

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
A CENTERPOINT ENERGY COMPANY
(VECTREN SOUTH)

IURC CAUSE NO. 45447

DIRECT TESTIMONY
OF
RYAN D. MOORE
FINANCE MANAGER, FP&A

ON

2021 BUDGET PROCESS, VECTREN ALLOCATIONS, AND RESULTS

SPONSORING PETITIONER'S EXHIBIT NO. 3,
ATTACHMENTS RDM-1 THROUGH RDM-5

Glossary of Acronyms

| | |
|----------------------|---|
| AUPC | Average Use Per Customer |
| Budget | Detailed, monthly two-year budget |
| CenterPoint | CenterPoint Energy, Inc. |
| Company | Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. |
| CSIA | Compliance and System Improvement Adjustment |
| CTA | Cost to Achieve |
| CWIP | Construction Work In Progress |
| ERP | Enterprise Resource Planning |
| FERC | Federal Energy Regulatory Commission |
| FP&A | Financial Planning and Analysis |
| GL | General Ledger |
| GCA | Gas Cost Adjustment |
| IURC | Indiana Utility Regulatory Commission |
| IURT | Indiana Utilities Receipts Tax |
| LTI | Long-Term Incentive |
| Margin Analysis Team | Centralized team in charge of budgeting and projecting the margin for CenterPoint utility jurisdictions |
| NOAA | National Oceanic and Atmospheric Administration |
| O&M | Operating and Maintenance |
| Petitioner | Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. |
| STI | Short-term Incentive |
| USoA | Uniform System of Accounts |
| Vectren | Vectren Corporation |
| Vectren North | Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. |
| Vectren Ohio | Vectren Energy Delivery of Ohio, Inc. |
| Vectren South | Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. |
| VUHI | Vectren Utilities Holdings, Inc. |

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DIRECT TESTIMONY OF RYAN D. MOORE

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Ryan D. Moore. My business address is 211 NW Riverside Drive,
5 Evansville, Indiana, 47708.

6

7 **Q. By whom are you employed?**

8 A. I am employed by Vectren Corporation ("Vectren"), a wholly-owned subsidiary of
9 CenterPoint Energy, Inc. ("CenterPoint").

10

11 **Q. On whose behalf are you testifying in this proceeding?**

12 A. I am testifying on behalf of Southern Indiana Gas and Electric Company d/b/a Vectren
13 Energy Delivery of Indiana, Inc. ("Petitioner", "Vectren South" or the "Company"),
14 which is a subsidiary of Vectren.

15

16 **Q. What is your role with respect to Petitioner Vectren South?**

17 A. I am Finance Manager of Indiana and Ohio Gas Financial Planning and Analysis
18 ("FP&A") for Vectren, which is the parent company of Petitioner. I have the same role
19 with two other utility subsidiaries of Vectren – Indiana Gas Company, Inc. d/b/a
20 Vectren Energy Delivery of Indiana, Inc. ("Vectren North") and Vectren Energy
21 Delivery of Ohio, Inc. ("Vectren Ohio").

1 **Q. Please describe your educational background.**

2 A. I graduated from Ball State University with a Bachelor's degree in Mathematics, and
3 then continued my education at the University of Southern Indiana graduating with a
4 Master's degree in Business Administration and Management.

5

6 **Q. Please describe your professional experience.**

7 A. I began my career as a Financial Analyst at Vectren Fuels, a coal mining subsidiary of
8 Vectren, in 2009. Subsequent to the sale of Vectren Fuels by Vectren, I moved into a
9 Financial Analyst position supporting the Vectren Corporate functions. In 2014, I was
10 promoted to Senior Financial Analyst at Vectren, and then Lead Financial Analyst in
11 2016. In 2019, I assumed my current role as Finance Manager for Indiana and Ohio
12 gas operations.

13

14 **Q. What are your present duties and responsibilities as Finance Manager?**

15 A. I am responsible for financial planning and analysis of revenues, operating expenses,
16 and the capital investment plan for CenterPoint's gas operations in Indiana and Ohio.

17

18 **Q. Have you ever testified before any state regulatory commission?**

19 A. No.

20

21 **II. PURPOSE & SCOPE OF TESTIMONY**

22

23 **Q. What is the purpose of your testimony in this proceeding?**

24 A. My testimony will support the unadjusted test year for Vectren South in this

proceeding, which is the budget developed for calendar year 2021. I will support the 2021 Unadjusted Income Statement and Balance Sheet for Vectren South used in the development of the Revenue Requirement calculation supported by Petitioner's Witness Angie M. Bell. I am specifically sponsoring Column A of Petitioner's Exhibit No. 18, Schedule C-1.1, along with support of the unadjusted test year amounts in various other Schedules in Petitioner's Exhibit No. 18. In support of the 2021 budget, I will provide an overview of Vectren's capital and operating budget and forecasting process, from initiation through review and approval by CenterPoint leadership. I will discuss each of the key components of the unadjusted income statement and how those components were derived in the budgeting process. I will also describe the allocation process by which common costs of Vectren and Vectren Utility Holdings, Inc. ("VUHI") are allocated to the Indiana and Ohio jurisdictional utilities, with specific focus on the allocations of operating expenses to Vectren South. Finally, I will discuss how the key components of the 2021 Forecasted Balance Sheet for Vectren South were projected to be utilized in the development of the Rate Base and Capital Structure within the Revenue Requirement calculation.

Q. Are you sponsoring any attachments in this proceeding?

A. Yes. I am sponsoring the following attachments in this proceeding:

- Petitioner's Exhibit No. 3, **Attachment RDM-1**: Vectren South's Forecasted Income Statement for calendar year 2020 and 2021.
- Petitioner's Exhibit No. 3, **Attachment RDM-2**: Vectren Budgeting and Forecasting Policy for the 2021 Budget.

- 1 • Petitioner's Exhibit No. 3, Attachment RDM-3: Vectren Corporate Allocation
- 2 Policy.
- 3 • Petitioner's Exhibit No. 3, Attachment RDM-4: Vectren South's Forecasted
- 4 Balance Sheet for December 31, 2020 and December 31, 2021.
- 5 • Petitioner's Exhibit No. 3, Attachment RDM-5: Vectren South's Forecasted
- 6 Statement of Cash Flows for 2020 and 2021.
- 7

8 **Q. Were these attachments prepared by you or under your supervision?**

9 A. Yes, they were.

10

11 **Q. Were you directly involved in the development of Vectren South's budget for its**

12 **gas jurisdiction?**

13 A. Yes. I was directly involved in the development of Vectren South's gas budget and

14 financial plan, including but not limited to the defining of targets and review of the plan

15 and results with Company leadership to ensure alignment with overall CenterPoint

16 objectives.

17

18

19 **III. OVERVIEW OF TEST YEAR DATA**

20

21 **Q. What is the test period that Vectren South is using for this rate case proceeding?**

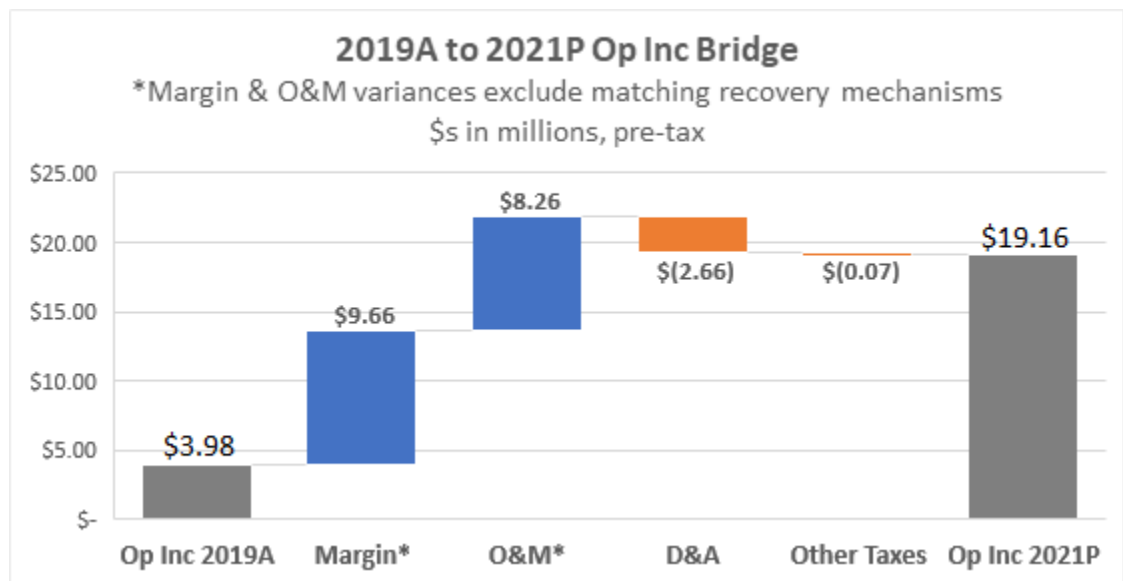
22 A. Vectren South is using a test year based upon the projected twelve-month period

23 ending December 31, 2021.

1 **Q. What is Vectren South relying on as the primary basis for the 2021 projected**
2 **data?**

3 A. Vectren South relied on its 2021 budget that was developed in the fall of 2019 and
4 approved in January 2020 as the projected data for its rate case. Petitioner's Exhibit
5 No. 3, Attachment RDM-1 is the unadjusted income statement representing the 2021
6 budget for Vectren South's gas jurisdiction.

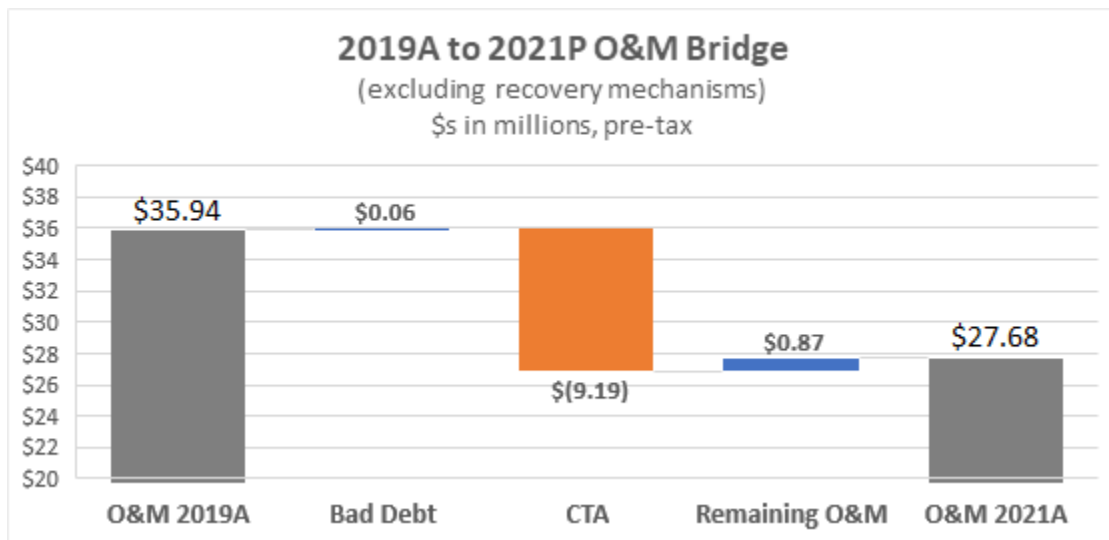
7
8 **Q. How does the 2021 budget compare to the historical base period¹ in this**
9 **proceeding?**



10
11 A. The above waterfall chart shows a bridge from 2019 Actual Operating Income (pre-
12 tax) ("Op Inc") of \$3.98 million to the 2021 Plan Op Inc of \$19.16 million. The blue
13 shaded bars represent favorable variances (or increases to Op Inc) in 2021 compared
14 to 2019 while the bars shaded orange represent unfavorable variances (decreases to

¹ As defined by Petitioner's Witness Bell, the historical base period in this proceeding is the twelve-months ended December 31, 2019.

Op Inc). The \$15 million increase to Op Inc is primarily driven by a favorable increase in Margin and a favorable decrease to Operation and Maintenance (“O&M”) expense in the planned test year in comparison to 2019 Actuals. “Margin” is a commonly used term in the industry and refers to the difference between operating revenues and the commodity cost of gas sold. Margin is the amount from which all other costs of providing gas utility service are recovered. The \$9.66 million increase to Margin is primarily due to two (2) additional years of growth driven by the approved Compliance and System Improvement Adjustment (“CSIA”) mechanism. The \$8.26 million decrease to O&M expense is driven by 2019 Actuals including \$9.19 million of Costs to Achieve (“CTA”) that were primarily related to employee severance expenses due to the transaction with CenterPoint (“Transaction”). Vectren South is not seeking to recover these amounts labeled as CTA. The waterfall chart below focuses on O&M only and details the change in O&M expense from 2019 Actuals to the 2021 Plan.



