

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	✓		
Freeman	✓		
Krevda			✓
Ober	✓		
Ziegner	✓		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA GAS COMPANY, INC. d/b/a)
VECTREN ENERGY DELIVERY OF INDIANA, INC.)
FOR AUTHORITY TO IMPLEMENT ITS 2021-2023)
FINANCING PROGRAM BY (1) ISSUING NOT TO)
EXCEED \$225,000,000 IN AGGREGATE PRINCIPAL)
AMOUNT OF UNSECURED LONG-TERM DEBT)
ISSUED TO UNAFFILIATED LENDERS AND DEBT)
IN THE FORM OF UNSECURED PROMISSORY)
NOTES TO VECTREN UTILITY HOLDINGS, INC.)
("VUHI"), ITS IMMEDIATE PARENT COMPANY,)
PURSUANT TO THE FINANCIAL SERVICES)
AGREEMENT; (2) EXECUTING AND DELIVERING)
EVIDENCES OF INDEBTEDNESS RELATING TO)
SUCH LONG-TERM DEBT; (3) ENTERING INTO)
INTEREST RATE RISK MANAGEMENT)
TRANSACTIONS; (4) ISSUING AND SELLING NOT)
TO EXCEED \$100,000,000 OF COMMON AND/OR)
PREFERRED STOCK; (5) APPROVAL OF)
PETITIONER'S REVISED FINANCIAL SERVICES)
AGREEMENT AMONG ITS AFFILIATE UTILITIES)
AND VUHI AND OTHER MATTERS RELATING TO)
SUCH TRANSACTION; AND (6) USING THE NET)
PROCEEDS FROM THE FINANCING PROGRAM TO)
REIMBURSE ITS TREASURY AND, THEREAFTER,)
TO REPAY AND REFUND OUTSTANDING LONG-)
TERM DEBT, REPAY ITS SHORT-TERM DEBT, AND)
FINANCE ITS CONSTRUCTION PROGRAM)

CAUSE NO. 45457

APPROVED: APR 14 2021

ORDER OF THE COMMISSION

Presiding Officers:

Sarah E. Freeman, Commissioner

Stefanie N. Krevda, Commissioner

Lora L. Manion, Administrative Law Judge

On November 23, 2020, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission"). Subsequently on November 24, 2020, Petitioner filed the pre-filed testimony of Brett A. Jerasa, Director, Assistant Treasurer for CenterPoint Energy, Inc. ("CenterPoint"), the ultimate parent company of Petitioner. As further described herein, Petitioner requests authority to carry out its Proposed Financing Program.

On January 28, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Cinthia J. Sabillon, a Utility Analyst in the OUCC’s Natural Gas Division.

On February 19, 2021, Petitioner filed the rebuttal testimony of Mr. Jerasa.

The Commission set this matter for an Evidentiary Hearing to be held on March 5, 2021, at 9:30 a.m. in room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. On February 25, 2021, a docket entry was issued advising that in accordance with Indiana Governor Holcomb’s Executive Orders related to the COVID-19 pandemic, the hearing would be conducted via teleconference and provided related participation information. Petitioner and the OUCC participated, by counsel, in the hearing via teleconference. At the hearing, the testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection.

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

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. Petitioner is a “public utility” and a gas utility as those terms are defined in Ind. Code §§ 8-1-2-1(a) and 8-1-2-87 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by Indiana law. Under Ind. Code §§ 8-1-2-76 through 8-1-2-81, the Commission has jurisdiction over a public utility’s issuance of bonds, notes, or other evidences of indebtedness payable at periods of more than one year and issuances of stock. Petitioner requests authority to issue up to \$225 million in aggregate principal amount of incremental long-term debt (payable at periods of more than one year) and the sale of up to \$100 million of additional common stock or preferred stock. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. Petitioner’s Characteristics. Petitioner is a public utility incorporated under the laws of Indiana with its principal office at 211 NW Riverside Drive in Evansville, Indiana. It has charter power and authority to engage in and is engaged in the business of rendering natural gas distribution service within Indiana. Petitioner owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities that are used and useful for the production, storage, transmission, distribution, and furnishing of natural gas utility service to approximately 614,000 customers in central and southern Indiana. Petitioner is a wholly-owned subsidiary of Vectren Utility Holdings, Inc. (“VUHI”), which is a wholly-owned subsidiary of Vectren Corporation. Petitioner is an indirect subsidiary of CenterPoint, the ultimate parent company of Petitioner, VUHI, and Vectren Corporation. VUHI also owns all the common stock of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South”), and Vectren Energy Delivery of Ohio, Inc. (“VEDO”).

