

# Confidential Release

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Exhibit C-3 and C-5

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**EXHIBIT C-3**

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**FINANCIAL STATEMENTS**



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Vectren Source  
20 N.W. Fourth Street  
Evansville, IN 47708

June 24, 2002

To Whom It May Concern:

I hereby certify that these financial statements are true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Greg Collins".

Greg Collins  
President

# VECTREN RETAIL BALANCE SHEET

DECEMBER 2001

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|                                  | CURRENT MONTH      |          |            | YEAR TO DATE       |            |            |
|----------------------------------|--------------------|----------|------------|--------------------|------------|------------|
|                                  | DEC-01             | DEC-01   | Percent    | DEC-01             | DEC-01     | Percent    |
|                                  | This Year          | Budget   | Change     | This Year          | Budget YTD | Change     |
| <b>ASSETS</b>                    |                    |          |            |                    |            |            |
| <i>Current Assets</i>            |                    |          |            |                    |            |            |
| Cash                             | 113,281            | 0        | n/m        | 39,761             | 0          | n/m        |
| Accounts Receivable - Trade      | 297,555            | 0        | n/m        | 297,555            | 0          | n/m        |
| Accounts Receivable - Other      | 156,140            | 0        | n/m        | 348,272            | 0          | n/m        |
| Other Current Assets             | 304,339            | 0        | n/m        | 331,543            | 0          | n/m        |
| <b>Total Current Assets</b>      | <b>871,315</b>     | <b>0</b> | <b>n/m</b> | <b>1,017,131</b>   | <b>0</b>   | <b>n/m</b> |
| <i>Fixed Assets</i>              |                    |          |            |                    |            |            |
| Property, Plant & Equipment      | 0                  | 0        | n/m        | 22,127             | 0          | n/m        |
| Accumulated Depreciation         | (883)              | 0        | n/m        | (1,726)            | 0          | n/m        |
| Capital In Progress              | 262,577            | 0        | n/m        | 521,147            | 0          | n/m        |
| <b>Total Fixed Assets</b>        | <b>261,695</b>     | <b>0</b> | <b>n/m</b> | <b>541,548</b>     | <b>0</b>   | <b>n/m</b> |
| <b>TOTAL ASSETS</b>              | <b>1,133,010</b>   | <b>0</b> | <b>n/m</b> | <b>1,558,679</b>   | <b>0</b>   | <b>n/m</b> |
| <b>LIABILITIES</b>               |                    |          |            |                    |            |            |
| <i>Current Liabilities</i>       |                    |          |            |                    |            |            |
| Accounts Payable - Trade         | (714)              | 0        | n/m        | 0                  | 0          | n/m        |
| Accounts Payable - Other         | (562,299)          | 0        | n/m        | 203,483            | 0          | n/m        |
| Accrued Liabilities              | 761,796            | 0        | n/m        | 847,527            | 0          | n/m        |
| Other Liabilities                | 213,983            | 0        | n/m        | 419,693            | 0          | n/m        |
| <b>Total Current Liabilities</b> | <b>412,766</b>     | <b>0</b> | <b>n/m</b> | <b>1,470,703</b>   | <b>0</b>   | <b>n/m</b> |
| Long-Term Debt                   | 2,319,265          | 0        | n/m        | 2,599,548          | 0          | n/m        |
| Shareholder's Equity             |                    |          |            |                    |            |            |
| Common Stock                     | 0                  | 0        | n/m        | (1,472,000)        | 0          | n/m        |
| Retained Earnings                | (142,022)          | 0        | n/m        | (1,039,573)        | 0          | n/m        |
| Current Year Net Income (Loss)   | (1,599,022)        | 0        | n/m        | (2,511,573)        | 0          | n/m        |
| <b>Total Equity</b>              | <b>(1,599,022)</b> | <b>0</b> | <b>n/m</b> | <b>(2,511,573)</b> | <b>0</b>   | <b>n/m</b> |
| <b>TOTAL LIAB &amp; EQUITY</b>   | <b>1,133,010</b>   | <b>0</b> | <b>n/m</b> | <b>1,558,679</b>   | <b>0</b>   | <b>n/m</b> |