The blue bars represent increases to O&M expense in 2021 compared to 2019 while the orange bars represent decreases. Outside of the CTA and Bad Debt expense, the

1 O&M expense increase to 2021 has a CAGR (compound annual growth rate) of ~1.6%
2 which is less than 2% inflation.
3
4

5 **IV. OVERVIEW OF THE BUDGET DEVELOPMENT PROCESS**
6

7 **Q. Please generally describe the process for the development of the budget for**
8 **Vectren South.**

9 A. On an annual basis, Vectren South completes a detailed, monthly two-year budget
10 (the "Budget"). The annual process results in the completion of a detailed income
11 statement and balance sheet for the utility for each of the annual periods. The annual
12 budget process generally begins in June and ends in November and results in
13 Executive and Board approval. In this instance, the Company developed the two-year
14 budget for calendar years 2020 and 2021 during the June to November months of
15 2019. The Budget was approved in full by the Executive Committee and the
16 CenterPoint Board of Directors in January 2020, and this budget is used to measure
17 Company performance starting in calendar year 2020. The 2021 Budget was
18 approved as the target to be set for the budget process to commence in June 2020.
19

20 The detailed budget includes a two-year operating, capital and workforce plan based
21 on input from officers, directors and managers across CenterPoint and all of its
22 subsidiaries, including Vectren. This comprehensive plan represents a combination
23 of a top-down and bottom-up approach to development of a budget by starting with
24 the integration of key Corporate initiatives and existing approved regulatory plans to
25 establish financial and operational benchmarks by which actual performance will be

1 measured. These benchmarks or targets then feed and inform the detailed
2 development of the operating, capital, and workforce plan budget at the line-item level
3 which is input and managed by the operational management team in charge of each
4 cost center.

5

6 **Q. What are the key Corporate initiatives and approved regulatory plans specific to**
7 **Vectren South used in the development of the 2021 Budget?**

8 A. A main point in CenterPoint's strategy is to operate the energy delivery businesses in
9 a way that is safe, reliable and efficient. Some key O&M management initiatives that
10 the company is focused on to operate efficiently, which were used in the development
11 of the 2021 Budget are: (1) Continued systematic review of operating areas to reduce
12 or limit O&M by aligning work activities with core utilities and optimizing organizational
13 design; (2) Seeking to drive O&M savings from increased process improvements,
14 workforce planning and strategic alignment.

15

16 The capital budget, as described in greater detail by Petitioner's Witness Steven A.
17 Hoover's testimony, is driven by the Company's ongoing initiative to continue to
18 execute on the gas infrastructure upgrade and replacement plans, both within and
19 outside of the Company's approved CSIA Plan, to further improve system safety and
20 reliability.

21

22 **Q. Once approved, is the Budget updated or changed?**

23 A. No. The Budget as approved by management becomes the basis for measuring
24 performance throughout the operating year. It is important to note that formal approval
25 of the budget occurs in one-year increments, with the second year in each annual

1 cycle "approved" as the target to be used during the next annual budget cycle.

2

3 **Q. Petitioner's Witness Richard C. Leger discusses the impact of COVID-19 on the**
4 **operations of Vectren South. Has the Budget for 2021 used for the future test**
5 **year in this proceeding been adjusted for the effects of COVID-19?**

6 A. No. The Company has not adjusted either sales or expenses in the Budget as a result
7 of COVID-19. Witnesses Leger and Bell further describes the Company's proposal
8 through the second phase of rates in this proceeding to capture any ongoing effects
9 from COVID-19 during the future test year.

10

11 **Q. Please generally describe the "operating budget".**

12 A. The operating budget comprises the accumulation of line item detail to support each
13 segment of the Company's income statement. Vectren classifies work within its
14 financial system using unique coding, called "projects" and "tasks," which defines the
15 type of work assigned, the cost center or business unit responsible for the charge, and
16 the appropriate general ledger ("GL") and Federal Energy Regulatory Commission
17 ("FERC") Uniform System of Accounts ("USoA") accounting information. Each
18 budgeted charge is grouped by its project and task and assigned an expenditure type
19 designation to subclassify the type of charge. The aggregated amounts are then
20 grouped together to support the Company's Operations and Maintenance ("O&M") and
21 other operating expenses within the Budget. I will discuss the individual components
22 of the operating budget later in my testimony.

23

24 **Q. Please generally describe the "capital budget".**

25 A. The capital budget includes activity based and project level detail for all projected plant

1 activity for the calendar year. Activity based detail represents the core functions
2 aligned with the capital project and aligns the work with FERC class of plant
3 designations (e.g., distribution and transmission). Petitioner's Witness Hoover
4 discusses in greater detail the capital investment planning process and the 2020 and
5 2021 Capital Budgets. Petitioner's Witness Jeffrey S. Myerson discusses a discrete
6 capital project that Witness Bell includes as an adjustment to the 2020 and 2021
7 Budget.

8

9 **Q. Please generally describe the "workforce plan".**

10 A. The workforce plan includes employee level detail for exempt, non-exempt and
11 bargaining unit employees. Employee labor hours by cost center are budgeted to
12 projects and tasks within the budget system, which then feeds the operating budget.
13 I will discuss the overall labor budgeting process and how that is incorporated into the
14 budgeted O&M expense later in my testimony.

15

16 **Q. Does the Company have a defined policy and procedure document that**
17 **describes the budget development process?**

18 A. Yes. Petitioner's Exhibit No. 3, Attachment RDM-2 is the budget and forecasting policy
19 document for the 2020-2021 Budget cycle.

20

21

22 **V. OPERATING BUDGET COMPONENTS AND PROCESS**

23

24 **Q. What are the key components of the operating budget preparation?**

25 A. The key components of the operating budget, as explained in greater detail throughout

1 my testimony, are as follows:

- 2 • Margin (operating revenues less cost of gas sold).
- 3 • O&M expenses.
- 4 • Depreciation and Amortization expense.
- 5 • Income and Other Taxes.

6

7 A. Margin

8 **Q. Please provide an overview of the process used by Vectren South to develop**
9 **the projected test year margin related to sales and transportation of natural gas**
10 **for this rate case.**

11 A. Base margin, defined as Vectren South operating revenues less the cost of gas sold,
12 is the starting point for the operating budget. As the cost of gas sold is fully recovered
13 from customers via the Gas Cost Adjustment ("GCA") mechanism and this cost of gas
14 deviates by month, the budget development is centered around the base margin.
15 CenterPoint has a centralized team ("Margin Analysis team") in charge of budgeting
16 and projecting the margin for each of the utility jurisdictions, focusing on the base
17 billing determinant components (customers and volumetric sales). The Margin
18 Analysis team starts with the following standard assumptions for the small customers
19 (Residential and General Service):

- 20 • Usage per customer factors: Historical average use per customer ("AUPC") is
21 weather normalized based on the 30-year National Oceanic and Atmospheric
22 Administration ("NOAA") normal heating degree days for each Vectren utility

1 jurisdiction – in this case, Evansville² – to determine the baseline increase or
2 decrease rate in annual usage. An annual rate of change, driven by a blend of
3 historical actual experience and forecasted changes, is applied to previous year
4 actual annual weather normalized AUPC results for both residential (Rate
5 Schedule 110) and general service (Rate Schedule 120) customers. The annual
6 AUPC projected for the period is then split by month based on historical weather-
7 normalized trends.

- 8 • Usage per Degree Day factors: The AUPC projected for the period is split between
9 baseload (usage that does not deviate based on weather) and weather sensitive
10 usage. Baseload is determined by the usage during the standard non-weather
11 impacted periods – for Evansville, this is July through August. The remaining
12 weather sensitive usage is divided by the NOAA 30-year normal degree days to
13 determine the Usage per Degree Day.
- 14 • Projected customers by month: Using a combination of historical trends in
15 customer losses or disconnects and projected new service customer additions, the
16 Margin Analysis team determines an expected ending customer count for the
17 calendar year. Once the net annual amount is determined, monthly customer
18 counts are derived using Itron's MetrixND modeling software.

19
20 These three components are used to determine the budgeted volumes (therms) for
21 each month of the budget period for each small customer Rate Schedule. The

² As discussed in greater detail by Petitioner's Witness Bell, the NOAA 30-year normal for Evansville for the budget period is based upon the 1971-2000 period, and is adjusted in this case to the 30-year normal for Evansville for 1981-2010. Petitioner's Witness Katie J. Tieken also supports updates to Vectren South Gas Tariff with the 30-year normal heating degree day information.

1 volumes and customers are then multiplied by the tariff rates for each Rate Schedule,
2 which include any base rates and any approved Riders (e.g., the Compliance and
3 System Improvement Adjustment, or CSIA), to determine the budgeted base margin
4 by month by Rate Schedule.

5

6 For the Large Customer Rate Schedules (Rate 145, Rate 160, and Rate 170), the
7 Company prepares a discrete forecast by customer. The most recent twelve-month
8 period is the starting point, and the Margin Analysis team gathers information from the
9 Industrial Sales team to determine if there are any significant changes expected for
10 the budget period. Examples of these discrete changes include a customer
11 announcing an impending expansion of a facility or a customer announcing plans to
12 shutter operations. Consistent with the process for small customers, the discrete
13 forecast by customer determines the billing determinants (volumetric usage by month
14 and customers by month) which are then multiplied by the applicable tariff rates by
15 Rate Schedule to determine the base margin.

16

17 Finally, any Miscellaneous Revenues are budgeted based on historical trends. These
18 include Late Fees, Disconnect Fees and Reconnect Fees.

19

20 **Q. How were the budgeted margin components used by Vectren South in the**
21 **development of the forecasted test year in this proceeding?**

22 A. The budgeted margin by month, inclusive of all the billing determinants, usage factors,
23 and customer specific information, became the basis for the operating revenues within
24 the revenue requirement. Petitioner's Witness Bell discusses this, along with
25 sponsoring various exhibits and workpapers utilizing the margin budget that ultimately

1 feed the revenue requirement calculation and various pro forma adjustments.

2

3 **Q. Does the methodology used to determine the margin budget result in an**
4 **accurate and reasonable estimate of margins to be achieved during 2021?**

5 A. Yes, the margin budget for 2021 reflects an accurate estimate with some adjustments
6 required. Petitioner's Witness Bell discusses the adjustments.

7

8 B. O&M Expense

9 **Q. Please provide an overview of the O&M expense budget used by Vectren South**
10 **to develop the projected test year financial data for this rate case.**

11 A. As I explained earlier in my testimony, the Company annually prepares a two-year
12 budget for review and approval by CenterPoint management. For O&M planning, the
13 second year of the budget established in the Company's budget system, Hyperion,
14 during the prior planning process is the starting point for the budget. For 2021, this
15 means that the budget prepared in 2018 for calendar years 2019 and 2020 became
16 the starting point for the preparation of the 2021 budget. This starting point is the
17 prepopulated plan within Hyperion. Each functional business area updates its
18 prepopulated plan to reflect anticipated levels of ongoing spend. The O&M budgeting
19 process is different for the labor and non-labor components of the plan.

20

21 **Q. How does Vectren South monitor and measure performance against this O&M**
22 **budget once approved?**

23 A. On a monthly basis, the FP&A team prepares reports and variance analyses for
24 discussion with the business unit leadership team. These reports provide leadership
25 with updates on drivers of variances to the budget, projections for the remainder of the

1 year, and plans of how each unit will achieve these targets.

2

3 **Q. Please provide an overview of how labor is budgeted within the O&M cost**
4 **planning process.**

5 A. Planning for labor addresses all aspects of employee staffing. At the start of the
6 budgeting process, Hyperion is updated for the most current employee and vacancy
7 list including wage rates, productive hours and non-productive hours in a subset of
8 Hyperion, called the Employee Cube, based on direct input from cost center owners.
9 Wage rates and hours are consolidated at the cost center level. Labor Hours for each
10 cost center are then budgeted to projects, tasks, and expenditure categories based on
11 the specific activity type in Hyperion. These categories drive the appropriate
12 accounting on the general ledger, including FERC Account. Cost center owners
13 ensure all productive and non-productive hours in the Employee Cube match the hours
14 used in the Hyperion Budget as employee level detail by project and task is not
15 maintained within Hyperion.

