



**Public Utilities
Commission**

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FILE

January 17, 2019

Docket Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of Vectren Energy Delivery of Ohio, Inc., Case No. 18-1027-GA-UNC.*

Dear Docketing Division:

Enclosed please find the Staff's Comments in regard to In the Matter of Vectren Energy Delivery of Ohio, Inc. in Case No. 18-1027-GA-UNC.

Doris E. McCarter
Chief, Capital Recovery and Financial Analysis Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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Vectren Energy Delivery of Ohio, Inc.
Case No. 18-1027-GA-UNC

SUMMARY

On June 15, 2018, Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company) filed a Notice of Parent Company Merger (Notice) with the Public Utilities Commission of Ohio (Commission) regarding the execution of a merger agreement between Vectren Corporation (Vectren) and CenterPoint Energy, Inc. (CenterPoint Energy).

According to the Notice, on April 21, 2018, Vectren entered into an Agreement and Plan of Merger (the Merger Agreement) with CenterPoint Energy. The Merger Agreement has been approved and authorized by the boards of directors of those companies. According to VEDO, upon closing of this merger, Vectren will become a wholly owned subsidiary of CenterPoint Energy and will continue to exist. VEDO and its affiliates, including public utilities providing service in Indiana, will continue to be subsidiaries of Vectren Utility Holdings, Inc., which will continue to be a subsidiary of Vectren. On October 5, 2018, the Federal Energy Regulatory Commission issued an order finding the transaction is consistent with the public interest. VEDO seeks a finding from the Commission that the transaction will not adversely impact VEDO customers.

STAFF COMMENTS

Based upon Staff's review of the Notice, Staff does not believe the proposed merger to be unreasonable, provided that the Commission impose the conditions set forth below.

Staff has considered several factors in reaching this conclusion. Staff observes that VEDO's status as a Commission-regulated public utility will remain unchanged after the merger and that the Commission will, accordingly, retain jurisdiction over VEDO. After the merger, any commitments VEDO has currently made to the Commission will remain unchanged, and any authorizations will continue to be governed by the same terms and conditions. VEDO activities will continue to be accounted for separately, with separate books and records maintained. There will be no impact on the rates, terms or conditions of service to VEDO customers resulting from the merger.

Staff recommends that the Commission condition approval of the merger on the following conditions:

- Transaction Costs
 - VEDO shall not seek recovery of any Transaction Costs from Ohio customers.

- Transaction Costs include the costs incurred to structure, negotiate, and execute the transaction; professional services fees, including investment banker fees, counsel fees, audit fees, accounting fees, and the like; and direct internal labor and external services needed to evaluate the merger, negotiate its terms, obtain regulatory approvals, obtain shareholder approvals, and execute transaction contracts.
 - In its next general rate case, VEDO shall provide testimony and schedules, as necessary, to demonstrate that any Transaction Costs have been removed from the test period in that case.
- Transition Costs
 - VEDO shall provide testimony and schedules, as necessary, to identify any Transition Costs for which recovery is sought.
 - Transition Costs means costs that are related to or incurred as a result of the merger, such as costs to combine, integrate or align Vectren and CenterPoint following the Transaction. VEDO will also include in its requests for recovery how it determined what costs should be considered Transition Costs.
 - VEDO shall demonstrate that the Transition Costs sought for recovery from Ohio customers do not exceed the benefits received or to be received by Ohio customers. VEDO shall also demonstrate that the Transition Costs were reasonable, were prudently incurred, and were necessary.
 - VEDO shall provide testimony regarding its efforts to achieve net cost savings and demonstrate that any net cost savings achieved have been reflected in proposed rates.
- VEDO shall continue to maintain its level of investment in its Ohio infrastructure and also continue the capital investment plans as outlined in its Distribution Replacement Rider (DRR).
- VEDO shareholders shall make charitable contributions to the VEDO service territory in the amount of \$6.95 million over the next five years. Such commitment reflects a \$1.95 million increment to the annual \$1 million charitable contributions made to Ohio. Specifically, the additional \$1.95 million reflects a share of CenterPoint Energy's \$15 million overall charitable pledge to Vectren customers, that is based upon VEDO's contribution to Vectren's total net operating income.
- VEDO agrees to notify the Commission of any material changes in current accounting practices.

- VEDO shall meet with Staff every six months after the merger until it files its next rate case to update the Staff on capital plans, financing, and the process of integrating Vectren into CenterPoint Energy.

CONCLUSION

Subject to the adoption of Staff's conditions listed above, Staff believes the merger will *promote public convenience and result in the provision of adequate natural gas service by VEDO in Ohio.*