3. Relief Requested. Petitioner requests authority to carry out, from time to time, during the period from the effective date of this Order through March 31, 2023 (“Financing Period”) its Proposed Financing Program consisting of the following:

A. Long-Term Debt. Petitioner seeks a certificate of authority to issue and sell

not to exceed \$225 million in aggregate principal amount of unsecured long-term debt with fixed or variable interest rates and maturities of up to 40 years.

B. Common and Preferred Stock. Petitioner seeks a certificate of authority to issue and sell common stock, preferred stock (including tax-deductible preferred stock), or a combination thereof, for cash, for an aggregate sale price not to exceed \$100 million. To the extent common stock is issued and sold, all of the additional common stock will be sold to VUHI. To the extent preferred stock is issued, it would likely be in the form of a cumulative preferred series or a convertible security.

C. Interest Rate Risk Management Transactions. Petitioner seeks a certificate of authority to enter into one or more Interest Rate Risk Management Transactions to allow Petitioner to do the following: (1) lock-in an interest rate in advance of completion of a long-term debt issuance; (2) reduce interest rate volatility; and (3) mitigate interest rate risk.

D. Application of Net Proceeds. Petitioner proposes to apply the proceeds from the Proposed Financing Program, after payment of expenses incurred in connection therewith, for the reimbursement of its treasury for amounts expended or expected to be expended for the following: (1) the acquisition of property, material, or working capital; (2) the construction, completion, extension, or improvement of its facilities, plant, or distribution system; (3) the improvement of its service; and (4) the discharge or lawful refunding of its obligations. Specifically, Petitioner proposes to use net proceeds of the financing to repay and refund outstanding long-term debt, to repay short-term borrowings, to finance its construction program, or otherwise fund expected expenditures for its construction program.

E. Revised Financial Services Agreement (“FSA”). Petitioner requests approval of a revised FSA that restructures the debt pooling arrangements among VUHI and its affiliate utilities. Specifically, Petitioner seeks approval to eliminate FINCO-I as an intermediate subsidiary, and reassign debt owed by Petitioner to FINCO-I back to VUHI. In addition, as a party to the existing FSA, Petitioner requests Commission approval to enter the revised FSA.

4. Evidence of the Parties.

A. Petitioner’s Evidence. Mr. Jerasa testified about Petitioner’s financial needs during the Financing Period. Mr. Jerasa estimated Petitioner’s external financing requirements for the Financing Period to be \$325 million. He estimated Petitioner has capital spending requirements for the Financing Period of approximately \$410 million, of which approximately 40% to 60% will require external funding. Mr. Jerasa testified regarding the components of the Proposed Funding Program and Petitioner’s capitalization and outstanding securities as follows:

i. Long-Term Debt. Some or all of the new long-term debt issued pursuant to the Financing Program will be issued through the existing pooling arrangements with VUHI and will likely have maturities of up to 40 years. Mr. Jerasa testified that debt issued by VUHI on behalf of Petitioner will likely be in the form of unsecured notes.

Mr. Jerasa testified the interest rates on the new fixed rate, long-term debt will be determined at the time of issuance or at the time the debt is priced, based on the then prevailing market and economic conditions. He stated that Petitioner and VUHI will consult with investment bankers and external counsel as well as review pertinent economic data prior to issuing long-term debt to ensure that the interest rates and terms and conditions of the new debt issues are reasonable.