16

17 **Q. How does the Company budget for vacancies or changes in the workforce?**

18 A. Available hours within the budget are adjusted for planned new employee start dates
19 and potential retirements. All vacant positions identified within the budget should first
20 be actively recruited, or a workforce plan should be in place to hire these positions
21 within the budget years, before they are approved for inclusion in the budget. The
22 budget also includes a level of vacancies to account for turnover that occurs
23 throughout the year.

1 **Q. How does the Company address changes in wage rates between budget years?**

2 A. Petitioner's Witness Bertha R. Villatoro discusses this process in greater detail in her
3 testimony. Guidelines for labor increases are determined by union labor contracts or
4 issued by Human Resources and are pre-populated in Hyperion. Depending on the
5 effective date of wage rate increases, the average labor rate for the cost center will
6 change as of the month of the increase. Non-union increases, also known as
7 Competitive Pay Adjustments, of 3% go into effect March of the respective budget
8 year.

9

10 **Q. How are labor benefits budgeted?**

11 A. The Company accounts for labor benefits via a labor loading rate. The Loading
12 process is a rational and systematic approach of matching overhead costs to related
13 drivers. Loading rates are based on an estimate of costs to be incurred for the year
14 (numerator) divided by the specific driver's costs to create a rate such as labor dollars
15 (denominator). This process is designed so that similar costs are grouped together
16 and loaded based on the driver to ensure that all costs are properly cleared. The
17 current policy, common to utility industry practice, ensures that the process spreads
18 costs as evenly as possible throughout the year based on the loading rates derived
19 from the estimated annual costs and clears all balance sheet clearing accounts to zero
20 on an annual basis.

21

22 **Q. Is this labor budgeting process consistent for all labor, including costs allocated**
23 **from other CenterPoint entities?**

24 A. Yes. Labor costs are both directly budgeted to Vectren South and allocated to Vectren
25 South from Vectren and VUHI, who are in turn allocated costs from CenterPoint

1 entities. The allocation process will be described later in this testimony and the
2 testimony of Petitioner's Witness Michelle M. Townsend.

3 **Q. Does the labor budgeting process include incentive compensation estimated for**
4 **the budget period?**

5 A. Yes. Petitioner's Witness Villatoro discusses these policies in greater detail in her
6 testimony. The long-term incentive ("LTI") and short-term incentive ("STI")
7 compensation policies are reviewed regularly by CenterPoint's Board of Directors in
8 order to determine the appropriate combination and levels of such compensation
9 elements, as well as setting performance standards and approval of payout levels.
10 The use of these compensation elements is intended to provide market-based
11 compensation at a target level of achievement. The Budget used for the unadjusted
12 test year in this proceeding includes portions of these plans at target.

13
14 **Q. Please provide an overview of the non-labor O&M cost planning process.**

15 A. As previously described, Hyperion is pre-populated for non-labor costs with the
16 amounts in year two of the prior year planning process. Cost center owners review
17 and make updates to their non-labor plans based on changes in resource plans,
18 business drivers, continuous improvement initiatives, etc. In addition, cost center
19 owners review non-labor expenditures that should be included within the business
20 unit's cost center, such as training expenses, hiring and relocation costs, professional
21 fees, contract labor, contract materials, and material issues from inventory. Non-labor
22 costs are then budgeted to projects, tasks, and expenditure categories based on
23 activity type in Hyperion. These categories drive the appropriate accounting on the
24 general ledger, including the FERC Account.

1 **Q. Are there non-labor expenses that are centrally budgeted?**

2 A. Yes. Non-labor costs that are centrally budgeted include, but are not limited to,
3 information technology equipment, insurance, and building expenses.

4
5 **Q. Is this non-labor budgeting process consistent for all non-labor, including costs**
6 **allocated from other CenterPoint entities?**

7 A. Yes. Non-labor costs are both directly budgeted to Vectren South and allocated to
8 Vectren South from Vectren and VUHI. The testimony of Petitioner's Witness
9 Townsend will discuss how costs from other CenterPoint entities are allocated to
10 Vectren. The allocation process from Vectren and VUHI will be described later in this
11 testimony.

12
13 **Q. How is the monthly budget derived for the non-labor expenses?**

14 A. Monthly budgeted spend is spread based on expectations of when actual expenses
15 will be incurred. The FP&A team and business areas perform reviews throughout the
16 process to ensure monthly spend is reasonable.

17
18 **Q. How are shared service costs from Vectren, VUHI, and CenterPoint allocated to**
19 **Vectren South within the budget?**

20 A. CenterPoint allocations are explained in greater detail by Petitioner's Witness
21 Townsend. CenterPoint allocations are charged to Vectren and VUHI via an
22 intercompany billing process, because Vectren and CenterPoint currently operate on
23 two different Enterprise Resource Planning ("ERP") systems (Vectren on Oracle;
24 CenterPoint on SAP). Vectren and VUHI costs, including those received from
25 CenterPoint, are allocated using Vectren's approved allocation methodology, included

1 with my testimony as Petitioner's Exhibit No. 3, Attachment RDM-3. Cost allocation
2 factors are used to distribute common administrative, supervision and certain other
3 costs to the affiliated companies within Vectren. Allocation factors appropriate for each
4 type of shared cost, such as number of customers, number of employees, company
5 margins, capital expenditures, etc., are used to derive weighted percentages that are
6 then applied to costs incurred that are relevant to the allocation factor. As an example,
7 customer service costs like customer contact center and billing are common costs that
8 are allocated to the various utility companies based on the number of customers
9 served by each utility. Vectren regularly reviews its cost allocation process. The
10 allocation factors currently in effect and proposed to be in effect during the test year
11 period have been developed using the methodologies in Attachment RDM-3.

12
13 **Q. Please describe the annual process for updating cost allocators.**

14 A. On an annual basis, Vectren reviews the cost allocation factors applied to each cost
15 center to determine whether any changes in allocation factors for particular cost
16 centers should be made. For instance, if there is a reorganization of a specific business
17 unit which would require a change to the allocation factor that is specific to regulated
18 entities as opposed to all including non-regulated entities, those changes would be
19 raised and vetted with the cost center owner. Any changes to allocation factors are
20 identified in the cost allocation brochure included in Petitioner's Exhibit No. 3,
21 Attachment RDM-3. In addition, Vectren annually updates its cost allocation factors
22 (i.e., allocation percentages) using final budget data. For the test year period, any
23 allocated amounts in Vectren South's estimated 2021 costs have been allocated using
24 updated cost allocation factors based on final 2021 budget data. The updated
25 allocation factors based on the most recent final budget data are also included in

1 Attachment RDM-3.

2

3 **Q. What are the significant allocators used by Vectren or VUHI that will be in effect**
4 **for the test year period?**

5 A. The allocation percentages for the more significant allocators in place for 2021 for
6 Vectren South are as follows:

7 • If costs are allocated based on number of employees, the allocation percentage
8 for Vectren South is 7%. This allocation percentage would generally apply to costs
9 that would be allocated based on the employee base, such as Human Resource
10 costs.

11 • If costs are allocated based on number of utility customers, the allocation
12 percentage for Vectren South is 9%. This allocation generally applies to customer
13 contact center, billing, and certain functions within Information Technology.

14 • If costs are allocated based on a weighting of utility margin, capital expenditures,
15 and payroll, the allocation percentage for Vectren South is 9%. This allocation
16 generally applies to costs such as employee salaries within Accounting, Treasury,
17 Legal and other corporate support functions.

18 • If costs are allocated using an equal weighting of total customers and total
19 employees, the allocation percentage to Vectren South is 10%. For example, this
20 allocation is used to allocate costs of shared assets like computer systems and
21 buildings.

22

23 **Q. The percentages noted in the prior response are specific to the gas jurisdiction**
24 **for Vectren South. How are costs allocated between electric and gas within**

1 **Vectren South?**

2 A. Within the cost allocation brochure in Petitioner's Exhibit No. 3, Attachment RDM-3,
3 each cost center also has a defined allocation methodology assigned to divide the
4 Vectren South costs between gas and electric. This defined allocation methodology
5 would also apply to common costs at Vectren South that are then allocated between
6 gas and electric.

7

8 **Q. Please describe the allocation of costs related to shared assets as mentioned**
9 **above.**

10 A. Certain assets, like office buildings, are owned by VUHI. The assets owned by VUHI
11 are shared among Vectren's operations and are used predominantly by the utility
12 operations. Because the functions performed by these assets are common to the
13 utilities, it is more efficient to have them centrally owned and operated. Without this
14 sharing, each utility company would own its own such assets and include the costs in
15 its rate base with a fair return thereon required. Centralized ownership certainly
16 provides the opportunity for economies of scale. The amounts charged to each utility,
17 the "asset charge", mirror the treatment that would be achieved if the assets were in
18 rate base by charging a return of and on the investment, as well as operating costs
19 like depreciation and property taxes. The amount charged to Vectren South is shown
20 on its financial statements as an operating expense, akin to a lease or rental charge.
21 The costs that comprise the asset charge allocated to each of Vectren's entities
22 include depreciation, property taxes, and a fair and reasonable return on the assets.
23 The return component reflected in the asset charge is based on the authorized rate of

1 return for each utility jurisdiction.³ The asset charge is allocated to each utility based
2 on the equal weighting of customers and employees. Vectren South's shared
3 resources practices are similar to the practice employed by other utilities in similar
4 circumstances and results in economies of scale that are ultimately passed on to
5 customers through allocation procedures that fairly distribute costs among and
6 between the affiliated companies using such resources.

7

8 **Q. Does the O&M budgeting methodology described for each of these components**
9 **result in an accurate and reasonable estimate of expenses to be incurred during**
10 **2021?**

11 A. Yes.

12

13 C. Depreciation and Amortization Expense

14 **Q. Please describe how depreciation expense is determined within the budget.**

15 A. Depreciation and amortization expense is budgeted by Vectren's Property Accounting
16 group, based upon the capital budget put forth by the business for the budgeted
17 periods. The detailed capital plan is used to determine the depreciable plant basis
18 each month by FERC Class of Plant (i.e., depreciation, transmission, underground
19 storage, etc.). As previously explained, the capital plan for the calendar year is
20 prepared at the activity and project level, which links directly with the FERC Class of
21 Plant.

³ Petitioner's Witness Bell discusses how this rate of return is updated based on the proposals in this proceeding.

1 Depreciation is calculated only on in-service investments. The Company starts with
2 actual plant in-service balances as of the most recent reported period (e.g., June 30)
3 and adds to that estimated in-service amounts based on the capital expenditures in
4 the plan and estimated in-service dates for the projects or types of spend. In instances
5 when the estimated in-service date is known, the capital expenditures will be placed
6 in-service for budget purposes based on that estimated date. In other instances when
7 the in-service date is not known, the Company relies upon a historical trend analysis
8 to derive estimated in-service timing for various categories of spend.

9

10 The FERC Class of Plant designation drives the depreciation rate applied to the capital
11 expenditures. Average depreciation rates for each class of plant, based upon current
12 authorized depreciation rates, are multiplied by the plant in-service balance to
13 determine the budgeted depreciation expense for each budget month.

14

15 **Q. Please describe how amortization expense is determined within the budget.**

16 A. Amortization expense in the budget represents the amortization of regulatory assets
17 over the defined life. In the case of Vectren South, the amortization expense captured
18 in the 2021 budget reflects the continued amortization of deferred balances associated
19 with the Company's approved Compliance and System Improvement Adjustment
20 ("CSIA") mechanism. These balances are amortized straight-line over the remaining
21 life of the assets that generated the deferral.

22

23 **Q. Does the budgeted depreciation and amortization expense for 2021 reflect**
24 **changes proposed in this proceeding?**

25 A. No. Consistent with the other categories previously discussed, adjustments are

1 required to this expense level to capture the proposals put forth by Vectren South in
2 this proceeding. For instance, depreciation expense is adjusted in the revenue
3 requirement to capture the impact of proposed depreciation rates, sponsored by
4 Petitioner's Witness John J. Spanos and discussed in greater detail by witness Bell.

5

6 D. Income and Other Taxes

7 **Q. What other taxes are included in the budget for Vectren South for 2021?**

8 A. Vectren South has included budgeted expense for Property Taxes and Indiana Utility
9 Receipts Taxes ("IURT") within the budget for 2021.