# VECTREN RETAIL INCOME STATEMENT

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DECEMBER 2001

|                                 | CURRENT MONTH    |          |         | YEAR TO DATE       |            |         |
|---------------------------------|------------------|----------|---------|--------------------|------------|---------|
|                                 | DEC-01           | DEC-01   | Percent | DEC-01             | DEC-01     | Percent |
|                                 | This Year        | Budget   | Change  | This Year          | Budget YTD | Change  |
| <b>Revenue</b>                  |                  |          |         |                    |            |         |
| NATURAL GAS PRODUCTS & SERVICES | 330,448          | 0        | n/m     | 330,448            | 0          | n/m     |
| <b>Total Revenue</b>            | <u>330,448</u>   | <u>0</u> | n/m     | <u>330,448</u>     | <u>0</u>   | n/m     |
| <b>Cost of Goods Sold</b>       |                  |          |         |                    |            |         |
| NATURAL GAS PRODUCTS & SERVICES | 286,184          | 0        | n/m     | 286,184            | 0          | n/m     |
| <b>Total Cost of Goods Sold</b> | <u>286,184</u>   | <u>0</u> | n/m     | <u>286,184</u>     | <u>0</u>   | n/m     |
| <b>Gross Margin</b>             |                  |          |         |                    |            |         |
| NATURAL GAS % OF SALES          | 44,264           | 0        | n/m     | 44,264             | 0          | n/m     |
| <b>Total Gross Margin</b>       | <u>44,264</u>    | <u>0</u> | n/m     | <u>44,264</u>      | <u>0</u>   | n/m     |
| <b>Total % of Sales</b>         | 13.4%            | 0        | n/m     | 13.4%              | 0          | n/m     |
| <b>Operating Costs</b>          |                  |          |         |                    |            |         |
| GENERAL & ADMINISTRATIVE        | 116,225          | 0        | n/m     | 704,654            | 0          | n/m     |
| FINANCE                         | 15,023           | 0        | n/m     | 73,105             | 0          | n/m     |
| MARKETING                       | (92,321)         | 0        | n/m     | 100,514            | 0          | n/m     |
| REGULATORY & MARKET OPERAT      | 89,625           | 0        | n/m     | 378,983            | 0          | n/m     |
| BUSINESS OPERATIONS             | 53,580           | 0        | n/m     | 236,101            | 0          | n/m     |
| PRODUCTS & SERVICES             | 85,125           | 0        | n/m     | 216,596            | 0          | n/m     |
| <b>Total Operating Costs</b>    | <u>267,257</u>   | <u>0</u> | n/m     | <u>1,709,954</u>   | <u>0</u>   | n/m     |
| <b>EBITDA</b>                   | (222,993)        | 0        | n/m     | (1,665,690)        | 0          | n/m     |
| DEPRECIATION & AMORTIZATION     | 883              | 0        | n/m     | 1,726              | 0          | n/m     |
| <b>EBIT</b>                     | (223,875)        | 0        | n/m     | (1,667,416)        | 0          | n/m     |
| INTEREST EXPENSE (INCOME)       | 2,997            | 0        | n/m     | 4,357              | 0          | n/m     |
| <b>EBT</b>                      | (226,872)        | 0        | n/m     | (1,671,773)        | 0          | n/m     |
| TAXES (TAX BENEFIT)             | (84,850)         | 0        | n/m     | (632,200)          | 0          | n/m     |
| <b>Net Income</b>               | <u>(142,022)</u> | <u>0</u> | n/m     | <u>(1,039,573)</u> | <u>0</u>   | n/m     |

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VECTREN RETAIL  
FINANCIAL STATEMENTS