Mr. Jerasa explained the benefits of the FSA with respect to Petitioner's long-term financing needs, explaining Petitioner plans on issuing some or all the new long-term debt portion of the financing program through its existing pooling arrangement with VUHI. Mr. Jerasa explained the amended and restated FSA was previously approved by the Commission in Cause No. 43968; and continues to provide for the pooling of the debt requirements of Petitioner, Vectren South, and VEDO (collectively the "Participants"), along with those of VUHI, thereby creating larger more attractive debt issues with lower interest rates, lower transaction costs, and better financial market access than the Participants would ordinarily have if they financed separately. Mr. Jerasa testified, in accordance with the Financial Services Agreement, VUHI sells its own long-term debt securities in the public or private markets in the amount of the combined long-term debt requirements of the Participants and re-loans the proceeds to the Participants on the same terms as apply to the VUHI debt. Each Participant executes a promissory note to VUHI in the amount of the loan to it. To ensure the availability of financing by VUHI to meet its financing needs and those of the Participants, and to maximize the benefits of the pooling arrangement, the Participants provide ongoing joint and several guarantees of all of VUHI's debt to make VUHI's debt issues attractive to investors and to achieve lower debt costs.

Mr. Jerasa further testified the 2011 amended and restated FSA authorized the creation of FINCO-I and the replacement of the debt owed by Petitioner to VUHI with debt with the same terms owed by Petitioner to FINCO-I, among other transaction and components. Mr. Jerasa described how these actions were taken to comply with a Private Letter Ruling ("PLR") and how, now that enough time has passed, FINCO-I will be eliminated, and debt owed by Petitioner to FINCO-I will be reassigned back to VUHI. Mr. Jerasa testified that removing FINCO-I and FINCO-V will simplify the debt structure of VUHI and its utility subsidiaries – the Participants, such that instead of being held by an intermediate subsidiary (FINCO-I), certain debt securities will instead be held by VUHI, the original issuer. Mr. Jerasa described how this restructuring will simplify financial reporting and eliminate an unneeded structure. Mr. Jerasa testified that the revised FSA does not have a definitive termination date of not more than five years from the effective date of the contract, as recommended by the General Administrative Order 2016-5 concerning affiliate contracts, explaining because, as outlined in the Commission's Order in Cause No. 43968, the FSA is intended to support long-term debt financings approved by the Commission that extend for many years in the future as well as multi-year revolving credit facilities, requiring a termination date within five years would be inconsistent with the long-term nature of the pooling agreement described in the FSA. Mr. Jerasa testified that this term issue of this affiliate agreement can be addressed through the Commission's review of the FSA in conjunction with periodic docketed financing or other regulatory proceedings.

Mr. Jerasa thereafter discussed the benefits of the FSA with respect to Petitioner's short-term financing needs. Mr. Jerasa stated that VUHI enters into multi-year credit facility agreements

allowing it to borrow on a short-term basis and re-loan the proceeds to the “Participants in accordance with their needs and on the same terms and at the same interest rate VUHI pays for short-term debt.” Mr. Jerasa described how consolidating the short-term financing needs of the three Participants through a syndicated credit facility and commercial paper program at VUHI yields the same kinds of benefits as does the long-term debt pooling arrangement.

Mr. Jerasa testified that, in its Order dated October 26, 2005 in Cause No. 42888 (“42888 Order”), the Commission authorized, to the extent necessary, and on an ongoing basis, Petitioner’s borrowing from VUHI in accordance with: (a) multi-year credit facility agreements of VUHI so long as each actual borrowing under the facility will be repaid within 365 days; and (b) credit facility agreements that contain Term-Out Options (an option allowing VUHI to terminate the facility and convert any outstanding short-term revolving loans into term loans) so long as the exercise of the option creates a term loan maturing no longer than 365 days after the facility termination date. Mr. Jerasa explained these conditions assure that the use of the credit facility maintains the attributes of short-term debt. In such cases, the Commission found, the borrowings would not be treated as using up any of Petitioner’s long-term debt authority in future financing proceedings. Mr. Jerasa further testified that Petitioner expects to continue to renew and utilize multi-year credit facilities on an on-going basis within the parameters set forth in the 42888 Order.