10

11 **Q. How were the amounts for other taxes calculated in the 2021 budget?**

12 A. For Property Taxes, Vectren South's most recent property tax return, specifically the
13 tax basis of the assets, is used as the starting point for the budgeted expense, with
14 adjustments made to capture planned investments under the Company's capital
15 budget. The average property tax rate applied for the budget represents a historical
16 trend analysis of prior rates (typically a five-year historical period) to determine an
17 annual projected growth or decline rate to apply to the last paid rate.

18

19 For IURT, Vectren South calculates this consistent with the formulaic requirements for
20 the tax, using total operating revenues and standard deductions to derive the total
21 IURT expense under the budget.

22

23 **Q. Please explain how State and Federal income tax expense was calculated in the**
24 **2021 budget.**

25 A. As discussed by Petitioner's Witness Brenda L. Musser, State and Federal income tax

1 expense is calculated under statutory rates applicable for the projected period. For
2 2021, the Indiana State income tax rate used for the budget represents the blended
3 rate applicable for (1) January 1, 2021 through June 30, 2021 (5.25%), and (2) July 1,
4 2021 through December 31, 2021 (4.9%). This rate – 5.075% – is applied to the State
5 taxable income from the budget to determine the State income tax expense for 2021.
6 Federal income tax expense is calculated at the current statutory rate of 21%, applied
7 to the budgeted taxable income for 2021.

8

9 **Q. Are income and other taxes adjusted from the level presented in the approved**
10 **2021 budget?**

11 A. Yes, all but Property Taxes are adjusted from the 2021 budget based upon the
12 revenue requirement. As discussed by Petitioner's Witness Bell, the revenue
13 requirement calculation calculates IURT, State, and Federal income taxes based upon
14 the statutory rates in effect at the end of the test year, and the pro forma level of taxable
15 income (in all instances) from the revenue requirement calculation.

16

17

18 **VI. RATE BASE AND CAPITAL STRUCTURE BUDGETED COMPONENTS**

19

20 **Q. Please explain how other components of the budget process were utilized by**
21 **Vectren South in the preparation of its revenue requirement in this proceeding.**

22 A. The capital budget put forth for both 2020 and 2021 was utilized to project rate base
23 within this proceeding as of December 31, 2020, June 30, 2021, and December 31,
24 2021, as sponsored by Petitioner's Witness Bell. Rate base captures in-service

1 investment, with construction work in progress ("CWIP") excluded from the Company's
2 request; as such, the investments in-service used as the basis for the depreciation
3 expense projection became the input into the projected rate base.

4

5 In addition, Vectren South's projected balance sheet as of December 31, 2021,
6 included as Petitioner's Exhibit No. 3, Attachment RDM-4, was used as the basis to
7 project balances utilized for rate base (Gas in Underground Storage, Materials and
8 Supplies) and the derivation of the capital structure (Accumulated Deferred Income
9 Taxes, Customer Deposits, Investment Tax Credits, and other cost free capital).

10

11

12 **VII. BUDGET APPROVAL PROCESS**

13

14 **Q. Please provide an overview of the approval process of the Budget used in this**
15 **rate proceeding.**

16 A. The approval of the two-year budget involves multiple stages during the annual budget
17 cycle. Approval starts with an initial plan that is reviewed and approved at the
18 jurisdictional level by the Directors and management of the jurisdiction, along with the
19 FP&A team. This review ensures completeness and alignment across the cost center
20 owners. Subsequent to this review, the plan is presented for review and approval by
21 the Regional Vice President. After sign-off from the Regional Vice President, the
22 Budget is presented to senior management in Gas Operations for CenterPoint, and
23 then approval is sought by the Executive Committee of CenterPoint before it is
24 presented to the CenterPoint Board of Directors for final approval. The CenterPoint

1 Board of Directors approves the first year of the Plan officially but is presented with a
2 comprehensive five-year plan for the Consolidated entity.

3

4 **Q. Does the budget process result in a reasonable projection of future revenues,**
5 **expenses, and capital additions?**

6 A. Yes. Each year of the budget process incorporates current business conditions and
7 considerations to ensure it aligns with how the Company intends to operate its
8 business. Although each year presents unanticipated challenges, like those
9 experienced in 2020 with the current pandemic, the budget process presents a
10 comprehensive projection of Company operations.

11

12

13 **VIII. CONCLUSION**


14

15 **Q. Does this conclude your prepared direct testimony?**

16 A. Yes, it does.

VERIFICATION

I, Ryan D. Moore, affirm under the penalties of perjury that the forgoing representations of fact in my Direct Testimony are true to the best of my knowledge, information and belief.



Ryan D. Moore

Dated: October 30, 2020

Vectren South Gas
Consolidated Income Statement

| Year Ending December 31, (<i>dollars in thousands</i>) | 2021 | 2020 |
|--|------------|------------|
| Operating Revenues | | |
| Total Operating Revenues | \$ 115,424 | \$ 110,960 |
| Less: | | |
| Cost of gas sold | \$ 36,877 | \$ 36,946 |
| Operating Margin | | |
| Gas Utility Margin | \$ 78,547 | \$ 74,014 |
| Other Operating Expenses | | |
| O & M labor | \$ 5,384 | \$ 5,181 |
| O & M non-labor | 7,289 | 7,181 |
| Asset charge | 3,977 | 4,270 |
| Corporate allocations - labor and non-labor | 10,504 | 10,205 |
| Operation & Maintenance | \$ 27,154 | \$ 26,836 |
| Indiana Bad Debt | 527 | 527 |
| Total O & M before pass-thru expenses | \$ 27,680 | \$ 27,363 |
| Pass-thru O & M | 11,153 | 10,569 |
| Total operating and maintenance | \$ 38,834 | \$ 37,932 |
| Depreciation and amortization | 16,555 | 15,116 |
| Property Taxes | 2,391 | 2,168 |
| Revenue Taxes | 1,609 | 1,547 |
| Total Operating Expenses | \$ 59,388 | \$ 56,763 |
| Operating Income | \$ 19,158 | \$ 17,251 |
| Other Income / (Expense) | | |
| AFUDC - Total | \$ 1,035 | \$ 936 |
| Interest Income | 7 | 39 |
| Interest expense | (7,796) | (6,891) |
| Other income / (expense) - net | 987 | 1,002 |
| Total Other Income / (Expense) | \$ (5,768) | \$ (4,914) |
| Income Before Income Taxes | \$ 13,391 | \$ 12,337 |
| Income taxes | \$ 3,277 | \$ 2,569 |
| Net Income | \$ 10,114 | \$ 9,767 |
| <i>Effective tax rate</i> | 24.5% | 20.8% |



2020 - 2021 Budget Guidelines



REFERENCE GUIDE FOR O&M, CAPITAL AND BALANCE SHEET COSTS 2020–2021 BUDGET

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PURPOSE

These budget guidelines have been developed to provide key information during the budget / forecast process. Within this document you will find deadlines for each process, general assumptions to follow for O&M and capital budgeting, key regulatory information, and other considerations throughout the budget/forecast process.

OVERVIEW

Consistent with prior years, to ensure that we have an established plan to meet our corporate goals and strategies, we will develop a two-year budget that is integrated with our long-term financial plan. Resources for projects in business unit plans need to be included in operating and/or capital budgets. Likewise, projects for which expenses are included in operating and/or capital budgets should be represented in business unit plans. This year, we will be updating the 2020 budget established in 2018 and establishing a detailed 2021 budget. We will start the process in early July to align with CenterPoint planning, which will allow business unit management to ensure that key projects, resource plans and business unit initiatives are synchronized in the budget and long-term plan. This timeline also allows for the 2020 and 2021 Functional and Segment budgets to be reviewed with the Executive Committee in August / September and presented for Board Approval in December.

HIGHLIGHTS TO NOTE

1. The 2020 budget established in 2018 will be the starting point for establishing the budget for both the 2020 and 2021 budget years. Updates should be made to reflect changes in resource plans or business drivers and to capture continuous improvement initiatives.
2. The 2020 Controllable O&M target, which was established through the 2019-2020 budget process, will remain unchanged and will be pre-populated in Hyperion prior to opening the budget tool. As a starting point, the 2021 budget will be pre-populated in Hyperion with the 2020 budget adjusted for labor increases. Please note that these targets are subject to change throughout the budget process and as part of our ongoing O&M management process, each business area should develop a list of possible O&M reductions, deferrals and pullforwards to be discussed.
3. Chartered Merger and Integration Synergy initiatives that have occurred in your respective area and result in savings to the original 2020 budget should be captured in the 2020 and 2021 budget. For additional details on chartered initiatives, please work with the CNP Integration Management Office and respective team lead for your business area.
4. Hyperion will be updated for the most current employee list including wage rates, productive hours and nonproductive hours for 2020 and 2021. Please review the headcount data at the beginning of the budget process. Cost center owners will then need to review the remaining hours form in Hyperion to determine if any adjustments to the hours included in the budget input form need to be made.
5. All positions currently open for the 2020 and 2021 budget should be actively recruited or a workforce plan should be in place to hire these positions within the budget years. The Budget department will work with your assigned FP&A representative to include a level of labor churn to account for the normal turnover that occurs throughout the year. In the 2019/2020 Budget, churn was analyzed for all business areas and calculated using a 3-year historical comparison of actual to budget headcount. Headcount and associated labor will be lowered based on historical vacancy rates using a churn adjustment, to be analyzed for reasonableness by each Business Unit.
6. Ensure that your budget is spread according to how you expect actual expenses to be incurred by reviewing the monthly amounts and making changes where necessary. After completing the budget, compare the monthly spread to expenses incurred in prior years. Accurate monthly spreads are vital to enable realistic projections of quarterly performance, manage utility earnings performance and to minimize the effort of adjusting the quarterly projection next year.



7. Every attempt should be made to direct charge the specific utility where possible. If work needs to be budgeted to one specific utility, please budget to a project and task that directly assigns the cost to the proper utility. Pay attention to what entity benefits from the expense and make sure it is budgeted appropriately. For help with this, please contact either your business analyst or the budget department (refer to the contact list included within the “Budget Support” section of this document).
8. Performance Management continuous improvement initiatives that have occurred in your respective area and result in savings to the original 2020 budget should be captured in the 2020 and 2021 budget.
9. All capital budget projects that are expected to be **greater than \$0.5 million for Technology Operations (TO) or greater than \$1.0 million for all other business areas** need to be identified and budgeted into a separate project and the in-service timing of these projects will need to be provided to the budget department using the templates within this document. The purpose of this information is to provide greater visibility into the capital projects budgeted and enable the plant department to have more accurate information for depreciation and AFUDC budget calculations. Please work with your business analyst to set up new projects for budgeting capital projects that are greater than \$0.5 million for IT or \$1.0M for all other business areas.
10. Users will budget labor hours and dollars at the expenditure type level (Regular, Overtime, Double-time, and Other Labor). Non-labor, with the exception of vehicle usage, will be budgeted at the expenditure category level (Contract Labor, Contract Non labor, Other Expenses Budget, and Direct Material Budget). Vehicle usage will be budgeted at the expenditure type level (Vehicle Class 1, Vehicle Class 2, and Vehicle Class 3). This level of detail remains unchanged from prior years.
11. The cost centers listed below will budget labor and vehicle hours to specific capital projects that have been set up for each cost center.

