Summary, you briefly describe the "Life Span Forecast Analysis." Is this the forecast analysis alluded to in your response to the previous question?

A. Yes. Furthermore, the Depreciation Study includes a sample of one such analysis in Appendix B.3. along with explanatory notes which detail how the values in the analysis are calculated.

Q. Is the calculation an equal life group procedure?

A. No. The mathematical weighting of values to develop vintage level average lives is by direct weighting, an average life group procedure. The weighting of the vintage values to develop composite account values, e.g., Account 312.10 – Boiler Plant Equipment – Brown Station, are by reciprocal or inverse weighting.

Q. Is the interim retirement ratio intended to incorporate significant retirements like a precipitator replacement?

A. No. If we were advised of any such major retirements projected by Company management, we would replace the minor annual interim retirement value with the specific projected value.

Q. Were there any specific major post-2005 retirements projected for Steam Production Plant?

A. Yes. The Culley Unit 3 electrostatic precipitator is being replaced by the fabric filter currently in the process of being installed. The Brown Station SO_2 removal system of Account 312.20 is expected to be retired in or before the year 2011.

Q. How did these projected retirements affect the Study?

A. They result in an average remaining life a little lower than the projected life span remaining. The specific, large interim retirements such as these as well as the smaller, historically based annual interim retirements have been incorporated into our analyses; however, in no year are both types projected. Interim retirements of Steam Production Plant do occur; that is, 100% of all equipment in service at year 2005 will not survive to the projected plant deactivation date. Just as in a group of 50-year-old men, not all will survive to the 75-year average life expected for their group; some will die before reaching 75 years.

We would be remiss to assume no interim retirements in the future, the accrual rates would be too low. The magnitude of the impact of interim retirements is generally not large, e.g., the projected life span remaining for Warrick Unit 4 is 12 years. Schedule A shows in column (8) and average remaining life of 10.7 to 11.3 years for the various plant accounts which make up Warrick Unit 4.

Q. What interim retirement ratio did you use for Other Production Plant?

A. We assumed no interim retirement ratio, as the Vectren South history for Other Production Plant includes almost no interim retirements. I might add that the Vectren South history is also typical in the industry based on my experience.

Q. The Depreciation Study discussion of the Life Span Forecast Analysis mentions that the deactivation date for each plant is required. How were these dates determined?

A. We initially estimated what we considered to be reasonable and typical life spans for each plant, each beyond the 20-year time horizon of the Vectren South Integrated Resource Plant (IRP) as the IRP has no plant retirements. In discussions with Company management, it was determined the life spans we projected could only be achieved if significant capital additions were made; therefore, we reduced the life span estimates by approximately ten years as a more realistic estimate absent any capital additions. Some regulatory bodies are opposed to reflecting future capital additions in depreciation rates, except those to be made in the near term or for which the costs have been accurately quantified. Company management agrees that Vectren South can most likely keep the generating units operating until the time of the next depreciation rate study, five to ten years, without making significant capital additions (other than equipment needed to comply with environmental regulations), or at least until near the end of that five- or ten-year span. The next depreciation study can incorporate the future effect on depreciation rates of any such capital additions.

Q. Do your proposals reflect the effects of the 2006 retirement of Culley Station Unit One and the retirement in 2006 of the electrostatic precipitators at Culley Unit 3?

A. Yes, they do. The Company provided the estimated amounts of the retirements at Culley, as well as the timing. A review of Schedule A, page 2, of the "Schedule of Indicated Remaining Life Accrual Rates" ("the Schedule") in the Depreciation Study shows the Culley Unit One retirement in the affected plant accounts, i.e., Account 312.10 – Boiler Plant Equipment, Account 314 – Turbogenerator Units and Account 315 – Accessory Electric Equipment. All of Account 311 – Structures and Improvements and Account 316 – Miscellaneous

Equipment are to remain in service as these properties are "common plant," i.e., common to Units One, Two and Three.

Q. How did you determine the cost of removal for the production plants?

A. As discussed in the Report, I estimated the cost of removal for the Steam Production Plants to be about $51.00 per kW of nameplate capacity, based upon my analysis of actual and established demolition costs for over 87 steam electric plants. In my opinion, this is a reasonable estimate for Vectren South's plants. For Other Production Plant, I used the negative net salvage percentage from the prior study. In my opinion, this factor is typical within the industry and still reasonable to use.