Mr. Jerasa also described Petitioner’s proposal to treat all costs associated with issuance of new long-term debt as debt costs to be amortized over the life of the new debt issues. Petitioner proposes all costs associated with an early redemption, including any required premium and unamortized issuance expense of prematurely retired issues, be treated as an issuance cost and amortized over the life of the refinancing issue, or if not refinanced with long-term debt, amortized over the original life of the debt being retired. Mr. Jerasa testified that Petitioner proposes to account for all of these costs for book purposes as an increase in its interest expense, and for ratemaking purposes by reflecting the net effect of these transactions in the embedded debt cost.

ii. **Common and Preferred Stock.** Mr. Jerasa testified that Petitioner requests authority to issue and sell additional common stock, preferred stock, or a combination thereof, for cash for an aggregate amount not to exceed \$100 million. Mr. Jerasa explained some or all of the equity may be received through a direct contribution of additional paid-in capital from VUHI. These equity infusions will not involve the issuance of additional shares of common stock. To the extent common stock is issued and sold, all of the additional common stock will be sold to VUHI. Mr. Jerasa stated that although it is unlikely Petitioner will issue preferred stock during the Financing Period, Petitioner would like the authority to do so to provide flexibility to take advantage of future market opportunities that may arise with respect to this type of security. Mr. Jerasa testified that to the extent preferred stock is issued, it would likely be in the form of a cumulative preferred series or in the form of a convertible security.

iii. **Interest Rate Risk Management Transactions.** Mr. Jerasa testified that Petitioner requests authority to enter into a variety of Interest Rate Risk Management Transactions, such as forward starting interest rate swaps, treasury rate locks, interest rate caps, collars, floors, and other derivative products. Mr. Jerasa stated these instruments are contractual agreements that will allow Petitioner to lock-in an interest rate in advance of completion of a long-term debt issuance, reduce interest rate volatility, and mitigate interest rate risk. Mr. Jerasa

described how the use of one or more of these hedging alternatives allows a company to “lock-in” an interest rate in advance of the completion of the issuance of a long-term debt security, which can be useful during times of interest rate volatility. Mr. Jerasa testified that financing instruments help mitigate interest rate risk by locking in interest rates over time with a series of interest rate hedges and thus price the new debt issue in pieces rather than at a single point in time. Mr. Jerasa testified that the use of interest rate swap transactions can reduce or manage interest rate risk, allow a company to convert variable rate debt to fixed rate or vice versa in order to take advantage of favorable market conditions or to obtain a desired mix of fixed and variable rate debt and provide opportunities to lower the cost of new or existing debt issues. Mr. Jerasa further testified that Petitioner proposes to treat the costs of Interest Rate Risk Management Transactions applicable to a debt issue as a debt cost to be amortized in the same way as the issuance costs related to that issue. He stated this proposed treatment was consistent with Petitioner’s past practice and was authorized by the Commission in previous financing Orders.

iv. Petitioner’s Capitalization and Outstanding Securities. Mr. Jerasa testified that Petitioner will seek to maintain an equity to permanent capitalization ratio in the range of 50% to 60%. Mr. Jerasa testified that as of September 30, 2020, Petitioner’s total capitalization amounted to approximately \$1.247 billion. Its long-term debt totaled \$475 million, and its common stock totaled approximately \$400 million. Retained earnings totaled approximately \$373 million. At that date, Petitioner’s long-term debt was represented by 7 series of senior unsecured debt totaling approximately \$96 million and 12 series of unsecured notes to VUHI totaling approximately \$379 million. Mr. Jerasa testified all of the outstanding long-term debt and common stock were authorized by Orders of the Commission.

v. Reporting. Mr. Jerasa further testified that Petitioner agrees to file with the Commission and serve on the OUCC a written report on each occasion when it exercises its long-term financing authority.