The operations capital budget is provided by Investment Planning. As a result, the Budget/Forecast department has worked with Investment Planning to load these budgets into Hyperion by Cost Center, ABM, Project and Legal Entity. However, in order to obtain accurate labor and vehicle costs to determine loading rates, affected cost center owners (0468, 2029, 5830, 5854, 5920, 5950, 2035, 2030 & 2031) will still budget labor and vehicle hours only to the capital projects outlined below. The costs generated from these labor and vehicle hours will then be fully offset through Contract Nonlabor within the same project after the business rule has been run. These cost center owners will no longer be responsible for budgeting capital costs other than labor or vehicles. Please note that the labor cost split by legal entity (01-SIG, 02-IGC, 03-VEDO) is required to be accurate for pension and other labor allocations. As a result, each cost center may have more than one capital project for budgeted labor.

| 0468 | 2029 | 5830 | 5854 | 5920 |
|-------------------|---------------------|-------------------|---------------------|------------------|
| 0468CAPLABOR01GAS | 2029CAPLABOR01GAS | 5830CAPLABOR02 | 5854CAPLABOR01ELE | 5920CAPLABOR02 |
| 0468CAPLABOR02 | 2029CAPLABOR02 | 5830CAPVEHICLE02 | 5854CAPLABOR01GAS | 5920CAPVEHICLE02 |
| 0468CAPLABOR03 | 2029CAPLABOR03 | | 5854CAPVEHICLE01ELE | |
| 0468CAPVEHICLE03 | 2029CAPVEHICLE02 | | 5854CAPVEHICLE01GAS | |
| | | | | |
| 5950 | 2035 | 2030 | 2031 | |
| 5950CAPLABOR02 | 2035CAPVEHICLE01GAS | 2030CAPLABOR01GAS | 2031CAPLABOR01ELE | |
| 5950CAPVEHICLE02 | 2035CAPVEHICLE02 | 2030CAPLABOR02 | 2031CAPVEHICLE01ELE | |
| | 2035CAPVEHICLE03 | 2030CAPLABOR03 | | |
| | | 2030CAPVEHICLE02 | | |
| | | 2030CAPVEHICLE03 | | |

12. Users have the ability to overwrite hours and/or dollars simply by changing the numbers in the monthly columns or by placing a zero in the Year Total column if they do not wish to use the monthly hours or amounts. You will find more information concerning the data and how to adjust it in the [Hyperion User Guide](#) (Chapter 6).



13. Consistent with prior years, Corporate Support Service cost centers including Marketing & Communications, Supply Chain, and Fleet & Facilities will budget nonproductive time (holiday, vacation, sick time) to the main project/task combination containing direct labor that has been identified by your business unit analyst. Operational Areas, such as Gas and Electric Field Operations, Electric Generation, Safety, System Integrity, Technology Operations, etc. will continue to budget nonproductive time to a nonproductive project/ task combination that impacts clearing accounts. These business areas will have a nonproductive loading rate to clear the nonproductive labor from the Balance Sheet. If you have questions about this process, please contact your business analyst.
14. 2020 contains 2,096 hours and 2021 contains 2,088 hours during the calendar year Monday through Friday. If you plan to hire an employee mid-year, the available hours will need to be adjusted according to the planned start date. Likewise any retirements in the time frame of 2020-2021 should also have adjusted hours according to the planned retirement date.
15. The Budget team will coordinate directly with individuals and cost centers impacted by cross company allocations (labor /non-labor expenses for individuals in Oracle supporting legacy CNP jurisdictions or individuals in SAP supporting legacy Vectren jurisdictions).

Please direct any comments or questions relating to this policy to Tara Farley (x15003 or tfarley@vectren.com) or Joe Manzo (x14130 or jmanzo@vectren.com).

KEY DEADLINES

1. **O&M and Capital for the 2020 and 2021 budgets must be updated by 8:00 am, Monday July 29, allowing time for detailed FP&A review.** The 2020-2021 O&M and Capital data entered into Hyperion as of August 5 will be reviewed and presented at the management review meetings in August.
2. **2020 and 2021 O&M budget reconciliations by business area and business unit financial summaries** are due to the budget department by **5:00pm, Friday, August 2**. These reconciliations will be used to help bridge variances between the 2019 Budget, 2019 Projection, 2020 Draft Budget, 2020 Budget, and 2021 Budget. Please use the templates at the end of this document.
3. **It is expected that your Officer(s) has reviewed and is prepared to speak to their budget at the Functional and Segment Executive Committee Budget Review meetings. As a result, business analysts and direct reports should establish time to review the 2020 and 2021 budget with their Vice President and/or directors prior to this date.** Business analysts and the budget department will assist each area to develop and distribute reports that consolidate budgets for each area. Please work with your business analysts and the budget department in order to ensure all reports necessary are available for your meetings. (refer to the contact list included within the “Budget Support” section of this document).
4. The 2020-21 Budget and long-term plan will be reviewed with executive management the **week of August 26th** (Functional budget review meeting with the EC) and **September 23-24** (Segment budget review meeting with the EC).



BUDGET ENTRY INSTRUCTIONS

- Instructions for the Headcount and Budget Input forms can be found in your Hyperion Planning User Guide or through the Interactive Tutorial. The guide and interactive tutorial are available on the Intranet via the links below. They are also available in Taleo.
 - **Hyperion Planning User Guide – Select the link below:**
http://vecsharepoint.vectren.com/sites/iworksmart/vantage_content/accounting/vectren_user_training_guide.docx
 - **UPK (interactive tutorial) – Select the link below:**
<http://sprdweb03/hr/Hyperion/PlaverPackage/tocx.html>
- Specific instruction on how to enter your budget can be found in chapters 6 and 7 of the Hyperion Planning User Guide. These chapters will provide instructions, recommendations, and other pertinent information to consider when preparing and reviewing your budget. If you require additional instruction or just have questions concerning input, please contact your assigned FP&A representative or a member of the budget department (refer to the contact list included within the “Budget Support” section of this document).
- When making changes to the Budget Input Form, valid combinations must be selected.
 - For Hours Input, the following combinations are valid:
 - Exempt – the only valid expenditure type is Regular Labor.
 - Non Exempt – the valid expenditure types are Regular Labor, Overtime Labor and Doubletime.
 - Bargaining UN INPUT – the valid expenditure types are Regular Labor, Overtime Labor and Doubletime.
 - No_Employee_Type – the valid expenditure types are Vehicle Class 1, Vehicle Class 2, and Vehicle Class 3
 - For Dollars Input:
 - Select No_Employee_Type to input Other Labor or non-labor amounts (i.e. Contract Labor, Contract NonLabor, Other Expenses).
 - Vehicle Class 1, 2, and 3 will be input as hours and all other non-labor and other labor will be input as a dollar amount.
- To access the 2020 and 2021 budget, paste the Hyperion Budget System link below into Internet Explorer. **Mozilla Firefox is no longer needed to access the budget system, and the old link will not work due to a Hyperion upgrade.** You will also be able to access the Hyperion Reports through this link.
 - **Hyperion Budget System – paste the link below into Internet Explorer:**
<https://epmprod.vectren.com/workspace/index.jsp>
- Users will not have the ability to add projects, tasks or specific combinations within Hyperion Planning directly. All new projects and tasks must **first** be established in Oracle before they will appear in Hyperion Planning. If a new project or task is needed, please contact your assigned FP&A representative to have the new project or task established within Hyperion.
- Users do not have the ability to add or delete employees from a specific cost center in Hyperion Planning. If you anticipate an employee transferring departments, leaving the company, or hiring a new employee, please contact your business analyst to have this change made.



LABOR INFORMATION

All cost centers with employees will be responsible for budgeting labor. Labor will include direct labor, employee benefits and labor loadings. Since each department is expected to budget 100% of their FTE labor, there should be no cross-charging of labor to other departments. The only exceptions to this would be large capital projects or employees on loan to another department for an extended period or individuals impacted by Oracle / SAP cross company allocations. Please consult with your business unit analyst or the budget department if there is a situation that requires cross-charging of labor.

The Budget team will coordinate directly with individuals and cost centers impacted by cross company allocations (labor /non-labor expenses for individuals in Oracle supporting legacy CNP jurisdictions or individuals in SAP supporting legacy Vectren jurisdictions).

The Budget department will work with your assigned FP&A representative to include a level of labor churn to account for the normal turnover that occurs throughout the year. In the 2019/2020 Budget, churn was analyzed for all business areas and calculated using a 3-year historical comparison of actual to budget headcount. Headcount and associated labor will be lowered based on historical vacancy rates using a churn adjustment, to be analyzed for reasonableness by Business Unit.

Key Labor Items Included in Each Cost Center Budget:

- Productive Labor (Direct Labor) -- including regular, overtime and double time
- Vacation – based on each employee’s eligibility, spread based on a 3-yr historical trend for each cost center
- Holidays -- spread based on the 2020 & 2021 holiday schedule (floating holidays will be spread evenly)
- Sick time (including Short-Term Disability and maternity leave)
- Labor Loadings (calculated by Hyperion)

All cost centers will have labor hours pre-seeded in the budget tool for 2020 and 2021. The 2020 and 2021 labor hours will be pre-seeded based on the hours input last year for the 2020 budget. Please note while the labor hours will be pre-seeded based on the hours entered last year, the headcount form will be updated for current employees and vacant positions. Therefore, it is essential to reconcile the hours from the headcount form to the budget input form by reviewing the “Remaining Hours” form. The monthly remaining hours should be zero.

For a step by step process, please follow the example below.

Process to review Labor Hours in the 2020 and 2021 Budget:

1. Verify that all employees are listed in the Headcount form for both years and that the appropriate level of hours for each employee has been loaded into Hyperion.

| <u>Step 1: (Review the Straight (Productive) Hours on the Headcount Form)</u> | | | | | | |
|--|----------|------------|------------|------------|------------|--|
| | | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | |
| Exempt: | John Doe | 145 | 155 | 160 | 140 | |
| | Jane Doe | 145 | 155 | 160 | 140 | |
| Cost Center XYZ - Exempt, Straight Hours | | 290 | 310 | 320 | 280 | |
| | | | | | | |

2. Open the Remaining Hours form to determine if all hours have been budgeted and the remaining hours are zero in each month.



| Step 2: (Review the Remaining Hours form) | | | | | |
|--|--------------------|------------|------------|------------|------------|
| | | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> |
| Exempt: | Straight Remaining | 50 | 40 | -30 | 0 |
| | | | | | |

Note: Because headcount was reloaded with current employees and their non-productive time, this may be different than what was in the original 2020 budget completed in 2018. This may cause your remaining hours not to be zero as in this example.

3. Review the labor hours for each employee type that are pre-seeded for 2020 and 2021 in the Budget Input form.

| Step 3: (Review the Budget Input form to determine the hours to adjust) | | | | | |
|--|-----------------------|------------|------------|------------|------------|
| | | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> |
| Exempt, Regular Labor: | Project A, Task 1 | 60 | 40 | 70 | 70 |
| | Project A, Task 2 | 50 | 50 | 60 | 50 |
| | Project B, Task 1 | 40 | 70 | 70 | 50 |
| | Project B, Task 2 | 50 | 70 | 60 | 60 |
| | Project B, Task 3 | 40 | 40 | 90 | 50 |
| | Cost Center XYZ Total | 240 | 270 | 350 | 280 |
| | | | | | |

Note: These hours will be equal to the hours entered for the 2020 budget in 2018.

4. Make adjustments where necessary to appropriately allocate hours based on the expected level of work by project and task.

| Step 4: (Adjust the Budget Input hours) | | | | | |
|--|-----------------------|------------|------------|------------|------------|
| | | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> |
| Exempt, Regular Labor: | Project A, Task 1 | 60 | 70 | 60 | 70 |
| | Project A, Task 2 | 60 | 50 | 50 | 50 |
| | Project B, Task 1 | 50 | 70 | 70 | 50 |
| | Project B, Task 2 | 70 | 70 | 60 | 60 |
| | Project B, Task 3 | 50 | 50 | 80 | 50 |
| | Cost Center XYZ Total | 290 | 310 | 320 | 280 |
| | | | | | |



| Example: Exempt, Regular Labor | | | | | | | | | |
|--------------------------------|--|-----|-----|--------------------------------|--------|--------|--|-----|-----|
| | Step A: (Draft Budget Hours) | | | Step B: (Calculate Percentage) | | | Step D: (Budget Revised Hrs based on calc %) | | |
| | Budget Hours | | | Calculate Percentage | | | Budget Hours | | |
| | Jan | Feb | Mar | Jan | Feb | Mar | Jan | Feb | Mar |
| Project A, Task 1 | 10 | 15 | 10 | 25.0% | 37.5% | 25.0% | 15 | 19 | 15 |
| Project A, Task 2 | 5 | 5 | 5 | 12.5% | 12.5% | 12.5% | 8 | 6 | 8 |
| Project B, Task 1 | 10 | 5 | 10 | 25.0% | 12.5% | 25.0% | 15 | 6 | 15 |
| Project B, Task 2 | 10 | 10 | 10 | 25.0% | 25.0% | 25.0% | 15 | 13 | 15 |
| Project B, Task 3 | 5 | 5 | 5 | 12.5% | 12.5% | 12.5% | 8 | 6 | 8 |
| Cost Center XYZ Total | 40 | 40 | 40 | 100.0% | 100.0% | 100.0% | 60 | 50 | 60 |
| | | | | | | | | | |
| | Step C: (Hours to be budgeted from updated Headcount Form) | | | | | | | | |
| | January Hours to Budget: | | | 60 | | | | | |
| | February Hours to Budget: | | | 50 | | | | | |
| | March Hours to Budget: | | | 60 | | | | | |
| | | | | | | | | | |
| Step E: (Remaining Hours) | | | | | | | | | |
| | Jan | Feb | Mar | | | | Jan | Feb | Mar |
| Remaining Hours | 20 | 10 | 20 | | | | 0 | 0 | 0 |

5. When all adjustments to the labor hours are complete, review the Remaining Hours form again to confirm that you have accounted for all labor hours each month.

| | | | | | |
|--|---------------------|------------|------------|------------|------------|
| Step 5: (Review the Remaining Hours form to confirm all hours are budgeted) | | | | | |
| | | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> |
| Exempt: | Straight Remaining: | 0 | 0 | 0 | 0 |
| | | | | | |

Labor Increases

Labor increases will be accounted for in the 2020 and 2021 budgets through Hyperion Planning. Guidelines for labor increases will be issued by Human Resources and will be pre-populated in the budget tool prior to the tool opening.