Q. How did Vectren South's retired Ohio River Station affect your study?

A. The Ohio River Station is a retired steam production plant that will be demolished in the near future. The estimated demolition cost of $9,548,647 (net of salvage) is based on an estimate from MACTEC, a demolition contractor. As discussed in the Report, this estimate was allocated to the remaining plants based on their respective negative net salvage amounts.

Q. Is it reasonable to assume that Vectren South's production plants will be demolished after their retirement?

A. Yes. As an engineer, I recognize there are long-term safety/security concerns, environmental concerns; further, existing generating plant sites are valuable as potential new sites are difficult to obtain.

Q. What is the total Steam Production Plant accrual rate that you propose with and without Culley Unit One?

A. The respective rates for total Steam Production Plant in this study are presented in Schedule A, Column 10, as 3.81% with and 3.85% without Culley Unit One included.

Q. What do you propose for Other Production Plant?

A. Our analyses develop a composite 3.45% accrual rate as shown on Schedule A. Schedule C of the Depreciation Study presents a comparison of these accrual

rates with existing rates. This rate applies only to the A. B. Brown Gas Turbine (Unit 3) as the Broadway and Northeast Plants are fully-depreciated.

Q. Are your accrual rates comparable to those currently in use?

A. Yes. Specifically, both the proposed and existing rates are straight-line method, broad group procedure and remaining life technique rates.

Q. Did you inspect the production facilities?

A. Yes, I did. The inspections were intended to accomplish several functions. First and foremost, the inspections verified that the assets identified on Vectren South's books actually exist. Second, the inspections verified that the assets continue to be maintained and are useable. In addition, inspections facilitate discussion regarding the existing facilities with the Vectren South management who accompany us and provide for a better understanding of the overall system, the equipment, and ongoing changes to the service territory of the Company.

IV. CONCLUSION

Q. What is the total Company electric steam production plant composite annual accrual rate which results from your Depreciation Study?

A. The composite of the proposed straight line, remaining life individual account rates detailed in the Depreciation Study for steam production is 3.81 percent as shown on page 3 of the accrual rate schedule (Schedule A) and detailed for each account in column 10 of this schedule. This composite rate excludes Culley Unit One which will be retired on December 31, 2006.

Q. Do the depreciation accrual rates you propose result in higher depreciation expense than that derived using the existing authorized depreciation accrual rates?

A. No, they do not. Decreases in depreciation expense can be anticipated based on our recommended changes in the net salvage and removal costs as detailed in the attached depreciation study. A comparison of each primary account and subaccount has been made on Schedules C and D of our study.

Q. What is the primary reason for the lower depreciation expense?

1
2 A. Our analyses of the Company's plant determined that a longer average service
3 life was appropriate for several plant accounts.
4
5 **Q. In your opinion, are the recommendations contained in the Depreciation**
6 **Study reasonable and appropriate?**
7 A. Yes.
8
9 **Q. Does this complete your prepared direct testimony?**
10 A. Yes.

JAMES H. AIKMAN
Managing Consultant

Over thirty years of experience devoted to the public utility industry; recognized as an expert in the field of depreciation. Specializes in depreciation studies, independent engineer's certificates, restatement of property values, and appears as an expert witness. Has performed more than 200 depreciation studies for gas, electric, steam and water utilities and served more than 50 clients, domestic and international.

EXPERIENCE:

MANAGEMENT APPLICATIONS CONSULTING, INC.
Reading, Pennsylvania

MANAGEMENT RESOURCES INTERNATIONAL
Reading, Pennsylvania
Vice President

Gilbert Associates Inc.
Reading, Pennsylvania
Manager Depreciation Services
Senior Consultant
Project Manager

Missouri Public Service Commission
Jefferson City, Missouri
Staff Engineer

Engineering Service Corporation
Decatur, Illinois
Consulting Engineer

Warren H. Hagan, Consulting Engineer
Decatur, Illinois
Consulting Engineer

United States Navy Civil Engineer Corps
Long Beach, California
Public Works Engineer

CAPABILITIES:

Depreciation Studies

Collection of Property Data. Directs the collection of property data necessary for depreciation study databases.

Average Service Life. Estimates average service lives using actuarial, simulated plant record, life-span forecast analyses and judgment.

Gross Salvage and Removal Cost. Performs salvage and removal cost studies to aid in forecasting future salvage and removal costs.