B. OUCC’s Evidence. Ms. Sabillon testified in support of Petitioner’s request for financing authority. She supported Petitioner’s proposal that the financing authority expire on March 31, 2023. Ms. Sabillon testified the OUCC agrees with Petitioner’s proposed changes to the FSA and with Petitioner’s proposal of not including a termination date for the revised FSA. Ms. Sabillon did not object to Petitioner’s continued participation in multi-year credit facilities with VUHI. Ms. Sabillon recommended approval of the Proposed Financing Program subject to the following OUCC proposals:

i. The interest rate spread associated with the newly issued fixed rate, long-term debt shall be no more than 500 basis points over United States Treasury bonds of comparable maturity at the time of issuance;

ii. the all-in rate for new variable rate, long-term debt shall not exceed 8% at the time of issuance;

iii. The same reporting requirements from Cause No. 45171 be ordered relating to Petitioner filing a written report on each occasion when it exercises its authority to issue long-term debt, preferred stock, or common stock authorized by the Order;

iv. Within 12 months after the date of the Order, and every 12 months thereafter while the authority granted by this Order remains in effect, Petitioner shall file with the Commission under this Cause and serve on the OUCC an annual report summarizing the extent to which it made short-term borrowings from VUHI during the prior year and the range of interest rates applicable thereto, and Petitioner shall attach copies of any promissory notes signed by Petitioner since the filing of the prior annual report.

C. **Petitioner's Rebuttal Evidence.** In his rebuttal testimony, Mr. Jerasa testified that Petitioner agrees, and is willing to comply, with the OUCC's recommendations, which are consistent with the requirements approved by the Commission in Petitioner's previous finance proceedings, Cause No. 45171, and relate to limiting the credit spread associated with new fixed debt to no more than 500 basis points above United States Treasury bonds of comparable maturity at time of pricing; and new variable interest rate debt to no more than 8% at time of issuance. Mr. Jerasa testified that Petitioner agrees to file with the Commission and serve on the OUCC a written report on each occasion that it exercises its long-term debt financing authority under this Cause. Mr. Jerasa further testified that, regarding the time associated with such reporting, Petitioner respectfully requests 60 days to file such reports with the Commission and serve on the OUCC as opposed to 30 days, which was required in Ordering Paragraph 3 of Cause No. 45170. Mr. Jerasa also testified that Petitioner agrees to file annual reports in compliance with the requirement in the Commission's Order in Cause No. 45171 (the "45171 Order").

Mr. Jerasa testified that in Public's Exhibit 1 in Cause No. 45458, the OUCC recommended that Vectren South continue to file the revised FSA along with any future financing authority petition. Mr. Jerasa described how Petitioner, instead, proposes in response to the OUCC's recommendation in Cause No. 45458 to reference the revised FSA with any future financing authority petition, and only provide a copy of the revised FSA as part of any future petition that seeks approval for subsequent revisions thereof. Mr. Jerasa testified that, for consistency, Petitioner proposes to do the same in this subject Cause – that is, reference the revised FSA with any future financing authority petition, and provide a copy as part of any future petition that seeks approval for subsequent revisions thereof. Mr. Jerasa further testified that, with respect to Petitioner's proposal related to the revised FSA, the OUCC communicated that Petitioner's proposal was an acceptable alternative to Mr. Loveman's recommendation in Cause No. 45458.

5. **Commission Discussion and Findings.** Pursuant to Ind. Code §§ 8-1-2-76 through 8-1-2-81, the Commission has the authority, after consideration of all information that may be relevant or required, to investigate and approve or disapprove a proposal by a public utility to issue bonds, notes, or other evidences of indebtedness payable at periods of more than one year and to issue and sell stock. The Commission must determine whether the proposed issuances are in the public interest in accordance with the laws addressing the issuance of securities by public utilities and whether the proposed issuances are reasonably necessary in the operation and management of the business of the utility in order that the utility may provide adequate service and facilities.

A. **Compliance with Purpose Requirements.** Pursuant to Ind. Code § 8-1-2-78, a public utility may, with the approval of the Commission, issue stock, certificates of stock, bonds, notes, or other evidence of indebtedness payable at periods of more than 12 months for: (1) the

acquisition of property, material, or working capital; (2) the construction, completion, extension, or improvement of facilities, plant, or distributing system; (3) the improvement of its service; (4) the discharge or lawful refunding of its obligations; and (5) the reimbursement of its treasury as provided under Ind. Code § 8-1-2-78(e). Based on the evidence presented, Petitioner proposes to use the net proceeds of the Proposed Financing Program to repay and refund outstanding long-term debt, to repay short-term borrowings, to finance its construction program, or otherwise fund expected expenditures for its construction program. The OUCC did not argue that Petitioner's proposed purposes are not in compliance. The Commission finds that these purposes comply with the purpose requirements of Ind. Code § 8-1-2-78. Based upon our review of the evidence presented, we also find that Petitioner's Proposed Financing Program is reasonably necessary in the operation and management of Petitioner's business. Thus, we find the proposed uses of these funds will serve the public interest.