Depending on the effective date of wage rate increases, the cost center's average labor rate will change as of the month of the increase. For example, non-union increases go into effect March 1. For January and February, a cost center's budgeted average hourly rate will be one amount, and will increase for March through December to accommodate the expected salary increases. **These labor increases have been built into the Headcount data in Hyperion. Please contact the budget department with any issues related to labor increases for your cost center.**

Labor Loadings

IMPORTANT: All cost centers will receive a benefits loading rate to allocate healthcare, retirement, and certain other costs that will be applied to direct labor and employee benefits costs. Operational Areas, such as Gas and Electric Field Operations, Electric Generation, Safety, System Integrity, Technology Operations, etc. will receive a nonproductive loading rate on direct labor cost. Labor loading rates **WILL** change, based on vacancies added/removed during the budgeting process and the final benefits budget. Rates provided in the budget guidelines are estimates to begin the budget process. You will be notified when loading rates are finalized after we receive the fringe benefit budget and the total headcount data, including vacancies that are verified in the system.



Labor Loading Rates

Estimated rates to begin the budget process will be 37.2% for the Fringe Benefits loading rates applied to all cost centers, 20.0% for the Nonproductive loading rate applied only to certain operational areas, and 21.0% for the Nonproductive loading rate applied to Technology Operations cost centers.

Vacation, Holiday, Sick and Inclement Weather Hours

Vacation and holidays hours will be budgeted for **all** employees by cost center. The Headcount Form will be populated for each cost center as you enter your labor information. The form will default to 96 hours of holiday for every employee based on Vectren's holiday schedule. Vacation hours were trended by the Hyperion system based on a 3-yr historical average of vacation for each cost center, and each employee's vacation eligibility. Sick and Inclement Weather hours will also be pre-populated in the Headcount form based on the number of hours provided in the headcount review process prior to the budget tool opening. **As indicated earlier in the pre-seeding process overview, vacation, holiday, sick and inclement weather categories of non-productive hours will automatically be budgeted to projects and tasks for each cost center based on the data in the Headcount form.**

Vacation:

The Headcount form is populated with total vacation hours for each employee based on the eligible vacation by employee in 2020 and 2021. The spread of those hours by month in the headcount form is based on the cost center's 3-year historical trend. Please review the monthly spread to ensure it is reasonable. The vacation hours are automatically budgeted to a project and task in the budget entry form for each cost center with the appropriate loadings applied. For any vacant positions, the vacation hours will need to be provided to the budget department.

Vacation hours are budgeted to the main project/ task combination (as identified by your business analyst) that is used for each cost center's direct labor. Certain operational cost centers will continue to budget vacation hours to a nonproductive project and task.

Holidays:

The holiday hours total 96 hours for all employees for both calendar years 2020 and 2021. Similar to vacation, holiday hours for each cost center will automatically be populated in Hyperion. Hyperion will populate holiday hours to projects and tasks automatically in the budget entry form for each cost center with the appropriate loadings applied. For any vacant positions, holiday hours will be populated by the administrator based on the cost center.

Holiday hours are budgeted to the main project/task combination (as identified by your assigned FP&A representative) that is used for each cost center's direct labor. Certain operational cost centers will continue to budget holiday hours to a nonproductive project and task.

Sick Hours:

Sick Hours are pre-populated in the headcount form based on the sick hours provided in the headcount review process, prior to the start of the budget process. You should budget sick hours based on historical sick hours used. If you know of a specific Short-Term Disability (STD) occasion in your department which will culminate in 2020 and/or 2021, provide this information during the headcount review process or enter the STD hours by entering the number of hours in the appropriate month(s) for that employee. The hours entered for sick hours will be used to calculate an amount by project and task using the average hourly rate for the employee type (exempt, non-exempt and bargaining unit) for each cost center.



As mentioned above, corporate cost centers will not use a nonproductive project and task to budget sick time. These hours will be budgeted to the main project/task that is used for direct labor within the cost center. Your business analyst has identified this project and task. Certain operational cost centers cost centers will continue to budget sick hours to a nonproductive project and task.

For the IBEW 1393, USWA 12213 and USWA 7441: The Lump Sum Sick payment is automatically calculated and budgeted by project and task in the budget entry form for each cost center in January, including labor loadings. This will be created using the task 089.0600 (Lump Sum Sick). On the Headcount form 40 hours should be entered for the lump sum sick payment, but please also budget any short term disability hours or regular sick hours experienced in your area.

Labor Hours Verification – “Remaining Hours Form”

Once all projects have been budgeted within a cost center, a user should open the “Remaining Hours” form to verify that all available labor hours have been budgeted (remaining hours should be zero by month). If there are discrepancies, the user should correct the hours budgeted in the input form. The budget department will be reviewing this information and will contact cost center owners who have not cleared their hours.

Note that remaining hours may not be zero for all cost centers at the beginning of the budget process. This will happen if there are changes to the staffing levels from the 2020 budget entered in 2018.

Service Watch, Safety, & Severance (Non-Hour Related Labor)

For non-hour types of labor expenses, such as service watch, job site reporting, severance costs, and meals, you will use the expenditure type **OTHER LABOR**. This expenditure type will allow you to budget labor dollars in the amount field without having to budget hours. Within the budget reports, this expenditure type will fall under the Direct Labor expenditure category and can be viewed by drilling down on the Direct Labor expenditure category.

Service watch (on-call pay) should be budgeted in the **No Employee Type, Other Labor** expenditure type. North centers should budget \$10,400 annually (\$200/wk X 52 weeks), South centers should budget \$7,800 annually (\$150/wk X 52 weeks) and VEDO centers should budget \$7,280 annually (\$140/wk X 52 weeks) as No Employee Type, Other Labor expenditure type per number of service watch personnel required to be on service watch each week.

South 702 Safety Shoe allowance of \$150 per employee should be budgeted as additional wages in project XXXXXADMIN task 254 also in the No Employee Type, Other Labor expenditure type in January.

Uniform/Safety allowance for South, North and Ohio are no longer paid as wages and should be budgeted as contract labor. (see Clothing Allowance pg. 16)

SCBA Certification Pay:

Each year in January, North pays for the annual SCBA Certification (Self-Contained Breathing Apparatus) of \$250 per person (4 in each current operating center (OC), except 2 in Richmond and Greenfield). These costs should be budgeted as additional wages in project XXXXADMIN task 254 in the No Employee Type, Other Labor expenditure type, Amount Input, in January.

Non-Hour related labor will be pre-seeded in Hyperion using the 2020 Budget.



NON-LABOR INFORMATION

As a starting point the 2020 budget will contain all non-labor costs entered last year in the same project/task and expenditure category/type combinations that were used in the 2020 budget. 2021 will be prepopulated with 2020 data.

You will have the ability to overwrite pre-seeded amounts simply by changing the numbers in the monthly columns. There is also the ability to remove pre-seeding completely by putting in a zero in the Year Total column. You will find more information concerning the pre-seeded amounts and how to remove them in the Hyperion User Guide (Chapter 6).

Key Non-Labor Items that may be Included in Each Cost Center Budget:

1. Hiring and relocation costs
2. Training and Conference Expenses
3. Stores Loadings (calculated by Hyperion on Direct Material)
4. Direct Material (Material Issues and Material Returns)
5. Departmental Moves
6. Contract Labor (including Mgmt./Professional Consulting)
7. Contract Nonlabor (Direct Shipped Material; Hardware/Software)
8. Vehicle Usage (applied by hours charged)
9. Professional Fees/Dues
10. Employee Expenses
11. Office Supplies (including fax and copy supplies)
12. Employee Testing (substance abuse, etc.)

New Employee Hiring Costs

If a department is planning to hire new staff, the costs associated with the new hire will be charged back to that department. These costs include such items as reference checks, drug testing and education checks. The estimated cost to budget should be \$375/non-bargaining unit employee and \$450/bargaining unit employee. The interviewing travel costs are involved in a small population of roles, primarily non-bargaining unit, and range from about \$200-\$800 per candidate.

Training Costs/Conference Expenses

Individual cost centers should budget for training expenses. However, external training expenses should be budgeted to the standard task of **281: Training – External** for the Corporate cost centers. Training costs should include internal and external training provided to employees. This includes compensation and benefit costs of all training staff, food, training material, travel costs, and room/equipment expenses for instructor-led, computer-based, and video-based training, new hire orientation training sessions, and conferences. Exclude costs related to Executive Coaching, tuition reimbursement, college courses, and trainee pay and benefits.

Certain operations cost centers will have different tasks to capture training costs. Please contact your business unit analyst if you have questions concerning training costs (refer to the contact list included within the “Budget Support” section of this document).

Training costs should NEVER be budgeted or charged to a capital project.



Material Loadings (Stores Loading)

Material loadings will be applied to each cost center's budget at the project/task for any amounts budgeted to the *direct material budget expenditure type*. **The material loadings budget (Stores Loadings) will be pre-populated in Hyperion based on the pre-seeded direct material budget.**

Materials Loadings (Applied to Direct Material Budget costs): 17%

IMPORTANT: Material Loading rates WILL change, based on the Storeroom budget. You will be notified when loading rates are finalized, after totals are verified and rates are recalculated. Rates provided in budget guidelines are estimates.

Contract Material Loadings (P.O. Loadings)

Contract Material Loadings (P.O. Loadings) will not be applied separately in the budget system, but will continue to be applied to actual charges for direct shipped purchased ordered contract material items only. **When budgeting, assume an additional 4% for P.O. Loading rates on contract non-labor costs that are classified as direct shipped material that bypasses the storeroom.**

Departmental Moves

If a department is planning to move offices, the external labor costs associated with the move will be charged back to that department. Kinder Moving and Storage will be the external mover and the rate to budget should be \$85/hour for two men and equipment. If you need more than two men for your move, each additional man is \$30/hr. Contact Crystal Werner at x14652 if you need estimates for your move.

Budgeting for Company Vehicle Usage

Please be reminded that if you or your staff has a vehicle assigned to them, they will need to budget vehicle hours to the same productive projects and tasks where their time is charged, whether they are in the office filling out paperwork, on the computer, in training, out in the field on the job or actually driving their vehicle. If crews have a vehicle assigned to them, but the vehicle is utilized by more than one crew, the vehicle usage needs to be budgeted according to the expected hours among crews, ensuring all hours are fully budgeted.

We also have fleet that is assigned to departments, but not to specific individuals, like dump trucks, backhoes, trailers, etc. This fleet should be budgeted according to the time expected to be utilized at a job site.

The vehicle classes include three classes that span all companies. As in prior years, you will be budgeting hours of vehicle usage by vehicle class, which Hyperion will then calculate the Vehicle Usage cost. Cost center owners will budget company vehicle "HOURS" by month for the three classes: Light Duty- vehicle class 1, Medium Duty- vehicle class 2, and Heavy Duty- vehicle class 3, that will be required to perform the work within their cost center. A vehicle rate by class will be applied to each hour budgeted to calculate the total vehicle expense for the cost center.

Vehicle hours will be pre-seeded in the budget system. It is very important to review the number of vehicle hours budgeted, as the total vehicle hours budgeted determines the final vehicle rates. If actual vehicle hours are under the budgeted number, then the actual rates will need to be adjusted to accommodate for less vehicle hours being charged.

