

**BEFORE
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,)	CASE No. 19-970-GA-AIS
TO ISSUE AND SELL COMMON STOCK,)	
RECEIVE EQUITY INFUSIONS, AND ENTER)	
INTO INTEREST RATE RISK MANAGEMENT)	
TRANSACTIONS PURSUANT TO THE PREVIOUSLY)	
APPROVED FINANCIAL SERVICES AGREEMENT.)	

**FIRST REPORT OF APPLICANT VECTREN ENERGY
DELIVERY OF OHIO, INC. ON
EXERCISE OF FINANCING AUTHORITY**

Pursuant to the Commission's Order ("Order") in this proceeding dated August 28, 2019, Applicant Vectren Energy Delivery of Ohio, Inc. ("Applicant" or "VEDO") submits this first report on the exercise of its financing authority granted by the Order.

1. The order granted authority to the Applicant to carry out a financing program during the period from the date of the Order through June 20, 2020. The Order provided that the Applicant shall file a report with the Commission on each occasion when it exercises the authority granted therein. Applicant hereby files the first report under the Order.
2. In September, 2019, Vectren Utility Holdings, Inc. ("VUHI") issued \$125 million of its 3.42% long-term Promissory Note due September 15, 2049 ("3.42% Promissory Note"). The Promissory Note is jointly and severally guaranteed by Applicant, Southern Indiana Gas and Electric Company, and Indiana Gas Company, Inc.

3. In accordance with the debt pooling arrangement described in the Order, on December 30, 2019, VUHI loaned VEDO \$25 million of the proceeds of the issuance of the 3.42% Promissory Note on the same terms (including maturity and interest rates) as those obtained by VUHI. Net proceeds to VEDO approximated \$25 million. A copy of the Promissory Note is attached as Exhibit A. The terms of the long-term loan are set forth in Exhibit B. As of December 30, 2019, the effective interest rate on the VUHI 3.42% Promissory Note, including the amortization of transaction costs is 3.42%.
4. Following VUHI's December 2019 loan to VEDO totaling \$25 million of its long-term debt, VEDO retains \$75 million of common stock financing authority and \$95 million of its long-term debt financing authority under the Order, which remains in effect through June 30, 2020.
5. Paragraph 5(a) of the August 28, 2019 Finding and Order in this proceeding also requires VEDO to notify the Commission in the event that VUHI's credit rating is downgraded. VEDO has notified and discussed the item with Commission Staff and hereby notifies the Commission as follows. Moody's has downgraded VUHI to from an A2 rating to a rating of A3 stable outlook. As noted by Moody's, the revised rating is "primarily a function of the VUHI's reliance on debt for its external capital needs, but also reflects lower cash flows from the lingering effects of tax reform." With respect to the higher level of debt, VUHI's utility subsidiaries are in the midst of significant infrastructure improvement programs, resulting in a gradual decline in the percentage of cash flow to debt since 2015. Moody's notes that it expects this percentage to stabilize around 20% (2018 level) following certain one-time costs,

including costs associated with the merger with CenterPoint, that reduced cash flow in 2019. Moody's rating action leaves VUHI with an A3 rating, as well as a stable outlook, which remains an excellent credit rating. The change from the A2 rating should have no material impact on future debt costs.

Respectfully submitted this 20th day of February, 2020.

VECTREN ENERGY DELIVERY OF OHIO, INC.

By: 

Carla Kneipp
Vice President and Treasurer
CenterPoint Energy, Inc.

By: 

Heather A. Watts
In-House Counsel for Applicant

Counsel:

Matthew Pritchard
(counsel of record)
McNees Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, Ohio 43215
614-719-2842
mpritichard@mcneeslaw.com

**PROMISSORY NOTE
FOR LONG-TERM LOAN**

\$25,000,000

December 30, 2019

FOR VALUE RECEIVED, Vectren Energy Delivery of Ohio, Inc., an Ohio corporation ("Borrower") hereby promises to pay to VECTREN UTILITY HOLDINGS, INC., an Indiana corporation ("Lender"), in same day funds at its principal offices in Evansville, Indiana, or at such other place Lender may from time to time designate, the principal sum of Twenty-Five Million Dollars (\$25,000,000.00), together with interest thereon from the date hereof until paid in full, all without relief from valuation or appraisal laws. Interest shall be charged on the unpaid outstanding balance of this Note at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as Lender must pay with respect to the borrowings it made in order to provide funds to Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. Borrower's share of the Lender borrowings represents approximately 20% of the underlying VUHI Promissory Note due September 15, 2049 and net proceeds approximate \$25 million. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowing hereunder shall be deemed conclusive.

The terms and conditions of the borrowings made by Lender in order to provide funds to Borrower hereunder, such documentation of which is attached hereto, are hereby incorporated by reference and made a part hereof; *provided, however*, that the principal sum under this Note shall be in such amount as set forth in this Note. In the event of any conflict or inconsistency between the terms of this Note and the terms of the borrowings made by Lender in order to provide funds to Borrower hereunder, the terms of this Note shall govern.