Statement of Cash Flows

Cash Flows from Operating Activities

|  |                     |
|--|---------------------|
| Net Income   | December-01         |
|  | \$ (142,022)        |
| <u>Adjustments to reconcile net income to cash</u> |                     |
| Depreciation                                       | \$ 882              |
| Accounts Receivable                                | \$ (453,695)        |
| Inventories  | \$ -                |
| Other Assets                                       | \$ (304,339)        |
| Accounts Payable                                   | \$ (563,013)        |
| Accrued Liabilities                                | \$ 761,796          |
| Other Liabilities                                  | \$ 213,983          |
| Net Cash Flow from Operating Activities            | <u>\$ (486,408)</u> |

**Cash Flow from Investing Activities**

|   |                     |
|---|---------------------|
| Purchase of Property, Plant & Equipment | \$ (262,577)        |
| Net Cash Flow from Investing Activities | <u>\$ (262,577)</u> |

**Cash Flows from Financing Activities**

|  |                      |
|--|----------------------|
| Net Increase (decrease) on notes payable   | \$ 2,319,265         |
| Principal payment on long-term borrowings  |                      |
| Proceeds from capital infusion from parent | <u>\$(1,457,000)</u> |
| Net Cash Flow from Financing Activities    | <u>\$ 862,265</u>    |
| Net Increase (Decrease) in Cash            | \$ 113,280           |
| Beginning Cash Balance                     | \$ (73,520)          |
| Ending Cash Balance                        | \$ 39,760            |

|                 |           |
|-----------------|-----------|
| COLLECTIONS     | 1,072,842 |
| EXP             | (959,561) |
| NET CASH CHANGE | 113,281   |
| BEG CASH        | (73,520)  |
| END CASH        | 39,761    |

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**EXHIBIT C-5**

**FORECASTED FINANCIAL STATEMENTS**

**(C10549:)**

**VECTREN RETAIL, LLC**

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**VECTREN RETAIL**

**12/2003 Forecasted Financial Statement Assumptions**

--Two year forecast is based upon entire Retail operations which include the sale of energy products and services, LD, internet, satellite TV and equipment sales.

--CMNGS operations consist of the following portions of the attached forecast:

80% of Sales  
33% of Gross Margin  
60% of Operating Expenses

--Forecast assumes operation in two LDCs in Ohio and five LDC's in other states over the two-year forecast

--Operators will be funded by internal short-term debt thru Vectren Capital Corp.

**Preparer:**

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**VECTREN RETAIL**  
**Consolidated Financial Statements**

**Statements of Projected Income and Retained Earnings**

|  | Projected<br>2002     | Projected<br>2003     |
|--|-----------------------|-----------------------|
| Sales Revenues                         | 9,160,726             | 31,300,000            |
| Cost of Sales                          | 8,090,868             | 27,000,000            |
| Gross Profit                           | 1,069,858             | 4,300,000             |
| Operating Expenses                     |                       |                       |
| Operations & Maintenance               | 5,788,302             | 7,500,000             |
| EBITDA                                 | (4,718,444)           | (3,200,000)           |
| Depreciation                           | 457,645               | 900,000               |
| Property and Other Taxes               | -                     | -                     |
| All Other                              | -                     | -                     |
| Total                                  | 457,645               | 900,000               |
| Net Operating Income                   | (5,176,089)           | (4,100,000)           |
| Other Income & Expenses                |                       |                       |
| Interest Income                        | -                     | -                     |
| Interest Expense                       | (237,479)             | (400,000)             |
| Other Income from DPL Acquisition      | -                     | -                     |
| Gain on sale of assets                 | -                     | -                     |
| Equity in net income of affiliates     | -                     | -                     |
| Total Other Income & Expenses          | (237,479)             | (400,000)             |
| Income / (Loss) Before Taxes           | (5,413,568)           | (4,500,000)           |
| Greg's forecast                        | (5,176,089)           | (4,100,000)           |
| Income taxes                           |                       |                       |
| Federal                                | (2,036,638)           | (1,526,175)           |
| State                                  | (70,415)              | (139,500)             |
| Income Taxes                           | (2,107,053)           | (1,665,675)           |
| Minority Interest                      | -                     | -                     |
| Net Income / (Loss)                    | <u>\$ (3,306,515)</u> | <u>\$ (2,834,325)</u> |
| Retained earnings at beginning of year | (1,518,292)           | (4,824,807)           |
| Less dividends                         | -                     | -                     |
| Retained earnings at end of year       | (4,824,807)           | (7,659,132)           |