B. Filing of Verified Petition and Consideration of Total Capitalization.

Pursuant to Ind. Code § 8-1-2-79, Petitioner filed with the Commission a Verified Petition and set forth the required description of the Proposed Financing Program. Therefore, Petitioner complied with the filing requirements of Ind. Code § 8-1-2-79.

Additionally, pursuant to Ind. Code § 8-1-2-79(a), for the purpose of enabling the Commission to determine whether the proposed issue is in the public interest and reasonably necessary in the operation and management of the business in order that the utility may provide adequate service and facilities, the Commission may also consider the total outstanding capitalization of the utility, including the proposed issue, in relation to the total value of or investment in the property of the utility. Petitioner provided evidence regarding the total outstanding capitalization of the utility in relation to the total value of the property of the utility. Petitioner provided evidence that after issuance of the securities for which the Commission's authorization is requested, outstanding common stock and long-term debt will not exceed the fair value of its utility properties. Petitioner presented evidence that its actual capital structure as of September 30, 2020, and proforma capital structure reflecting implementation of the Proposed Financing Program (adjusted for potential retirements of outstanding long-term debt) are as follows:

Description	Actual at 9/30/20		Adjusted for Proposed Financing Program	
	Amount	Percentage	Amount	Percentage
Long-Term Debt	\$ 474,876,000	38.1%	\$ 699,876,000	44.5%
Common Equity	\$ 772,083,000	61.9%	\$ 872,083,000	55.5%
Total	\$1,246,958,000	100.0%	\$1,246,958,000	100.0%

As of September 30, 2020, Petitioner's common stock totaled approximately \$400 million. Retained earnings totaled approximately \$373 million. At that date, Petitioner's long-term debt was represented by seven series of senior unsecured debt totaling \$96 million and 12 series of unsecured notes to VUHI totaling approximately \$379 million. All of the outstanding long-term debt and common stock were authorized by Orders of this Commission.

Pursuant to Ind. Code § 8-1-2-77, the amount of financing shall be reasonable in aggregate

amount. Due consideration shall be given to the nature of the business in which the corporation is engaged, its credit, future prospects and earnings, and the effect which such issue may have upon the management and efficient operation of the public utility. The Commission finds the long-term debt and common equity that Petitioner will have outstanding pursuant to the Proposed Financing Program described herein will bear a reasonable proportion to Petitioner's total capitalization and will be reasonable in aggregate amount, with due consideration given to the nature of Petitioner's business, credit, future prospects and earnings, and the effect the issuance of such securities may have on the management and efficient operations of Petitioner. Petitioner's total outstanding capitalization, when adjusted for the Proposed Financing Program, appears to be reasonable in relation to the total value of Petitioner's property used and useful for the convenience of the public. Therefore, based upon our review of this evidence, we find the resulting capital structure is reasonable and that Petitioner's total outstanding capitalization does not exceed the total fair value of Petitioner's property. This finding regarding capitalization supports our ultimate approval below of Petitioner's Proposed Financing Program.

C. **Terms and Conditions of Proposed Financing Program.** Pursuant to Ind. Code § 8-1-2-80(b), the Commission has authority to impose conditions upon a public utility issuing securities as the Commission deems reasonable.

