

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Indiana)
Gas Company, Inc. and Vectren Energy)
Delivery of Ohio, Inc. for Authority to Issue)
Long-Term Debt, to Issue and Sell) Case No. 09-655-GA-AIS
Common and/or Preferred Stock, and to)
Enter into Interest Rate Risk Management)
Transactions Pursuant to the Previously)
Approved Financial Services Agreement.)

FINDING AND ORDER

The Commission finds:

- (1) Applicants, Indiana Gas Company, Inc. and Vectren Energy Delivery of Ohio, Inc., are Ohio corporations and public utilities, as defined in Sections 4905.02 and 4905.03(A)(6), Revised Code, and are subject to the jurisdiction of this Commission.
- (2) This Application is filed under the provisions of Sections 4905.40 and 4905.41, Revised Code.
- (3) Applicants are requesting Commission authorization to implement, from time to time, through December 31, 2010, a financing program consisting of one or more of the following:
(a) issue long-term debt (the "New Debt") in the aggregate principal amount not to exceed \$180 million, (b) issue and sell additional common stock or preferred stock or a combination thereof (the "Stock") for an aggregate sale price not to exceed \$105 million, and (c) enter into interest rate risk management transactions (the "Interest Transactions"), as described in the Application and Exhibits.
- (4) The New Debt will have maturities not to exceed 40 years. The New Debt may carry a fixed or a variable interest rate, as described in the Application and Exhibits.
- (5) The Stock will be sold to Vectren Utility Holdings, Inc. (VUHI). All outstanding common shares of Indiana Gas and Vectren-

Ohio are currently held by VUHL, as described in the Application and Exhibits.

- (6) Applicants are requesting Commission authorization to enter into Interest Transactions and utilize interest rate management techniques to lower their overall effective cost, as described in the Application and Exhibits.
- (7) Applicants propose to implement some or all of their financing programs through VUHL, pursuant to a pooling arrangement as set forth in the Financial Services Agreement (the "FSA"), as described in the Application and Exhibits. By pooling their New Debt requirements through VUHL, Applicants intend to increase their access to the New Debt market and realize more favorable interest rates and financing flexibility.
- (8) The proposed guidelines or parameters set forth in the Application are intended to facilitate the issuance of the New Debt, the Stock (collectively, the "Securities") and the Interest Transactions on the best terms possible and at the lowest cost. The authorization to issue the Securities and to enter into Interest Transactions, within the parameters set forth in the Application and Exhibits, in no way relieves Applicants of their responsibility to negotiate the best terms available.
- (9) The proceeds from the Securities will be used for the acquisition of property, material, or working capital; Applicants' construction completion, extension, or improvement of the facilities, plant, or distribution system; refunding of the obligations; repaying short-term debt; reimbursing Applicants' treasuries for monies actually expended; repaying or refunding Applicants' outstanding long-term debt; or repaying short-term debt, all pursuant to Section 4905.40, Revised Code.
- (10) Generally, there will be no proceeds associated with the Interest Transactions since most transactions are effected without exchanging principal amounts.
- (11) The aggregate amount of the Securities, the terms thereof, and the probable cost to Applicants, within the parameters set forth in the Application and Exhibits do not appear to be unjust or unreasonable.

- (12) Pursuant to its Orders dated April 1 and April 17, 2003, in Case No. 03-688-GA-AIS; October 19, 2005 in Case No. 05-1142-GA-AIS, and October 17, 2007 in Case No. 07-1010-GA-AIS, this Commission previously authorized Applicants to participate in the FSA, including Applicants' guarantee of the outstanding New Debt of VUHI.

The Staff recommends that, in the event the credit rating of VUHI falls below investment grade, Applicants should inform the Director of the Utilities Department of this Commission in a timely manner, so that this Commission may consider whether any safeguards are needed to be imposed on Applicants.

- (13) Prior to the sale of any Stock to VUHI, Applicants state that they intend to seek approvals from their Board of Directors and any other required authorizations to ensure that the number of shares available for issuance is adequate to meet the expected financing needs of Applicants.

The Staff notes that, since the Applicants' Board of Directors has not yet authorized the type, number, or value of shares of Stock, the recommended authorization is limited to an aggregate amount of Stock for the purposes stated herein. Therefore, the Commission's approval should not be misconstrued as an endorsement of the Stock issuance.

Additionally, the Staff recommends that the Applicants should notify the Director of the Utilities Department of this Commission in a timely manner, as soon as Applicants' Board of Directors approves the issuance of the Stock.

- (14) The Commission is of the opinion that the Staff recommendations as described in Finding 12 and 13 above appear reasonable and should be adapted.
- (15) Based on information contained in the Application and Exhibits thereto, the purposes to which the proceeds from the Securities will be applied, and the purposes of the Interest Transactions appear to be reasonably required by the Applicants, and the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicants, Indiana Gas Company, Inc. and Vectren Energy Delivery of Ohio, Inc., are hereby authorized, through December 31, 2010, to: (a) issue and sell the long-term debt in an aggregate principal amount not to exceed \$180 million, (b) issue and sell additional common or preferred stock or a combination thereof with an aggregate sale price not to exceed \$105 million, and (c) enter into interest rate risk management transactions, pursuant to the terms and conditions as set forth in the Application and Exhibits. It is, further,

ORDERED, That Applicants shall apply the proceeds from the Securities for the purposes set forth in this Finding and Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That Applicants shall file in this docket separate written reports to this Commission with terms and full particulars of each of the transactions, as promptly as possible, when the transactions authorized by this Finding and Order are issued and sold and/or when Applicants enter into Interest Transactions. It is, further,

ORDERED, That, in the event the credit rating of VUHI falls below investment grade, Applicants shall inform the Director of the Utilities Department of this Commission in a timely manner. It is, further,

ORDERED, That, to the extent the Commission approval for the issuance of the Stock will occur prior to Applicants' Board of Directors' approval for the same, the Commission approval in this case shall not be misconstrued as an endorsement by the Commission for Applicants' Stock. It is, further,

ORDERED, That Applicants shall notify the Director of the Utilities Department of this Commission in a timely manner, as soon as Applicants' Board of Directors approves the issuance of the Stock. It is, further,

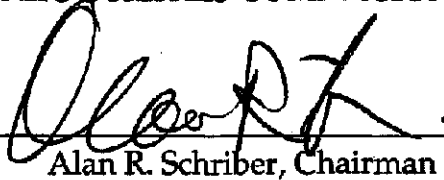
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the Securities or the interest thereon or the Interest Transactions, on the part of the State of Ohio. It is, further,

ORDERED, That nothing in this Finding and Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of the Applicants. It is, further,

ORDERED, That nothing in this Finding and Order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties of record.

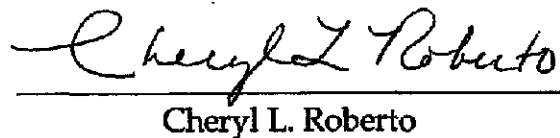
THE PUBLIC UTILITIES COMMISSION OF OHIO


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Entered in the Journal

SEP 15 2008


Renee J. Jenkins

Renee J. Jenkins
Secretary