

**ORIGINAL**

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND )  
ELECTRIC COMPANY d/b/a VECTREN ENERGY )  
DELIVERY OF INDIANA, INC. FOR AUTHORITY TO )  
IMPLEMENT ITS 2021-2023 FINANCING PROGRAM )  
BY (1) ISSUING NOT TO EXCEED \$445,000,000 IN )  
AGGREGATE PRINCIPAL AMOUNT OF SECURED )  
OR UNSECURED LONG-TERM DEBT ISSUED TO )  
UNAFFILIATED LENDERS AND LOAN )  
AGREEMENTS SECURING TAX-EXEMPT BONDS )  
OR 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 \$170,000,000 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. 45458

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, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”). 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 February 1, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Caleb R. Loveman, Utility Analyst in the OUCC’s Electric Division.

On February 19, 2021, Petitioner filed rebuttal testimony, and March 1, 2021, Petitioner filed Correction Due to Scrivener’s Error.

The Commission set this matter for an Evidentiary Hearing to be held on March 5, 2021, at 10:30 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 regarding COVID-19, 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.** Due, legal, and timely notice of the hearing in this Cause was given and published as required by law. Petitioner is a public utility, electricity supplier, and a gas utility as those terms are defined in Ind. Code §§ 8-1-2-1(a), 8-1-2.3-2, 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 \$445 million in aggregate principal amount of incremental long-term debt (payable at periods of more than one year) and the sale of up to \$170 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 authority to engage in and is engaged in rendering electric service and 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 electric utility service to approximately 145,000 customers and natural gas utility service to approximately 113,000 customers in southwestern 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. Additionally, owns all the common stock of Petitioner; Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren North”); 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 \$445 million in aggregate principal amount of long-term debt with maturities of up to 40 years in tax-exempt financings in the form of unsecured notes, while any debt issued directly to investors by Petitioner or tax-exempt debt issued by a governmental entity may be secured or unsecured.

**B. Common and Preferred Stock.** Petitioner seeks a certificate of authority to issue and to sell common stock, preferred stock (including tax-deductible preferred stock), or a combination thereof, for cash, for an aggregate sale price not to exceed \$170 million. To the extent common stock is issued and sold, all additional common stock would 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 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 also requests approval of a revised FSA that restructures the debt pooling arrangement among VUHI and its affiliate utilities. Petitioner is a party to the existing FSA, and it 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 \$615 million. He estimated the capital spending requirements for the Financing Period to be approximately \$925 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.** Mr. Jerasa testified that there are potential refinancing requirements of up to \$55 million related to the maturity of outstanding VUHI long-term debt and up to \$5 million related to the maturity of tax-exempt debt during the Financing Period. Some or all the new long-term debt issued pursuant to the Proposed Financing Program will be issued through the existing pooling arrangements with VUHI and will likely have maturities of up to 40 years, given current market conditions and Petitioner's present debt maturity schedule. Petitioner also may engage in tax-exempt financings. Mr. Jerasa testified that debt issued by VUHI on behalf of Petitioner will likely be in the form of unsecured notes, while any debt issued directly to investors by Petitioner or tax-exempt debt issued by a governmental entity may be secured or unsecured.

Mr. Jerasa described how the tax-exempt financing component of the Proposed Financing Program works. He testified that to provide maximum flexibility in connection with the issuance of tax-exempt debt, Petitioner seeks authorization to secure its obligations under the loan agreements with its First Mortgage Bonds, or similar secured debt, should that be necessary to obtain the most advantageous terms at the time of issuance of the tax-exempt bonds. Mr. Jerasa explained that any First Mortgage Bonds or similar secured debt issued to secure Petitioner's obligations under a loan agreement supporting tax-exempt bonds will only provide security for the payment of that amount. Mr. Jerasa stated that the long-term, tax-exempt debt will likely be issued with maturities between 10 and 40 years and with variable or fixed interest rates with the option to reset them in the future as provided in the new loan agreements.

Mr. Jerasa further testified in a tax-exempt financing, bonds are issued by a governmental entity and sold pursuant to a private placement or to an underwriter that will market the bonds in a public offering. The proceeds of the tax-exempt bond issue are deposited with a trustee, and Petitioner borrows the deposited funds pursuant to a loan agreement between Petitioner and the governmental entity acting as the issuer. The terms upon which Petitioner repays the loan under the loan agreement will be the same as the terms applicable to the tax-exempt bonds. Petitioner repays the principal and interest to the trustee in accordance with the loan agreement, and the trustee will use these funds to pay the bondholders.

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 interest on any new tax-exempt, variable rate debt will be determined at the time of each interest rate reset by the remarketing agent appointed by Petitioner and based on the then prevailing market and economic conditions.

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 North, 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 FSA, 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 restated FSA authorized the creation of FINCO-I and the replacement of the debt owed by Vectren North to VUHI with debt with the same terms owed by Vectren North to FINCO-I, among other transaction and components. Mr. Jerasa described how these actions were taken to comply with a Private Letter Ruling and how, now that enough time has passed, FINCO-I will be eliminated, and debt owed by Vectren North to FINCO-I will be reassigned back to VUHI. Mr. Jerasa further testified that because Petitioner is a party to the existing FSA, it is therefore requesting Commission approval to enter the revised FSA. 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 Financial Services Agreement with respect to Petitioner's short-term financing needs. Mr. Jerasa stated that VUHI enters 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. He testified that consolidating the short-term financing needs of the 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 May 11, 2005 in Cause No. 42807 ("42807 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 42807 Order.