Petitioner seeks authority to issue long-term debt with the following terms and conditions: (1) it will be issued in part or all through the existing pooling arrangements with VUHI; (2) participants provide ongoing joint and several guarantees of all of VUHI's short and long-term debt to make VUHI's debt issues attractive to investors and to achieve lower debt costs; and (3) the debt will be in the form of unsecured notes. The sale of common and/or preferred stock will have the following terms and conditions: (1) any additional common stock issued by Petitioner will be sold to VUHI; (2) Petitioner will sell any preferred stock for cash either through public offerings or private placements to non-affiliated parties or to VUHI; and (3) in the event VUHI sells its own preferred stock, some or all of the proceeds will be allocated to Petitioner. Mr. Jerasa testified that the Interest Rate Risk Management Transactions may include financing instruments such as forward starting interest rate swaps, treasury locks, derivative products, interest rate caps, floors, and collars. Petitioner proposes that the costs involved in any of these transactions be included in determining its overall cost of capital in future rate proceedings, consistent with Petitioner's past practice. No arguments were made by the OUCC that any of the above terms and conditions are unreasonable.

The OUCC recommended the Commission limit the interest rate spread of newly issued fixed rate, long-term debt to no more than 500 basis points above United States Treasury bonds of comparable maturity. The OUCC also recommended the Commission limit the all-in rate associated with variable rate, long-term debt to 8% at the time of issuance. Petitioner agreed to comply with the OUCC's recommendations, which are consistent with the requirements approved in the 45171 Order, and relate to limiting the credit spread associated with the new fixed debt to no more than 500 basis points above the United States Treasury bonds of comparable maturity at the time of issuance; and to a new variable interest rate at no more than 8% at time of issuance. The Commission finds that capping the interest rate for fixed rate, long-term debt, as proposed, is reasonable based on the evidence presented. The Commission also finds that capping the initial interest rate for variable rate, long-term debt at the time of issuance, as proposed, is reasonable based upon the evidence presented.

The OUCC further recommended Petitioner provide a written report to both the OUCC and the Commission when it exercises its authority to issue long-term debt, preferred stock, or common stock. The Commission finds that it is reasonable for Petitioner to provide a written report on new issuances as recommended by the OUCC. Mr. Jerasa testified that Petitioner does not object to providing such a written report. Regarding the time associated with such reporting, Petitioner respectfully requested 60 days to file such reports with the Commission and serve on the OUCC as opposed to 30 days, which was required in Ordering Paragraph 3 of Cause No. 45170. The Commission finds that submitting the report 30 days from the date of issuance of new long-term debt is a reasonable timeframe and should provide Petitioner sufficient time for such reporting. The Commission finds that Petitioner shall provide a written report to the Commission and the OUCC within 30 days of the issuance of any new debt and provide all terms of issuance in the report.

The OUCC also made recommendations regarding short-term borrowings from VUHI as follows: (1) Within 12 months after the date of this Order, and every 12 months thereafter, while the authority granted by this Order remains in effect, Petitioner shall file with the Commission under this Cause and serve on the OUCC an annual report summarizing Petitioner's short-term borrowings from VUHI during the prior year and provide the range of interest rates applicable; and (2) Petitioner shall attach copies of any promissory notes signed by Petitioner since the filing of the prior annual report. Petitioner did not object to this recommendation. Finding that this recommendation is reasonable, Petitioner shall provide the VUHI reporting recommended by the OUCC.

The Commission also finds the issuance of long-term debt as well as common and preferred stock pursuant to the Proposed Financing Program is reasonably necessary for the purposes for which such securities may be authorized by the Commission and is in accordance with the laws of Indiana relating to the issuance of securities by public utilities. The Commission further finds the Proposed Financing Program is in the public interest and is reasonably necessary in the operation and management of Petitioner's business so that Petitioner may provide adequate service and facilities. The Proposed Financing Program is also consistent with Petitioner's past financing proposals. Petitioner anticipates the financing will be used for capital expenditures that will allow the continued provision of safe, reliable service to its customers. Granting authority to Petitioner to enter into Interest Rate Risk Management Transactions also allows Petitioner the possibility to lock-in interest rates at lower costs. The Commission, therefore, finds Petitioner is authorized to issue long-term debt, sell common and/or preferred stock, and enter Interest Rate Risk Management Transactions as described in Petitioner's Petition and supporting evidence. Regarding Petitioner short-term financing needs, Petitioner is authorized to continue to participate in multi-year credit facilities with VUHI on the terms and subject to the limitations described in the Order in Cause No. 42888. The Commission also finds that Petitioner's proposal with respect to the amortization, accounting, and ratemaking treatment applicable to issuance, early redemption, and interest rate risk management costs, and the unamortized issuance costs associated with prematurely redeemed debt issues is approved.