Preliminary Vehicle Rates

- **Vehicle Class 1 (Light Duty):** \$ 7.00
- **Vehicle Class 2 (Medium Duty):** \$ 13.00
- **Vehicle Class 3 (Heavy Duty):** \$ 28.00



IMPORTANT: Vehicle rates will change based on final fleet budget and final number of vehicle hours budgeted. You will be notified when loading rates are finalized, after totals are verified and rates are recalculated. Rates provided in the budget guidelines are estimates.

Buildings, Furniture and Fixtures

Your department is responsible for communicating new or expanded requirements for material changes to building, furniture or fixture needs to Facilities so they can accommodate your needs in the budget.

Electric Generation Buildings

Electric Generation is to budget for the power plant buildings, including maintenance, equipment, snow removal, mowing, janitorial and waste removal.

Regulator Stations and Substations

Operational T&D cost centers should budget for regulator stations and substations, including all non-HVAC equipment inside buildings as well as signage, driveways and snow removal.

Technology Operations (including Hardware, Software and Telecommunications)

TO Client Services

The budgeting of Personal Computers (PCs), printers and other peripheral computer equipment is centralized in the TO budget. TO will also budget for PC's/Software for small incremental staff increases, but please inform TO if your annual plans call for incremental staff to ensure your needs have been included in the budget. Contact Brian Lohe x14441 with any additional needs for TO equipment as a result of additional staffing. The purchase of standard platform software for new PCs will be budgeted by the TO department.

Your department is responsible for prospectively communicating new technology needs to TO so they can accommodate your needs in the budget.

Telecommunications

The budgeting of local dial tone in each office, wide area network charges for the enterprise, SCADA circuits, all telephony switch maintenance contracts, and mobile data dispatch wireless network costs is centralized in the TO budget.

TO is responsible for ordering, canceling and administering all telecommunications circuits. If you have a need to have a new line installed or canceled, please contact the TO telecommunications team.

Mobile Data, Radios and SCADA Budgeting

Mobile Data

- Mobile data dispatch monthly data plan charges are budgeted per month by TO. (Janet Wandling)
- TO will budget replenishment for the existing installed base of mobile laptops and Sierra devices. Any new mobile data laptop projects must be established as new capital projects.
- Vehicle related costs for mobile data, including new mounts and all wiring, labor for swapping mounts when vehicles change or are repaired, and cradle repairs are budgeted by Fleet (David Miller or Ashlee Wallis).



Two-way Radios

- Vectren-wide new two-way radio installations, replacements and repair of radio equipment are budgeted by Fleet (David Miller or Ashlee Wallis).

Items Centrally Budgeted:

1. Margin (Revenue, Fuel and Cost of Gas)
2. Revenue Taxes
3. Depreciation and Property Tax expense
4. Interest Expense and Income
5. Income Taxes
6. Long-term and Short-term Incentive Compensation
7. Advertising and Donations
8. Corporate Association Dues (such as AGA/EEI)
9. Buildings (except those at power plants) including maintenance, janitorial, mowing, snow removal, HVAC, waste removal, recycling, utilities and any other upkeep at the operating centers in all territories
10. Regulator stations and substations – HVAC Maintenance
11. Furniture and Fixtures
12. Cell Phones
13. Fax Machines and Copiers (excluding paper and toner)
14. Local telephone circuit monthly charges in Vectren offices and field locations, Gas and Electric SCADA telephone charges, and high-speed voice/data network circuits that connect Vectren offices together.
15. Field radio equipment maintenance contracts and IGC radio tower rental monthly fees
16. Computers, Software, and Hardware (for replenishment purposes only)
17. SCADA Equipment
18. Technical Equipment
19. Insurance Expenses (including all claims)
20. Reimbursed Continuing Education Expenses
21. Fleet costs (fuel, maintenance, license fees, power operated equipment)

SCADA - Supervisory Control and Data Acquisition and EMS – Energy Management System

- Gas SCADA and Electric EMS data communication lines are budgeted by TO (Robert Taylor)
- Gas SCADA and Electric EMS software maintenance agreements are budgeted by Information Security and Business Continuity (Evan Holmes)
- Gas SCADA and Electric EMS hardware, software, and associated electronics for the primary and backup control rooms are budgeted by Information Security and Business Continuity (Evan Holmes)
- Equipment, like a Remote Terminal Unit (RTU), and associated electronics at a site to collect and supply data to the Gas SCADA and/or the Historian are budgeted by Gas Transmission Engineering or Field Operations (Kevin Preece or Division Manager)
- Equipment, like a Remote Terminal Unit (RTU), and associated electronics at a site to collect and supply data to the Electric EMS and/or Historian are budgeted by Electric Engineering (Steve Rawlinson)
- Inspection, preventive maintenance, and corrective maintenance in VEDN and VEDO of equipment (like a RTU) and associated electronics at a site to collect and supply data to the Gas SCADA and/or the Historian are budgeted by Measurement Services (Kevin Dugan)
- Inspection, preventive maintenance, and corrective maintenance in VEDS of equipment (like a RTU) and associated electronics at a site to collect and supply data to the Gas SCADA and/or the Historian are budgeted by Operations, G&E (Brian Gatewood)
- Inspection, preventive maintenance, and corrective maintenance of equipment (like a RTU) and associated electronics at a site to collect and supply data to the Electric EMS and/or Historian are budgeted by Operations (Brian Gatewood)



Clothing Allowance

Clothing allowance for North, South and Ohio is issued from the Vectren Company Store, through employee expense reimbursement or directly from the vendor depending on the bargaining unit contract. This should be budgeted as Other Expenses as it is paid out throughout the year. (Actual charges should be to expenditure type uniforms or safety shoes).

- North should budget \$550/employee
- Ohio should budget \$475/employee
- South IBEW 702 should budget \$850/employee for electric; \$500 for gas construction and maintenance; \$425/employee for gas other, storeroom and for meter readers; and \$500/employee for Teamsters 135.

Mail Room/Postage

Postage for regular business mailings will be budgeted by the Office Services department. **Large or special departmental mailings that are processed and mailed by an outside service provider are the responsibility of the individual cost centers.** Examples of costs to be budgeted at individual cost centers:

- Postage for customer bills
- Mailing of the annual reports by the Investor Relations department
- Quarterly financial reports by the Finance department
- Special mass mailings by the Corporate Communications department

Postage costs should be budgeted as “Other Expenses Budget” category.

Fax and Copier Costs

Leases and maintenance costs for all copiers & Fax machines will be centralized in the Technology Operations (TO) budget. Individual cost centers should budget for Fax and copier supplies (i.e., paper and toner) only.

Office supplies should be budgeted in the “Other Expenses Budget” category.



CAPITAL AND COST OF REMOVAL (COR) BUDGET

All capital and cost of removal projects will be pre-seeded with the 2020 budget entered last year. It is essential to review the capital budget and ensure that it is synchronized with the Indiana gas and electric infrastructure, Ohio infrastructure and Power Supply Environmental filings.

Capital and cost of removal projects that will be greater than \$0.5 million for Technology Operations (TO) and \$1.0M for all other business areas must be budgeted into a unique project and the in-service timing of these projects will need to be provided to the Budget Department using the templates provided within this document. If the project is carried over from 2019, the established project number will need to be added to Hyperion. Please work with your business analyst to ensure that all projects needed are set up in Hyperion.

The cost centers listed below will budget labor and vehicle hours to specific capital projects that have been set up for each cost center.

The legacy Vectren Gas and Electric capital budgets will be provided by Investment Planning (Don Stucki and Ashley Meredith). As a result, the Budget/Forecast department has worked with Don and Ashley to load these budgets into Hyperion by Cost Center, ABM, Project and Legal Entity. However, in order to obtain accurate labor and vehicle costs to determine loading rates, affected cost center owners (0468, 2029, 5830, 5854, 5920, 5950, 2035, 2030 & 2031) will still budget labor and vehicle hours only to the new capital projects outlined below. The costs generated from these labor and vehicle hours will then be fully offset through Contract Nonlabor within the same project after the business rule has been run. These cost center owners will no longer be responsible for budgeting capital costs other than labor or vehicles. Please note that the labor cost split by legal entity (01-SIG, 02-IGC, 03-VEDO) is required to be accurate for pension and other labor allocations. As a result, each cost center may have more than one capital project for budgeted labor.

| 0468 | 2029 | 5830 | 5854 | 5920 |
|-------------------|---------------------|-------------------|---------------------|------------------|
| 0468CAPLABOR01GAS | 2029CAPLABOR01GAS | 5830CAPLABOR02 | 5854CAPLABOR01ELE | 5920CAPLABOR02 |
| 0468CAPLABOR02 | 2029CAPLABOR02 | 5830CAPVEHICLE02 | 5854CAPLABOR01GAS | 5920CAPVEHICLE02 |
| 0468CAPLABOR03 | 2029CAPLABOR03 | | 5854CAPVEHICLE01ELE | |
| 0468CAPVEHICLE03 | 2029CAPVEHICLE02 | | 5854CAPVEHICLE01GAS | |
| 5950 | 2035 | 2030 | 2031 | |
| 5950CAPLABOR02 | 2035CAPVEHICLE01GAS | 2030CAPLABOR01GAS | 2031CAPLABOR01ELE | |
| 5950CAPVEHICLE02 | 2035CAPVEHICLE02 | 2030CAPLABOR02 | 2031CAPVEHICLE01ELE | |
| | 2035CAPVEHICLE03 | 2030CAPLABOR03 | | |
| | | 2030CAPVEHICLE02 | | |
| | | 2030CAPVEHICLE03 | | |

Capital Loadings

Capital overhead loadings will not be automatically calculated in the 2020 and 2021 budget, consistent with the process used in prior years. While capital overheads will not be applied separately in the budget, actual costs will continue to receive capital overheads. Capital loadings consist of A&G, E&S and AFUDC loadings and vary by functional class as shown in the table below. Please use the rates provided when calculating your capital spend.

OVERHEADS

- A&G and E&S rates are the correct fixed overhead rates used by Plant Accounting.
- Exceptions to application of E&S are: Non-Utility work orders, material only work orders, vehicle work orders, and 3rd Party contractor work orders. Please refer to Plant Accounting Policy for a more detailed explanation of E&S exceptions and applicability.



- All capital spend will receive A&G. Occasionally very large projects that are staffed/organized with their own support team will receive a 1% A&G rate. This is on a case by case basis and must receive approval before this rate can be applied. Please refer to Plant Accounting Policy for a more detailed explanation of A&G exceptions.

AFUDC

- AFUDC is calculated on work orders exceeding \$10,000 with a construction duration of at least 30 days.
- Blanket work orders (by definition are short duration work, generally less than 30 days) are excluded from AFUDC

| Company | Functional Class | A&G | E&S | Total OH | AFUDC (debt & equity)) | Total |
|----------|----------------------------|------|-------|----------|------------------------|-------|
| SIG | Common | 5.0% | 18.5% | 23.5% | 1.0% | 24.5% |
| SIG | Gas - Distribution | 5.0% | 18.5% | 23.5% | 1.0% | 24.5% |
| SIG | Gas - Transmission | 5.0% | 18.5% | 23.5% | 0.5% | 24.0% |
| SIG | Gas - All Other | 5.0% | 18.5% | 23.5% | 1.5% | 25.0% |
| SIG | Ele - Distribution | 5.0% | 18.5% | 23.5% | 1.5% | 25.0% |
| SIG | Ele - Distribution TDSIC * | 3.6% | 14.4% | 18.0% | 1.0% | 19.0% |
| SIG | Ele - Transmission | 5.0% | 18.5% | 23.5% | 2.0% | 25.5% |
| SIG | Ele - Transmission TDSIC * | 3.6% | 14.4% | 18.0% | 1.5% | 19.5% |
| SIG | Ele - All Other | 5.0% | 18.5% | 23.5% | 1.5% | 25.0% |
| SIG | Power Supply | 5.0% | 3.0% | 8.0% | 2.0% | 10.0% |
| IGC | Gas - Distribution | 5.0% | 18.5% | 23.5% | 1.0% | 24.5% |
| IGC | Gas - Transmission | 5.0% | 18.5% | 23.5% | 1.0% | 24.5% |
| IGC | Gas - All Other | 5.0% | 18.5% | 23.5% | 1.0% | 24.5% |
| VEDO | Gas - Distribution | 5.0% | 18.5% | 23.5% | 0.5% | 24.0% |
| VEDO | Gas - Transmission | 5.0% | 18.5% | 23.5% | 0.5% | 24.0% |
| VEDO | Gas - All Other | 5.0% | 18.5% | 23.5% | 0.5% | 24.0% |
| VUHI/VAU | All | N/A | N/A | 0.0% | 2.0% | 2.0% |

*Electric TDSIC is capped at 18% for total Overheads.