Theoretical Reserve. Prepares theoretical depreciation reserve studies to evaluate and/or allocate book depreciation reserves.

Inspections. Performs property inspections to aid in average service life, salvage and removal cost estimation.

Valuation Studies

Prepared valuations of tangible assets of utilities to develop fair market value and international value to third-world nations. International value studies typically incorporate current pricing and cost trending offset by judgmental depreciation.

Independent Engineer's Certificates

Prepares Independent Engineer's Certificates involving detailed field inspections, review of plant accounting records and preparation of records to reconcile assets reported in the indentures with the plant accounting records.

Expert Testimony

Has appeared as an expert depreciation witness before seventeen state utility regulatory agencies, the Federal Energy Regulatory Commission, the Nova Scotia Board of Commissioners of Public Utilities, and the City of New Orleans.

EDUCATION:

B.S., Civil Engineering, University of Illinois. Numerous technical short courses and seminars.

REGISTRATION:

Licensed Professional Engineer: Illinois and Pennsylvania

PROFESSIONAL ASSOCIATIONS:

American Society of Civil Engineers
Society of Depreciation Professionals

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH – ELECTRIC)

IURC CAUSE NO. 43111

TESTIMONY

OF

RONALD B. KEEPING
DIRECTOR OF ECONOMIC DEVELOPMENT AND MARKET RESEARCH

ON

ECONOMIC DEVELOPMENT RIDERS

AND

PRO FORMA ADJUSTMENTS RELATED TO ECONOMIC DEVELOPMENT AND MARKET RESEARCH

Direct Testimony of Ronald B. Keeping

Q. Please state your name and business address.

Ronald B. Keeping
One North Main St.
Evansville, IN 47702

Q. What position do you hold with Petitioner Southern Indiana Gas And Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "the Company")?

A. I am Director of Economic Development and Market Research.

Q. What are your present duties and responsibilities as Director of Economic Development and Market Research?

A. I am responsible for coordinating the Company's efforts in promoting economic development in the Vectren South service territory. I also supervise the Market Research function for Vectren South.

Q. Please describe your educational background.

A. In 1973, I obtained a Bachelor of Arts degree in Economics from the University of Evansville. In 1978, I obtained a Master of Business Administration degree from the University of Evansville. I am a graduate of the Economic Development Institute program of the University of Oklahoma, and obtained the professional designation, Certified Economic Developer (CED) in 1996.

Q. Please describe your professional experience.

1987-99	Manager of Area and Industrial Development	SIGECO
1999-2002	Director of Economic Development	SIGECO / Vectren
2002-2005	Director of Industrial Development & Sales	Vectren
2006	Director of Econ. Dev. and Market Research	Vectren

Q. Have you previously testified before this Commission?

A. No.

Q. What is the purpose of your testimony in this Proceeding?

A. My testimony will describe the role that Vectren South plays in promoting economic growth southwestern Indiana. I will describe the Economic Development Rider and the Area Development Rider proposed by Vectren South in this proceeding, both of which are included in the proposed Tariff for Electric Service sponsored by Petitioner's Witness Jerrold L. Ulrey. I will then describe how approval of these riders will allow Vectren South to play an even greater role in promoting job creation and retention. Finally, I will describe the pro forma adjustments related to Economic Development and Market Research.

Q: You have testified that you are a Certified Economic Developer and the Director of Economic Development for Vectren South. What does economic development mean and what do economic developers do?

A. In broad terms, "economic development" can be defined as the development of the economic wealth of a region for the well-being of its inhabitants. Economic development is a sustainable increase in living standards resulting in increased per capita income, and better education and health. In more specific terms, as it is generally understood, "economic development" refers to a set of activities whose objective or result is the increase of employment and/or income in a region. Professional "economic developers" are responsible for planning and carrying out such job and income enhancement activities. These activities revolve around helping a community or region get prepared for economic growth, and then helping that community or region attract or retain employers whose payroll, local expenditures, and local tax payments will grow the economy. An economic developer will work to create developable places to which such new or expanding employers may locate. In doing so, the economic developer must be conversant in the infrastructure needs of particular employers and the means by which such needs are met, and the regulatory requirements for doing so. An economic developer will act as a promoter for a community or region, advising prospective employers on the particular assets of a community or region. An economic developer will be a facilitator during the period when an employer is

locating to or expanding within a community or region, and as such becomes an "ombudsman" by cutting red tape and helping the employer overcome obstacles.

