

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
STOCK, RECEIVE EQUITY INFUSIONS,
AND ENTER INTO INTEREST RATE RISK
MANAGEMENT TRANSACTIONS.

CASE NO. 19-970-GA-AIS

FINDING AND ORDER

Entered in the Journal on August 28, 2019

I. SUMMARY

{¶ 1} The Commission approves Vectren Energy Delivery of Ohio, Inc.'s application for authority, through June 30, 2020, to issue long-term debt, issue and sell common stock, receive equity infusions, and enter into interest rate risk management transactions, subject to Staff's conditions and recommendations.

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 April 23, 2019, VEDO filed an application and supporting exhibits pursuant to R.C. 4905.40 and 4905.41. VEDO requests authority, through June 30, 2020, to issue and sell long-term debt not to exceed an aggregate principal amount of \$120 million (Long-Term Debt), as well as to issue and sell common stock (Stock) and receive equity infusions for an aggregate sale price not to exceed \$75 million (collectively, Securities). Further, VEDO 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 (FSA), as described in the application. VEDO notes that VUHI is a wholly-owned indirect subsidiary of CenterPoint Energy (CenterPoint). VEDO further notes that the FSA has not been amended as a result of the merger between CenterPoint and Vectren Corporation on February 1, 2019. However, according to VEDO, CenterPoint plans to assess the appropriateness of other financing models. VEDO affirms that it will not implement any changes without first informing the Commission.

{¶ 5} On August 16, 2019, Staff filed its review and recommendations. 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 that the credit rating of VUHI is downgraded or goes on credit watch with negative implications, beginning after August 16, 2019, VEDO will file such notice in this docket within ten days of such change and apprise the Commission of VEDO's projected course of action to insulate VEDO from any negative consequences of such downgrade. Based upon the filing of

VEDO, the Commission will then determine whether any additional Commission action is warranted.

- (b) The authorization to consummate the financing transactions to issue the Long-Term Debt within the parameters set forth in the application in no way relieves VEDO of its responsibility to negotiate and obtain the best competitive market terms available.
- (c) In the event that VEDO enters into Interest Agreements, it will report the terms and full particulars to the Commission within 30 days of executing the transactions.
- (d) VEDO shall file a summary report, in this case docket, within 60 days of issuing any Long-Term Debt under the authority granted in this case. The report shall summarize the principal amount, interest rate, and type of security issued; the other terms and full particulars of the Long-Term Debt, including a description of any collateral required, issuance expenses, any discounts or premiums, any credit enhancements, and any other pertinent repayment terms; and the use of proceeds from the Long-Term Debt in broad categories.
- (e) 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 construed as an endorsement of the Stock issuance.
- (f) VEDO should notify the Commission by docketing a report in a timely manner as soon as VEDO's Board of Directors approves the issuance of the Stock.

- (g) As referenced in the application, CenterPoint is assessing the appropriateness of alternative financing models to the current FSA. If CenterPoint's assessment analysis identifies a more advantageous financing model, VEDO should notify the Commission and thoroughly review the details of the new potential financing model with Staff prior to binding itself to any new alternative financing arrangements.

{¶ 6} Upon consideration of the application, and Staff's review and recommendations, 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 conditions and recommendations.

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 conditions and recommendations. 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:

Approving:

Sam Randazzo, Chairman
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

SJP/hac

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Case No(s). 19-0970-GA-AIS

Summary: Finding & Order that the Commission approves Vectren Energy Delivery of Ohio, Inc.'s application for authority, through June 30, 2020, to issue long-term debt, issue and sell common stock, receive equity infusions, and enter into interest rate risk management transactions, subject to Staff's conditions and recommendations. electronically filed by Docketing Staff on behalf of Docketing