D. Financial Services Agreement. The Commission finds that Petitioner's proposed revisions to its FSA are reasonable and in the public interest. Petitioner requested approval to eliminate FINCO-I as an intermediate subsidiary, and reassign debt owed by Petitioner

to FINCO-I back to VUHI. The Commission finds that such a reassignment is reasonable based on upon the evidence presented. The restructuring of the debt structure of VUHI, Petitioner, Vectren South and VEDO will simplify financial reporting and eliminate an unneeded structure. The Commission also reaffirms its finding in Cause No. 43968 and will not require the FSA to have a termination date within five years. The FSA is intended to support long-term debt financings approved by the Commission that extend for many years in the future as well as multi-year revolving credit facilities, and therefore requiring a termination date within five years would be inconsistent with the long-term nature of the pooling agreement described in the FSA. The Commission finds Petitioner need only reference the revised FSA with any future financing authority petition and only provide a copy of the revised FSA as part of any future petition that seeks approval for subsequent revisions thereof.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Petitioner Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. is authorized, during the period from the effective date of this Order through March 31, 2023, to carry out and consummate the Financing Program described herein, including taking all steps contemplated in the Proposed Financing Program and entering and executing appropriate agreements and instruments.

2. Petitioner is authorized:

- a. to issue, sell, and deliver up to \$225,000,000 in aggregate principal amount of unsecured long-term debt with fixed or variable interest rates; provided, the interest rate spread on newly issued, fixed rate, long-term debt shall not exceed 500 basis points above United States Treasury bonds of comparable maturity, and the all-in interest rate on variable rate, long-term debt shall not exceed 8% at the time of issuance;
- b. to issue and sell additional common stock, preferred stock, or a combination thereof in an amount not to exceed \$100,000,000;
- c. to enter into Interest Rate Risk Management Transactions as described above and treat the costs of such transactions as debt costs to be amortized in the same way as the issuance costs related to the issue to which they apply;
- d. to amortize the issuance costs associated with the new long-term debt issued pursuant to the authority granted herein over the life of the new issue, to treat the costs associated with any early redemption of any outstanding long-term debt, including any premium and any unamortized issuance expense of any such prematurely retired issues, as debt costs to be amortized over the life of the refinancing issue, or if not refinanced with long-term debt, amortized over the original life of the debt being redeemed, and to treat such costs for accounting and ratemaking purposes as described above; and
- e. to the extent necessary, to continue to enter into multi-year credit facility

agreements, the use of which will not reduce Petitioner's long-term debt authority provided in this or future financing orders, provided any amounts borrowed thereunder are repaid within 365 days from the date of the borrowing.

3. Within 30 days of incurring long-term debt, common stock, or preferred stock, Petitioner shall file a written report to the Commission under this Cause and serve the OUCC with the report, and the report shall provide all terms of the issuance.

4. Petitioner shall file within 12 months after the date of this Order, and every 12 months thereafter while the authority granted by this Order remains in effect, an annual report that summarizes the extent to which Petitioner made short-term borrowings from VUHI pursuant to the FSA during the prior year and the range of interest rates applicable. Petitioner shall attach copies of any promissory notes signed by Petitioner pursuant to the FSA since the filing of the prior annual report. Petitioner shall make these filings with the Commission under this Cause and serve them on the OUCC.

5. Petitioner's revised FSA is approved. Petitioner is authorized to enter into such agreement. Petitioner is also authorized to eliminate FINCO-I as an intermediate subsidiary, and reassign debt owed by Petitioner to FINCO-I back to VUHI. Petitioner shall reference the revised FSA with any future financing authority petition and only provide a copy of the revised FSA as part of any future petition that seeks approval for subsequent revisions thereof.

6. This Order is the sole evidence of our approval and shall constitute a certificate of authority granted to Petitioner as provided in Ind. Code§ 8-1-2-80.

7. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, OBER, AND ZIEGNER CONCUR; KREVDA ABSENT;

APPROVED: APR 14 2021

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

Dana Kosco
Secretary of the Commission