Q. Please describe Vectren South's role in promoting economic development in southwestern Indiana.

A. Vectren South promotes economic development in three essentially different ways. First, it assists the communities it serves to become better prepared to capitalize on economic development opportunities when they materialize. Second, it seeks to identify new economic development opportunities, both directly and in partnership with local, regional and state economic development entities. Finally, Vectren South partners with local, regional and state economic development entities in working with companies who are considering locating or expanding in our service territory, or who are at risk of leaving. One might refer to these processes as "product development" (or "community preparation"), "lead development", and "project management" (or "closing the deal"). In general, Vectren South acts as a partner with another entity in these efforts, lending financial and staff support to initiatives led by others. In some cases, however, Vectren South serves as the lead entity.

Q. Please describe some examples of Vectren South's activities in these areas.

A. In the area of "product development", Vectren South has played a major supporting role in the development of the Vanderburgh Industrial Park, the newest and most significant industrial park of its type in southwestern Indiana. The existence of this park allowed the region to retain two employers, and attract four others. In the area of "lead development", Vectren South participates in a variety of marketing activities, such as call trips and advertising. In the area of "project management", the Company has worked with local and state entities to complete many of the major economic development projects that have occurred over the past 20 years in southwestern Indiana.

Q. Please elaborate on Vectren South's activities insofar as project management is concerned.

A. Vectren South's economic development employees work with industrial and commercial entities that are interested in starting a business, finding a new location for their business or expanding their existing business. We work with those entities, the Indiana Economic Development Corporation, state and local officials, and local economic development agencies to assist with the development of incentive packages and services that will encourage and meet the needs of those industrial and commercial customers to locate or expand in Indiana. Our economic development efforts not only require coordinating efforts with prospective businesses, economic development entities and state and local government but also require coordinating technical input and evaluation of Vectren South's engineering, operations, rates, and legal departments. These time consuming economic development efforts are very important to the financial well being of Indiana and her citizens. Vectren South's economic development efforts have been helpful in many of Indiana's economic development successes. Significant economic development agreements in which Vectren South (or its predecessor) has played a major role include AK Steel, Azteca Milling, Toyota Motor Manufacturing, Waupaca Foundry, Graham Packaging and Curtis Marayasu. Significant retention agreements in which Vectren South (or its predecessor) has played a major role include Brake Supply and Pyrotek.

Q. Please describe the benefits of economic development to Vectren South customers.

A. The ultimate objectives of any economic development activity are to foster the creation of greater employment opportunities for individuals, with the ultimate objective of increasing the average income of families and the quality of life of the region. To the extent that the Company's economic development activities achieve these objectives in the southwestern Indiana region, Vectren South's customers will benefit because, in nearly all cases, the beneficiaries of the economic growth are southwestern Indiana residents, many of whom are Vectren South customers. A rule of thumb for manufacturing jobs is that one dollar of compensation paid to an employee is leveraged ten times in the local economy as the wages are used to purchase goods and services, pay taxes, and are

reinvested in the community. Such growth also benefits Vectren South customers in other ways. Typically, the large industrial customers that Vectren South hopes to attract or retain in an area bear a larger tax burden, relative to the actual cost that they impose on local government, resulting in a lower tax burden for individuals and small commercial enterprises. By the same token, such large enterprises raise the overall assessed value of a community, making it possible for governments to invest in infrastructure and amenities that will improve an area's quality of life. Finally, large industrial customers help defray the capital cost of Vectren South's utility infrastructure.

ECONOMIC DEVELOPMENT RIDERS

Q. How will Vectren South's proposed economic development riders assist in the promotion of economic development in the Company's service area?

A. The Economic Development Rider ("Rider ED"), Sheet No. 58 in Vectren South's proposed Tariff for Electric Service, will be a tool that should increase the effectiveness of the "project management" ("closing the deal") element of the economic development process. The Area Development Rider ("Rider AD"), Sheet No. 59 in Vectren South's proposed Tariff for Electric Service, is intended to encourage consideration on the part of economic development prospects of areas, usually within a large city, where facilities already exist but are being underutilized. Development in such areas is both a social benefit, and a benefit to Vectren South's existing customers who would otherwise be paying for the cost of maintaining such underutilized facilities.

