

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of )  
Vectren Energy Delivery of Ohio, Inc. and )  
Indiana Gas Company, Inc. for Approval ) Case No. 10-3120-GA-AIS  
of an Adjustment to the Reorganization of )  
the Indebtedness and Capitalization of )  
Vectren Energy Delivery of Ohio, Inc. )

FINDING AND ORDER

The Commission finds:

- (1) Vectren Energy Delivery of Ohio, Inc. (VEDO) is an Ohio corporation and a public utility as defined in Sections 4905.02 and 4905.03(A)(5), Revised Code, and is subject to the jurisdiction of this Commission. Indiana Gas Company, Inc. (IGC), is a corporation in Indiana and Ohio. Both VEDO and IGC are wholly-owned subsidiaries of Vectren Utility Holdings, Inc. (VUHI), which is a wholly-owned subsidiary of Vectren Corporation (Vectren).
- (2) On December 22, 2010, VEDO and IGC (jointly referred to as the Applicants) filed this Joint Application (hereinafter, the Application) under the provisions of Sections 4905.40(A) (2) and 4905.41, Revised Code.
- (3) By Commission Order dated July 13, 2000, in Case No. 00-524-GA-ATR, Applicants were authorized to jointly acquire the gas assets of The Dayton Power and Light Company (Gas Assets). In order to preserve Vectren's "intrastate" exemption under the Public Utility Holding Company Act of 1935 (PUHCA 1935), ownership in the Gas Assets was transferred to VEDO (53 percent) and IGC (47 percent), respectively, as tenancy in common (TIC). In 2006, the PUHCA 1935 was repealed and replaced by the Public Utility Holding Company Act of 2005 (PUHCA 2005). Under PUHCA 2005, the TIC structure is no longer required to maintain the intrastate exemption. Vectren now proposes to dissolve the TIC interest and consolidate ownership of the Gas Assets with VEDO (Ownership Transfer), as described in the Application and Exhibits.

- (4) To effectuate the Ownership Transfer, Applicants are now seeking Commission authorization for the transfer of IGC's share of the Gas Assets to VEDO in the manner, as described in the Application and Exhibits.
- (5) Prior to initiating the Ownership Transfer, Vectren obtained a Private Letter Ruling (PLR) from the Internal Revenue Service (IRS) to ensure that no gain or loss would be incurred as a result of the transaction and such transfer would not result in a taxable transaction as the transfer of assets would be among its affiliate companies. The IRS ruled, in the PLR, that the Ownership Transfer would not result in a taxable event if the following steps, as proposed by Vectren, are undertaken:
  - (a) Wholly-owned financing subsidiaries (FINCO-I and FINCO-V) will be formed for the purpose of holding debt previously issued by IGC to VUHI in support of its operations (Operations Debt) and its investment in the Ohio Properties (Ohio Investment Debt).
  - (b) VUHI will transfer notes receivable representing long-term debt and short-term debt owed to it by IGC, with respect to the Operations Debt to FINCO-I in exchange for new notes receivable from FINCO-I with comparable terms to the existing notes receivable between VUHI and IGC.
  - (c) VUHI will transfer notes receivable representing long-term debt and short-term debt owed to VUHI by IGC, with respect to IGC's Ohio Investment Debt to FINCO-V in exchange for new notes receivable from FINCO-V with comparable terms to the existing notes receivable between VUHI and IGC.
  - (d) IGC will convert from an Indiana corporation to an Indiana LLC.
  - (e) IGC LLC will dividend its 47 percent TIC interest in the Ohio Properties to VUHI, which will then contribute it to VEDO, thereby making VEDO the sole owner of the Ohio Properties. IGC will also transfer to VUHI its long-term and short-term notes payable to FINCO-V. Then, IGC will

file articles of dissolution with the Ohio Secretary of State to terminate its status as an Ohio corporation.