Mr. Jerasa also described Petitioner's proposal to treat all costs associated with issuance of new long-term debt as debt costs 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 these costs for book purposes as an increase in its interest expense. For ratemaking purposes, Petitioner will reflect the net effect of the 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 (including tax- deductible preferred stock), or a combination thereof for cash for an aggregate amount not to exceed \$170 million. Mr. Jerasa explained some or all 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 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 a convertible security.

**iii. Interest Rate Risk Management Transactions.** Mr. Jerasa testified that Petitioner requests authority to enter 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 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 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 \$1.959 billion. Its long-term debt totaled \$781 million, and its common stock totaled approximately \$433 million. Retained earnings totaled approximately \$744 million. At that date, Petitioner's long-term debt was represented by 10 series of first mortgage bonds totaling approximately \$293 million and 13 series of unsecured notes to VUHI totaling approximately \$488 million. Mr. Jerasa testified all 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.** Mr. Loveman testified regarding Petitioner's requested financing authority and the proposed use of the financing, and he supported Petitioner's proposal that the financing authority expire on March 31, 2023. Mr. Loveman testified the OUCC accepts Petitioner's proposal to enter the revised FSA with no termination date. Mr. Loveman further testified the OUCC recommends Petitioner continue to file the revised FSA along with any future financing authority petitions. Mr. Loveman did not object to Petitioner's continued participation in multi-year credit facilities with VUHI. Mr. Loveman recommended approval of the Proposed Financing Program subject to the following OUCC proposals:

i. Petitioner shall provide a written report to both the OUCC and Commission within 30 days of issuance of incurring the debt. The report should include all the terms of the debt, which includes: the amount and use of debt, maturity period, interest rate, premiums/discounts, issuance expenses, collateral details, repayment terms, and any other terms;

ii. Interest rates should meet the following criteria: credit spread associated with new fixed debt should not exceed by more than 500 basis points the yield to maturity on U.S. Treasury Bonds of comparable maturity at the time of pricing and 8% all-in rate for new variable rate debt at the time of issuance;

iii. Petitioner shall continue to file its revised FSA with all future financing authority petitions;

iv. An expiration date of March 31, 2023 shall be applied to the requested authority.

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

financing proceeding, Cause No. 45170, and relate to limiting the credit spread associated with new fixed debt to no more than 500 basis points above U.S. 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 financing authority under this Cause. Mr. Jerasa further testified that, regarding the time associated with such reporting, Petitioner respectfully requests 60 days, as opposed to 30 days, which was the timeframe set forth in Ordering Paragraph 3 of the Commission's Order in Cause No. 45170 (the "45170 Order"). Mr. Jerasa testified that, for consistency, Petitioner would also propose to file an annual report – similar to the requirement in Ordering Paragraph 4 of the Commission's Order in Cause No. 45171.

Mr. Jerasa testified that Petitioner does not agree with the OUCC's recommendation related to filing the revised FSA. Mr. Jerasa described how Petitioner would instead propose 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 the OUCC communicated that Petitioner's proposal was an acceptable alternative to Mr. Loveman's recommendation.

**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:

<b>Description</b>	<b>Actual at 9/30/20</b>		<b>Adjusted for Proposed Financing Program</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Long-Term Debt	\$ 781,168,000	39.9%	\$ 1,166,528,000	46.4%
Common Equity	\$ 1,177,399,000	60.1%	\$ 1,347,399,000	53.6%
Total	\$ 1,958,567,000	100.0%	\$ 2,513,927,000	100.0%

As of September 30, 2020, Petitioner’s common stock totaled approximately \$433 million. Retained earnings totaled approximately \$744 million. At that date, Petitioner’s long-term debt was represented by 10 series of first mortgage bonds totaling approximately \$293 million and 13 series of unsecured notes to VUHI totaling approximately \$488 million. All of the outstanding long-term debt and common stock have been 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, including tax-exempt financings, 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 likely be in the form of unsecured notes and debt issued directly to investors by Petitioner or tax-exempt debt issued by a governmental entity that may be either secured or unsecured. 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 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 U.S. 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 45170 Order, and relate to limiting the credit spread associated with new fixed debt to no more than 500 basis points above U.S. Treasury Bonds of comparable maturity at time of pricing; and new variable interest rate debt to 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 detailing all terms of the debt to the Commission and the OUCC within 30 days of the issuance. Petitioner did not object to the written report requirement, but Petitioner respectfully requested the 30-day deadline for such reporting be extended to 60 days. The Commission finds that it is reasonable for Petitioner to provide a written report describing any new debt. The Commission also finds that submitting the report 30 days from the date of issuance of new long-term debt is a reasonable timeframe 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 the issuance in the report.

Petitioner proposed, for consistency, to file an annual report similar to the requirement in Ordering Paragraph 4 of the Commission's Order in Cause No. 45171. The Commission finds that the filing of an annual report as proposed by Petitioner is reasonable based upon the evidence presented.

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 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, including tax-exempt long-term debt, sell common and 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. 42807. 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. The restructuring of the debt structure of VUHI, Petitioner, Vectren North, 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 also finds that 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 Southern Indiana Gas and Electric Company 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 Proposed 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 \$445 million in aggregate principal amount of secured or 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 U.S. 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 \$170 million;

c. to enter 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 and remarketed debt issued pursuant to the authority granted herein over the life of the new issue or existing issue; to treat the costs associated with any early redemption, or purchase in lieu of 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 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 and Petitioner is authorized to enter such

agreement. The 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.**

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**Dana Kosco**  
**Secretary of the Commission**