Presentment, notice of dishonor and demand, protest and diligence and collection and bringing suit are hereby severally waived by Borrower and each endorser hereby consents that the time for payment of this Note or any installment hereunder may be extended from time to time without notice by Lender. No waiver of any default or failure or delay to exercise any right or remedy by Lender shall operate as a waiver of any other default or of the same default in the future or as a waiver of any right or remedy with respect to the same or any other occurrence. No single or partial exercise by Lender of any right or remedy shall preclude other or further exercises thereof or of any other right or remedy.

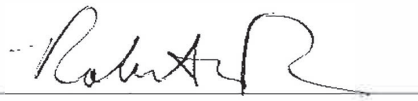
This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the terms "Lender" and Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Note shall be construed according to, and governed by, the laws of the State of Indiana.

This Note is one of the promissory notes referred to in the Financial Services Agreement, dated December 31, 2011, between Lender, Borrower and certain other public utility subsidiaries of Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed as of the date and the year first hereinabove written.

VECTREN ENERGY DELIVERY OF OHIO, INC.

By: 
Robert B. McRae
Assistant Treasurer

*Execution Version***PROMISSORY NOTE**

\$ 125,000,000.00

September 10, 2019

THIS PROMISSORY NOTE (this "Note"), dated as of September 10, 2019, executed by **Vectren Utility Holdings, Inc.** (the "Borrower"), an Indiana corporation, whose address is One Vectren Square Evansville, Indiana 47708, payable to **CenterPoint Energy, Inc.** (together with its successors and assigns and any subsequent holders of this Note, the "Lender"), whose address is 1111 Louisiana, Houston, Texas 77002. The Borrower hereby agrees as follows:

FOR VALUE RECEIVED, the Borrower hereby promises to pay to the order of Lender, whose address is 1111 Louisiana, Houston, Texas 77002, the aggregate principal amount of ONE HUNDRED TWENTY-FIVE MILLION AND NO/100 DOLLARS (\$125,000,000.00), together with accrued and unpaid interest thereon, as set forth herein.

The unpaid principal balance of the Note shall bear interest from the date hereof at a rate equal to 3.42% per annum, computed on the basis of a 360 day year. Interest hereon shall be due and payable in arrears on each March 15th and September 15th, commencing March 15, 2020, and continuing through September 15, 2049, when the principal balance hereof and all accrued and unpaid interest thereon shall be due and payable in full. All payments made to the Lender under this Note shall be made in immediately available funds at the address of the Lender, in lawful money of the United States of America.

The Borrower is and shall be obligated to pay all amounts that become payable under this Note absolutely and unconditionally and without any abatement, postponement, diminution or deduction whatsoever and without any reduction for counterclaim or setoff whatsoever.

This Note may be prepaid from time to time, in whole or in part, without premium or penalty. Any optional prepayment of this Note shall be applied first to accrued interest and then to the principal balance hereof.

Nothing contained in this Note or any other document executed in connection herewith is intended to require the Borrower to pay interest (including fees, charges or expenses or any other amounts which, under applicable law, are deemed interest) for the account of Lender at a rate exceeding the highest rate permitted under applicable law.

The provisions of this Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void).

THIS NOTE CONTAINS THE FINAL, ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO RELATING TO THE SUBJECT MATTER HEREOF AND

Execution Version

THEREOF AND ALL PRIOR AGREEMENTS, WHETHER WRITTEN OR ORAL, RELATIVE HERETO AND THERETO WHICH ARE NOT CONTAINED HEREIN OR THEREIN ARE SUPERSEDED AND TERMINATED HEREBY, AND THIS NOTE MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES HERETO.

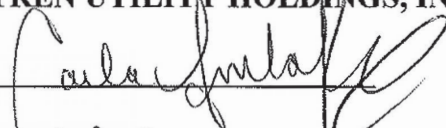
This Note shall be deemed to be a contract under the laws of the State of Texas and for all purposes shall be construed and enforced in accordance with the laws of said State and, when applicable, the United States of America.

VECTREN UTILITY HOLDINGS, INC.

By: 

Title: Asst. Treasurer

VECTREN UTILITY HOLDINGS, INC.

By: 

Title: VP & Treasurer

EXHIBIT B

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**Summary Terms – Vectren Utility Holdings, Inc.
\$125,000,000 Fixed Rate Thirty-Year Note
Issued September 2019**

Par Amount:	\$125,000,000
Security Type:	Promissory Note
Coupon:	3.42%
Interest Payment Dates:	Semi-annually on March 15 and September 15
First Interest Payment:	March 15, 2020
Final Maturity:	September 15, 2049
Redemption:	VUHI may, at any time or from time to time, voluntarily prepay the Note in whole or in part, without premium or penalty
Lender:	CenterPoint Energy, Inc.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

2/24/2020 2:38:48 PM

in

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

Summary: Report First Report of Applicant Vectren Energy Delivery of Ohio, Inc. on Exercise of Financing Authority electronically filed by Mr. Matthew R. Pritchard on behalf of Vectren Energy Delivery of Ohio, Inc.