- (f) Capitalization on IGC's balance sheet supporting its investment in its TIC interest in the Ohio Properties will be transferred from IGC to VEDO.
- (g) IGC LLC will convert back to an Indiana corporation.
- (6) Applicants currently participate in a Financial Services Agreement (FSA), which permits VEDO, IGC, and Southern Indiana Gas and Electric Company (SIGECO), an affiliate of the Applicants, to issue new debt through VUHI under a pooling arrangement which facilitates attractive interest rates and lower transaction costs than would otherwise be available. The terms and conditions of the FSA, Applicants' issuance of long-term debt, including Applicants' guarantee of the outstanding debt of VUHI, was initially authorized by the Commission in Case No. 03-688-GA-AIS and in subsequent proceedings (Prior Orders), as described in the Application and Exhibits.
- (7) Applicants state that the FSA has now been revised for completion of the Ownership Transfer and to incorporate the participation of FINCO-I and FINCO-V in the pooling arrangement. VEDO now requests Commission approval to participate in the revised FSA, which will be in effect for its future financings, as described in the Application and Exhibits.
- (8) Applicants state that the Ownership Transfer process does not require the issuance of any stocks, bonds, notes, or other evidences of indebtedness. It neither involves any purchase, sale or lease of utility property, plant, or business nor does it involve any transfer of regulatory assets. However, there will be changes to VEDO's indebtedness and capitalization as a result of the Ownership Transfer as described in the Application and Exhibits.
- (9) On November 22, 2010, IGC and SIGECO have filed a similar petition with the Indiana Utility Regulatory Commission (IURC) seeking approval for IGC for the proposed transactions (IURC Cause No. 43968).

- (10) Based on information contained in the Application and Exhibits thereto, the authority sought by the Applicants for the proposed Ownership Transfer of the Gas Assets and VEDO's participation in the revised FSA, appears to be reasonably required, and the Commission is satisfied that consent and authority should be granted.

It is, therefore,

ORDERED, That Applicants, Vectren Energy Delivery of Ohio, Inc., and Indiana Gas Company, Inc. are hereby authorized to transfer the ownership interest of IGC to VEDO in the Gas Assets they jointly acquired from The Dayton Power and Light Company, pursuant to the terms and conditions as set forth in the Application and Exhibits. It is, further,

ORDERED, That VEDO is authorized to participate in the revised FSA which will be in effect for future financings. It is, further,

ORDERED, That Applicants shall file in this docket separate written reports to this Commission with the terms and full particulars of the transfer the ownership interest of IGC to VEDO in the Gas Assets authorized by this Order, as promptly as possible. It is, further,

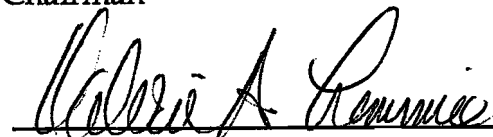
ORDERED, That, in the event IURC imposes any condition or conditions with respect to the Ownership Transfer, Applicants shall inform the Director of the Utilities Department of this Commission within 10 days of IURC authorization, so that this Commission may consider whether to impose similar condition or conditions on Applicants' Ownership Transfer. It is, further,

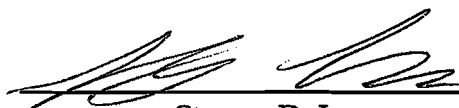
ORDERED, That a copy of this Finding and Order be served upon all parties of record.

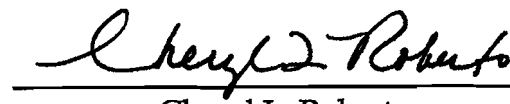
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Todd A. Snitchler, Chairman

  
Paul A. Centolella

  
Valerie A. Lemmie

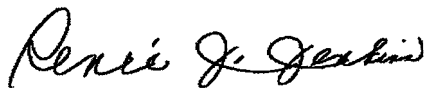
  
Steven D. Lesser

  
Cheryl L. Roberto

SUM:js

Entered in the Journal

MAR 16 2011



Renee J. Jenkins  
Secretary