Q. Please describe the proposed Rider ED.

Rider ED is intended to serve as an inducement to encourage a customer to make an investment in Vectren South's service territory that will result in the creation or retention of jobs and tax base. It allows a customer who meets the rider's criteria to receive a discount on the demand charge it would otherwise pay under Vectren South's Rate LP or Rate HLF. The magnitude of the credit will vary depending on the character of the electric load being added, and the character of the customer's economic development project. "Level 1" incentives

will be made available to customers whose project will create at least 25 new jobs, add 500 kVA in load, and have a load factor of 50% or higher. "Level 2" incentives will be made available to customers whose project will meet 2 out of 4 of the following criteria:

- Creation of at least 100 jobs
- Addition of 1500 kVA in load
- A load factor of 65% or greater
- Result in an investment of $1,000,000 or more, for each 1,000 kVA of new load.

Q. Please describe the proposed Rider AD.

A. Rider AD is intended to serve as an inducement to encourage a customer to make an investment in specific geographic areas of Vectren South's service territory. These areas, defined in Rider AD, are usually in a large city where utility facilities exist but are being underutilized. Rider AD allows a customer who meets the rider's criteria to receive a discount on the demand charge it would otherwise pay under Vectren South's Rate LP or Rate HLF. There are three different categories set out in Rider AD. Customers may qualify for any of these benefits, as described in greater detail hereafter. The benefits under Rider AD will continue for five years, as opposed to two years for Rider ED.

Q. Please discuss the Urban Redevelopment category.

A. A customer seeking the benefit of Rider AD under the Urban Redevelopment category would differ from a customer seeking the standard Rider ED, described above, in the following ways: (1) the customer does not need to show the creation of additional jobs; (2) the customer does not need to show receipt of economic support from governmental agencies; (3) the customer must locate in a relatively large, unused industrial building. The intent here is to provide an incentive to re-occupy large unused industrial buildings, typically located in a city's historic core, and to do so with relatively little difficulty or paperwork. The fact that there is both a minimum usage and minimum size threshold associated with this rider will assure that it will not be used indiscriminately.

Q. Please discuss the Brownfield Redevelopment category.

A. A customer seeking the benefit of Rider AD under the Brownfield Redevelopment category would differ from a customer seeking the standard Rider ED, described above, in the following ways: (1) the customer does not need to meet a minimum job creation or investment threshold; (2) the customer does not need to show receipt of economic support from governmental agencies; (3) the customer must locate in a designated Brownfield area.

Q. Please discuss the Economic Development Zone category

A. A customer seeking the benefit of Rider AD under the Economic Development Zone category would differ from a customer seeking the standard Rider ED, described above, in the following ways: (1) the threshold for minimum job creation and capital investment will be lower under this Rider than under Rider ED (2) the customer does not need to show receipt of economic support from governmental agencies. (3) the customer must locate in a designated economic development zone, of which there are several types cited in Rider AD. The intent here is to provide an incentive to smaller projects which might not be large enough to qualify for other incentives, but which are providing a benefit to the community simply by virtue of their decision to locate in one of the stipulated zones, which are, by definition and designation, areas where investment and job creation are particularly desirable.

Q. Please elaborate on the purposes of the riders that you have just described.

A. The standard Rider ED will probably be the most commonly used among the proposed economic development riders. I envision it becoming part of incentive packages offered to major economic development prospects throughout the Vectren South service territory. I expect that it would improve our state's and region's relative competitiveness for certain projects, especially those where electricity is a material component of the prospect's cost structure. I anticipate that this rider might be applied for and used two or three times per year.

Rider AD, on the other hand, is a very focused rider. Looking at the three categories stipulated separately, I would observe the following:

The Urban Redevelopment category focuses on large, unused industrial buildings. Such buildings represent a significant potential resource for creating a large number of jobs, and are located in a city's core where there is frequently a need for jobs, but such buildings are typically burdened with problems that make their re-use problematic. The use of Rider AD under this category creates a small, but possibly important economic incentive that would encourage such buildings' redevelopment, and the consequent creation of jobs. The only area in Vectren South's service territory where such buildings are present is the center city of Evansville. I expect that Rider AD under this category would be applied for and used no more than once per year, and perhaps less frequently.