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**VECTREN RETAIL**

**Projected Balance Sheets**

| <b>ASSETS</b>                               | <b>Projected<br/>2002</b> | <b>Projected<br/>2003</b> |
|---|---------------------------|---------------------------|
| Current Assets                              |                           |                           |
| Cash  | 103,020                   | 103,020                   |
| Accounts receivable                         | 4,963,604                 | 2,600,000                 |
| Inventories                                 | -                         | -                         |
| Other current assets                        | -                         | -                         |
| Total current assets                        | 5,066,624                 | 2,703,020                 |
| Other Assets                                | -                         | -                         |
| Total Other Assets                          | -                         | -                         |
| Property and Equipment                      | 3,412,391                 | 7,500,000                 |
| Less accumulated depreciation               | 467,445                   | 1,367,445                 |
| Net Utility Plant                           | 2,944,946                 | 6,132,555                 |
| Investment in Affiliates                    | -                         | -                         |
| Total Investments                           | -                         | -                         |
| <b>TOTAL ASSETS</b>                         | <b>8,011,570</b>          | <b>8,835,575</b>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                           |                           |
| Current Liabilities                         |                           |                           |
| Short-term debt                             | 6,094,768                 | 5,237,903                 |
| Accrued liabilities                         | 6,741,609                 | 11,261,804                |
| Other                                       | -                         | -                         |
| Total current liabilities                   | 12,836,377                | 16,499,707                |
| Long-Term Debt                              | -                         | -                         |
| Shareholders' Equity                        |                           |                           |
| Common Stock                                | -                         | -                         |
| Additional paid-in capital                  | -                         | -                         |
| Retained Earnings                           | (4,824,807)               | (7,659,132)               |
| <b>TOTAL LIABILITIES</b>                    | <b>8,011,570</b>          | <b>8,835,575</b>          |
| <b>***TOTAL ASSETS</b>                      | <b>8,011,570</b>          | <b>8,835,575</b>          |
| <b>***DIFFERENCE</b>                        | <b>(0)</b>                | <b>(0)</b>                |

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**VECTREN RETAIL**

Statement of Projected Cash Flows

|  | Projected<br>2002 | Projected<br>2003 |
|--|-------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>            |                   |                   |
| Net Income   | \$ (3,306,515)    | \$ (2,834,325)    |
| <b>Adjustments to reconcile Net Income to Net Cash</b> |                   |                   |
| Depreciation   | 457,645           | 900,000           |
| Equity in net income of unconsolidated affiliates      | -                 | -                 |
| Accounts receivable                                    | (4,643,772)       | 2,363,604         |
| Inventories  | -                 | -                 |
| Other current assets                                   | -                 | -                 |
| Accrued liabilities                                    | 5,680,768         | (861,865)         |
| Other current liabilities                              | -                 | -                 |
| Net Cash Flow from Operating Activities                | (1,811,874)       | (432,586)         |
| <b>Cash Flows from Investing Activities</b>            |                   |                   |
| Purchase of property or equipment                      | (2,374,391)       | (4,087,609)       |
| Investment in affiliates                               | -                 | -                 |
| Net Cash Flow from Investing Activities                | (2,374,391)       | (4,087,609)       |
| <b>Cash Flows from Financing Activities</b>            |                   |                   |
| Net increase (decrease) on notes payable               | 4,260,387         | 4,520,195         |
| Principal payments on long-term borrowings             | -                 | -                 |
| Proceeds from capital infusion from parent             | -                 | -                 |
| Dividends paid   | -                 | -                 |
| Net Cash Flow from Financing Activities                | 4,260,387         | 4,520,195         |
| Net Increase (Decrease) in Cash                        | 74,122            | -                 |
| Cash at beginning of year                              | 28,898            | 103,020           |
| Cash at end of year                                    | 103,020           | 103,020           |