

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
VECTREN ENERGY DELIVERY OF OHIO, INC.  
FOR AUTHORITY TO ISSUE LONG-TERM DEBT,  
ISSUE AND SELL COMMON AND/OR  
PREFERRED STOCK, RECEIVE EQUITY  
INFUSIONS, AND ENTER INTO INTEREST RATE  
RISK MANAGEMENT TRANSACTIONS.

CASE NO. 16-572-GA-AIS

### FINDING AND ORDER

Entered in the Journal on June 15, 2016

#### I. SUMMARY

{¶ 1} In this Finding and Order, the Commission approves Vectren Energy Delivery of Ohio, Inc.'s application for authority, through June 30, 2017, to issue long-term debt, issue and sell common and/or preferred stock, receive equity infusions, and enter into interest rate risk management transactions, subject to Staff's recommended conditions.

#### II. DISCUSSION

{¶ 2} Vectren Energy Delivery of Ohio, Inc. (VEDO) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4905.40 permits a public utility to issue stocks, bonds, notes, and other evidences of indebtedness, payable at periods of more than 12 months, when authorized by the Commission. Pursuant to R.C. 4905.40(A)(1), the public utility may issue notes or other evidences of indebtedness when it is necessary for, among other things, the construction, completion, extension, renewal, or improvement of its facilities and, under R.C. 4905.40(A)(2), for reorganization or readjustment of its indebtedness and capitalization. The application process for obtaining Commission authorization is outlined in R.C. 4905.41. The application must include the amount, purpose, and terms of the financial arrangement, as well as the total assets and liabilities of the public utility.

{¶ 4} On March 16, 2016, VEDO filed an application and supporting exhibits pursuant to R.C. 4905.40 and 4905.41. VEDO requests authority, through June 30, 2017, to issue and sell long-term debt not to exceed an aggregate principal amount of \$70 million, as well as to issue and sell common and/or preferred stock and receive equity infusions for an aggregate sale price not to exceed \$75 million (collectively, Securities). VEDO also seeks authority to enter into one or more interest rate risk management transactions (Interest Agreements). VEDO proposes to use the proceeds from the financing program for the acquisition of property, material, or working capital; the construction, completion, extension, or improvement of facilities, plant, or distribution system; the improvement of service; and the discharge or lawful refunding of its obligations. VEDO proposes to implement the financing program through its parent company, Vectren Utility Holdings, Inc. (VUHI), pursuant to a pooling arrangement set forth in the Financial Services Agreement, as described in the application.

{¶ 5} On May 27, 2016, Staff filed its review and recommendation. Staff finds, following its review of VEDO's application, that the application is reasonable and recommends that it be approved, with the following conditions:

- (a) In the event the credit rating of VUHI falls below investment grade, VEDO will notify the Commission by docketing the change within 30 days of such change, so that the Commission may consider whether any safeguards need to be imposed on VEDO;
- (b) To the extent that VEDO's board of directors has not yet authorized the type, number, or value of shares of stock, the Commission's approval is limited to an aggregate amount of stock for the purposes stated in the application and should not be misconstrued as an endorsement of the stock issuance; and

- (c) VEDO should notify the Commission in a timely manner as soon as VEDO's board of directors approves the issuance of the stock.

{¶ 6} Upon consideration of the application, and Staff's review and recommendation, the Commission finds that the aggregate amount of the Securities, and the terms thereof, and the probable cost to VEDO, within the parameters set forth in the application, do not appear to be unjust or unreasonable. In addition, based on the information contained in the application, the purposes to which the proceeds from the Securities shall be applied, and the use of the Interest Agreements, appear to be reasonably required by VEDO to meet its present and prospective obligations to provide utility service. Therefore, the Commission finds that the application should be approved, subject to Staff's recommended conditions.

### III. ORDER

{¶ 7} It is, therefore,

{¶ 8} ORDERED, That VEDO's application be approved, pursuant to the terms and conditions as described in the application, and subject to Staff's recommended conditions. It is, further,

{¶ 9} ORDERED, That VEDO shall apply the proceeds from the Securities for the purposes set forth in this Finding and Order and otherwise pursuant to the provisions of R.C. 4905.40. It is, further,

{¶ 10} ORDERED, That the authorization granted by this Finding and Order shall not be construed as limiting the Commission's determination of the appropriateness of the Securities for future ratemaking treatment. It is, further,

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

{¶ 12} ORDERED, That nothing in this Finding and Order be construed to imply any guaranty or obligation as to the Securities on the part of the state of Ohio. It is, further,

{¶ 13} ORDERED, That nothing in this Finding and Order 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,

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

**Commissioners Voting: Asim Z. Haque, Chairman; M. Beth Trombold;  
Thomas W. Johnson.**

SJP/sc