The Brownfield Redevelopment category is intended to incent development at specific sites whose redevelopment would represent a significant social benefit. Brownfield sites are sites whose use in the past has resulted in some level of environmental contamination that restricts their redevelopment. Such designated sites exist in the Vectren South service territory. The primary obstacle to the redevelopment of such is the environmental remediation costs. By offering a discounted electric rate to the ultimate user of such a site, we believe that Rider AD may effectively encourage the remediation and reuse of a Brownfield site. I expect that the use of Rider AD under this category would be applied for and used no more than once per year.

The Economic Development Zone category is limited in applicability to geographic regions that have been pre-designated by governmental bodies as being areas where development, or re-development, would be particularly desirable. By lowering the threshold for qualifying projects, and eliminating the requirement that the customer must have received other economic incentives, we believe that this rider will tend to incent development in such geographic areas in

an efficient manner. (At this point in time, there are two zones in the Vectren South service territory that would qualify under this rider – the Evansville Urban Enterprise Zone and the Evansville Airport Development Zone.) I expect that the use of Rider AD under this category might be sought and granted once each year.

Q. Are there benefits to having this portfolio of economic development riders standardized as part of Vectren South Electric's tariffs?

A. Yes. This standardized portfolio of economic development riders will be part of Vectren South's tariffs, which are publicly available on Vectren's website. Both Hoosier and out of state companies interested in new locations for facilities or expanding current facilities will be able to access these standardized economic development riders and incorporate projected savings into their financial decision making process. In that manner Vectren South's economic development efforts will be effectively working to bring economic growth to Indiana 24/7.

ECONOMIC DEVELOPMENT

Q. Please describe how Vectren South's economic development work force is currently configured.

A. Currently Vectren South's economic development personnel are part of the Economic Development and Market Research Department, which is overseen by a single Director. Reporting to that Director is one economic development employee. The Director and the single employee provide economic development services in Vectren South's service territory, as well as the service territories of Vectren's two other regulated business units.

Q. Is the current staffing of Vectren South's economic development function sufficient?

A. No. We need additional resources. With additional personnel, we will be able to bring available benefits of economic development to our customers and to Indiana's economy. Based on communication with other utilities, it is our belief that our staff in this area is far fewer than the staff of our peer utilities

Q. Why is Vectren South seeking to increase resources in this area at this time?

A. Indiana has a traditional manufacturing driven economy. In the last few years, many of these types of companies have either downsized or moved operations overseas to find cheaper labor costs. Many U.S. manufacturers are struggling to compete in the global economy. As Indiana struggles to retain and replace such employers, the local utility has a natural role to play as a key service provider in terms of attracting new business growth. At this critical time for Indiana, Vectren South believes that past successes, including the recent addition of Honda at Greensburg in the Vectren North service area, can be built upon and a small investment in this department could yield large returns for Indiana's economic development.

Q. Does Vectren South have a proactive strategy for expanding its economic development efforts?

A. Yes. We want to increase Vectren South's economic development capabilities and increase our efforts to attract new business and to retain opportunities for customer expansion here in Indiana. Vectren South proposes to strengthen and more tightly unify our internal resources. We will work to further strengthen and develop new alliances in Indiana and elsewhere to help retain and attract new economic development opportunities. We will continually and critically re-evaluate what more the Company can do or what it can do differently to maximize Indiana's economic development potential. Vectren South will also develop a process to "prospect" for economic development opportunities inside and outside of Indiana. To continue and expand our economic development efforts, Vectren South needs additional personnel.

Q. What additional employee does Vectren South propose for its economic development department?

A. Vectren South proposes to hire an Economic Development Representative. This position will increase Vectren's capabilities in the recruitment of large industrial and commercial customers. The position duties will include:

- Identifying prospective industrial and commercial customers;
- Interfacing with and assisting local, regional, and state economic development agencies in our service territory to help recruit new employers;
- Building new strategic alliances;
- Maximizing the use of all strategic alliances;
- Managing the recruitment process for prospective industrial and commercial customers;
- Help refine and exercise a process to "prospect" for economic development opportunities inside and outside of Indiana rather than waiting for the opportunity to come to us.

Q. Is this new position essential to Vectren South's economic development efforts?

A. Yes. The level of work to be done and the time commitment required mandates the additional employee in economic development.

Q. What is the annual cost of this new economic development position?

A. The annual cost allocated to Vectren South (electric) will be $9,820. This amount is included in Adjustment A21 as shown in Petitioner's Exhibit No. MSH-2.

Market Research and Marketing Support

Q. Please describe how Vectren South's market research and marketing support work force is currently configured.

A. Currently Vectren South's marketing research activity is overseen by a single Director. Reporting to that Director is one market research employee. The Director and the single employee provide market research services in Vectren South's service territory, as well as the service territories of Vectren's two other

regulated business units. The Marketing Support Department is separate from this department, and currently consists of only one employee.

Q. Is the current staffing of Vectren South's market research and marketing support functions sufficient?

A. No. We need additional resources. With additional personnel, these departments will be able to bring available benefits of market research and marketing support to our customers and to Indiana's economy. Based on communication with other utilities, it is our belief that our staff in these areas is far fewer than the staff of our peer utilities.

Q. Please describe Vectren South's market research and marketing efforts.

A. One of the primary objectives of our market research area is customer satisfaction measurement. Market research provides Vectren with the information and performance metrics to determine if customers are satisfied with the services they receive and how those services can be further improved to enhance overall customer satisfaction. Vectren South continually strives to satisfy the needs and meet the expectations of our customers. In order to do this, we must better understand our customers' specific needs and their perception of the energy market. The base line data from our market research effort also drives our marketing support activities that lead to determining what new products and services customers may want. Another important objective of market research and marketing support activities is customer growth and retention. Spreading our fixed costs over a larger customer base places downward pressure on rates. Conversely, loss of customers or reduced growth places increased pressure on customer rates. Increasing customer satisfaction, increasing customer convenience, and providing the appropriate services for customers to feel that they receive reasonable value for their utility expense are key to maintaining customers.

Q. Are additional personnel needed for Vectren South Market Research and Marketing Support departments?

A. Yes. The Marketing Support area has a current vacancy for a Director position and the Market Research Department has a vacancy for a Manager position. We propose to hire a Marketing Support Department Director that would oversee both the market research and market support areas. The market research manager would manage the daily activities of the research functions. These personnel are needed to reasonably perform the market research and marketing support functions to manage the activities. This will also allow the bifurcation of the current single economic development and market research organization and thereby allow greater focus and effort to be placed on our economic development activities.

Q. What is the annual cost of the positions discussed above?

A. The annual costs allocated to Vectren South (electric) for the above positions is $44,133 as shown in Petitioner's Exhibit No. MSH-2, Adjustment A21.

Q. Will Vectren South hire a Market Research Consultant?

A. Yes. We will hire a market research consultant or consultants to help interpret market research data and help develop programs that are suggested by that research data. The research consultant's role will be to go beyond and augment the Market Research Department's efforts. There will be an ongoing need to retain the services of such consultants. We plan to continuously improve our ability to understand our customers' needs and therefore expect that we will need to retain such expertise on an ongoing basis.

Q. Does the test year reflect the cost of Market Research customer surveys?

A. No. Vectren has recently contracted for new market research studies and will contract for additional studies in the future. Vectren South will annually deploy a market research customer survey to gather information on how we can better meet the needs of our customers while keeping our rates low. This survey will gather customer information on demographics, customer needs, most critical areas of utility service to customers, conservation strategies, how price affects perception of the competitiveness of gas energy, market share, and customer

growth. The survey results will be critical in determining how Vectren South can satisfy its customers' needs, retain customers, and provide good value for their utility expense.

Q. Does the test year reflect the cost of new customer satisfaction surveys?

A. No. A new type of survey has been implemented in 2006 for benchmarking Vectren's performance in comparison to five (5) other peer utilities and expensed after the end of the test year. This expense is incurred to pay external research firms to conduct customer satisfaction surveys, process the information/data and report the findings. These surveys will recur annually and are critical in assessing Vectren South's customer satisfaction performance along with other similar utility service operations.

Q. Are these market research surveys necessary?

A. Yes. They are needed to determine how our customers view the service performance and many aspects of our operations. They allow us to understand our customers' needs and provide direction on what we can do and offer to change and improve processes, develop new services and increase customer satisfaction. For example, there may be billing products we can offer or even service options such as renewable energy alternatives or efficiency programs where customer feedback would be helpful in order to design and propose programs that increase customer satisfaction and deliver good customer value.

Q. What is the total annual cost to Vectren South (electric) for the economic development, market research, and marketing activities you have described?

A. The total annual cost is $95,090 as shown in Petitioner's Exhibit No. MSH-2, Adjustment A43.

Q. Does this conclude your prepared testimony?

A. Yes, it does.