** AFUDC rates are calculated as an average that takes into account in-service timing. It is not necessary to adjust these rates to take into account the length of the project.

Capital Budget - Furniture and Fixtures, Fleet Vehicles, Power Operated Equipment, and Technical Equipment

The budgeting of Furniture and Fixtures, Fleet and other Technical Equipment is centralized for 2020 and 2021. That is, only one cost center will be responsible for budgeting the total dollars on a company-wide basis. You will need to contact the respective center and/or your business analyst to verify they are aware of your needs for 2020 and 2021 and that they will be budgeting for the dollars. Please contact Brian Hahus @ x14354 for furniture, fixtures and fleet or Marisa Johnson @ x14143 for technical equipment.

Budgeting at a General Ledger Account

When selecting the GL Budget form you will enter information that is not tied to a project or task. When budgeting by account, a cost center, product code and legal entity must be entered. Enter the amounts in the appropriate months and save your work. There should be no labor hours budgeted to GL accounts. If at all possible, you should budget to a project and task. However, if you have an expense that must be budgeted directly to a GL account, for example, VIP expenses, Bad Debt, Insurance Premiums, or Ohio Integrity Management, you should utilize this method.

GL budget items will be populated with the 2020 Budget. The GL items for 2020 and 2021 will remain the same as what was input last year for the 2020 Budget. Cost Centers will need to make appropriate changes. Please call the Budget Department if you have questions about this process.



Costs Linked to Revenues / Regulatory Filings

The following costs require special treatment because of their relationship with revenues. These costs are as follows:

- Ohio – Uncollectible Expense (UEX or “Bad Debt”)
- Ohio – Percentage of Income Payment Plan (PIPP)
- Ohio – Exit the Transition (ETC)
- Ohio – Energy Efficiency Funding Rider (EEFR)
- North and South Gas – Energy Efficiency Funding (EER) Programs
- South Electric – Midwest Independent System Operator (MISO) related costs
- South Electric – Reliability and Non-Fuel Purchased Power costs
- South Electric – Demand Side Management (DSM) Programs
- Ohio – Infrastructure Development Rider (IDR)

While Indiana bad debt is not a direct pass through expense, costs should be budgeted as a percentage of revenue.

Other Regulatory Mechanisms that have a defined recovered expense component are discussed further below. If you have questions pertaining to the budgeting of the mechanisms below, please contact Angie Bell.

SPECIAL NOTES:

Ohio – Distribution Replacement Rider (DRR)

VEDO’s Distribution Replacement Rider (DRR) encompasses the bare steel/cast iron pipeline replacement program. The program allows for recovery of and the return on plant investment, inclusive of post in-service carrying costs, as well as the incremental costs of the program. The annual recoveries included in this rider are limited each year to an amount not to exceed ordered established rate caps.

The VEDO Base Rate Case filed in March 2018 addresses the proposal to continue the distribution replacement rider beyond 2017 capital investments along with amortizing the 2017 accumulated deferred balance per the 2018 DRR filing, further described in the table below. Pending approval of the VEDO Rate Case, DRR authority and accounting will continue for 2018 through 2023 capital investment.

Ohio – House Bill 95 Capital Expenditure Program (CEP)

This program provides for expense deferral authority (deferred depreciation, accrual of post in-service carrying costs, and property tax expense; offset by incremental revenue credit(s)) on VEDO’s capital expenditures that are not included in the Distribution Replacement Rider. There are some exceptions, such as new business, that are excluded from both the Distribution Replacement Rider and the Capital Expenditure Program (CEP). In April of each year, we request accounting authority for our capital expenditure program for that year. The accounting authority is limited to a bill impact “cap” based on the prior calendar year end cumulative investment to date. Please note that the VEDO Base Rate Case filed in March 2018 addresses the proposal to recover historical deferred costs and the establishment of an infrastructure recovery mechanism for future program deferrals. The table below further addresses the amortization expense associated with the CEP once the Rate Case is implemented.

Pending approval in the Rate Case, the CEP deferred balance associated with 2018 capital investments, and continuing through the date of the next rate case, will be recovered in a CEP Rider. This Rider will generate a rate not to exceed \$1.50 per residential customer per month, which will reflect recovery of a return on and of the deferred CEP balance. Additional details on the CEP Rider will be provided once the Rate Case order is issued.

Ohio – DARR Program/Integrity Management

The DARR program provided for accounting authority to defer the related expenditures associated with VEDO’s Distribution Accelerated Risk Reduction (DARR) program developed in accordance with VEDO’s Distribution



Integrity Management Plan (DIMP). The accounting authority to defer the related expenditures associated with VEDO's Distribution Accelerated Risk Reduction (DARR) program will end on the date the Company receives the Rate Case order. After this date, all deferral activity will cease, and expenses will be recorded to the income statement. VEDO's Distribution Integrity Management Plan (DIMP) includes the following initiatives: Expanded Leak Management Program, Enhanced Damage Prevention Program, Public Awareness, Workforce Training and Qualification for New Requirements, Pipeline Safety Management System Implementation, and Enhanced Risk Modeling and Threat Analysis. These DIMP expenses associated with the DARR Program should be budgeted, post Ohio Rate Case, to current O&M accounts within the income statement. The filed Ohio Rate case budgeted \$3.95M annually to expenses that were previously deferred under the DARR Program with a combined total of \$9M annually budgeted for all 3 programs; DARR, DIMP, and TIMP (Transmission Integrity Management). The table below further addresses the amortization expense associated with the DARR asset once the Rate Case is implemented.

Ohio – Base Rate Case Amortizations

The Ohio Rate case proposes amortizing several Regulatory Assets that have been implemented, and building, since the prior rate case. The Estimated (Est.) Asset Balances and associated annual amortization expenses are listed below:

| | Est. Balance | Amortization Period Est. | Annualized Expense | Expense Type |
|-----------------------|--------------|--------------------------|--------------------|--------------|
| DRR | \$ 31.2M | 67 yrs. | \$ 0.5M | Amortization |
| HB95/CEP | \$ 65.8M | 62 yrs. | \$ 1.1M | Amortization |
| DARR | \$ 10.8M | 5 yrs. | \$ 2.2M | O&M |
| Def Rate Case Expense | \$ 1.6M | 5 yrs. | \$324K | O&M |

Accounting associated with these amortization amounts, including the cost center where the monthly expense will be recorded, will be communicated to the appropriate business units at the time of the Rate Case order.

North and South Gas – Compliance and System Improvement Adjustment (CSIA)

Our approved seven-year gas system modernization plans for VEDS and VEDN includes authority to recover certain costs of federally mandated projects and other capital investment projects outside of base rate proceedings. The approval also includes recovery of appropriate costs related to gas infrastructure replacement and improvement programs, using the mechanisms prescribed under Indiana SEA251 (Compliance Component) and Indiana SEA560 (TDSIC Component) which allow for the timely recovery of 80 percent of the applicable costs, with the remaining 20 percent deferred for recovery in the next base rate case.

The combined Indiana infrastructure replacement and improvement plan reflects estimated construction costs of \$724 million for VEDN and \$243 million for VEDS-Gas over the seven year period beginning in 2014 and about \$18 million operating costs in 2020 associated with compliance with new pipeline safety regulations for VEDN and about \$8 million for VEDS-Gas in 2020.

O&M (compliance component only) – Our approved seven year O&M plans (updated in TDSIC-9) for VEDN and VEDS compliance component are presented in the schedules below:



Vectren North
Compliance Projects O&M Summary - 7 Year plan Update

Plan Update - Fall 2018

| Funding Category | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Plan | 2019 Plan | 2020 Plan | 7-year Total |
|---------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Transmission IM | \$5,301,223 | \$7,532,355 | \$7,363,556 | \$10,235,691 | \$8,300,000 | \$10,969,919 | \$8,750,000 | \$58,452,744 |
| Distribution IM | \$1,580,399 | \$615,408 | \$1,341,712 | \$3,987,863 | \$4,000,000 | \$3,692,498 | \$3,500,000 | \$18,717,880 |
| Facility Damages | \$383,150 | \$1,175,038 | \$2,042,202 | \$3,009,756 | \$2,300,000 | \$2,726,795 | \$2,350,000 | \$13,986,941 |
| Operator Qualification/Training | \$0 | \$403,469 | \$630,797 | \$720,479 | \$900,000 | \$1,018,729 | \$950,000 | \$4,623,474 |
| Safety Management System | \$0 | \$33,006 | \$126,040 | \$256,348 | \$250,000 | \$343,887 | \$525,000 | \$1,534,281 |
| Storage Field Safety | | | | \$1,866,251 | \$1,637,000 | \$1,810,000 | \$1,945,000 | \$7,258,251 |
| Total | \$7,264,772 | \$9,759,277 | \$11,504,307 | \$20,076,388 | \$17,387,000 | \$20,561,828 | \$18,020,000 | \$104,573,572 |

Vectren South
Compliance Projects O&M Summary - 7 Year plan Update

Plan Update - Fall 2018

| Funding Category | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Plan | 2019 Plan | 2020 Plan | 7-year Total |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Transmission IM | \$1,823,939 | \$2,436,010 | \$2,688,580 | \$2,261,000 | \$3,500,000 | \$3,733,211 | \$4,000,000 | \$20,442,740 |
| Distribution IM | \$319,338 | \$153,691 | \$723,147 | \$569,326 | \$1,680,000 | \$933,469 | \$800,000 | \$5,178,970 |
| Facility Damages | \$61,654 | \$419,557 | \$529,009 | \$549,770 | \$540,000 | \$524,987 | \$550,000 | \$3,174,977 |
| Operator Qualification/Training | \$0 | \$135,604 | \$199,121 | \$220,370 | \$280,000 | \$252,539 | \$279,542 | \$1,367,176 |
| Safety Management System | \$0 | \$13,413 | \$61,755 | \$146,437 | \$200,000 | \$254,412 | \$298,772 | \$974,788 |
| Storage Field Safety | | | | \$1,102,557 | \$2,655,000 | \$1,960,000 | \$1,945,000 | \$7,662,557 |
| Total | \$2,204,930 | \$3,158,274 | \$4,201,612 | \$4,849,460 | \$8,855,000 | \$7,658,618 | \$7,873,314 | \$38,801,209 |

These expenses should be budgeted to the balance sheet (regulatory assets) as deferred expenses at a level of detail that will allow actual charges to be compared to budget for each funding category listed in the schedules above.

Capital – Our approved seven year capital plans (updated in TDSIC-9) for VEDN and VEDS compliance and TDSIC components are presented in the schedules below:

Vectren North
Compliance Projects Summary - 7 Year Plan Update

Plan Update - Fall 2018

| Funding Category | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Plan | 2019 Plan | 2020 Plan | 7-year Total |
|----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| BS/CI Replacements | \$32,059,789 | \$39,951,500 | \$36,071,812 | \$42,638,475 | \$34,953,000 | \$35,826,000 | \$36,722,000 | \$258,222,576 |
| Distribution Modernization | \$8,411,803 | \$7,109,300 | \$6,519,061 | \$11,841,712 | \$13,063,000 | \$8,638,000 | \$9,882,000 | \$65,464,876 |
| Transmission Modernization | \$15,747,281 | \$22,969,939 | \$21,454,782 | \$41,012,909 | \$53,430,861 | \$19,171,000 | \$20,153,000 | \$193,939,771 |
| Storage Modernization | \$0 | \$0 | \$0 | \$0 | \$2,011,139 | \$2,923,721 | \$1,580,744 | \$6,515,604 |
| Total | \$56,218,873 | \$70,030,740 | \$64,045,655 | \$95,493,095 | \$103,458,000 | \$66,558,721 | \$68,337,744 | \$524,142,828 |

Vectren North
TDSIC Projects Summary - 7 Year Plan Update

Plan Update - Fall 2018

| Funding Category | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Plan | 2019 Plan | 2020 Plan | 7-year Total |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| New Business - Targeted Econ Dev | \$0 | \$740,885 | \$85,778 | \$2,002,023 | \$2,000,000 | \$8,944,111 | \$8,944,111 | \$22,716,908 |
| New Business - Rural Expansion | \$2,071,900 | \$5,292,759 | \$2,024,955 | \$2,688,025 | \$1,898,047 | \$5,740,000 | \$184,314 | \$19,900,000 |
| System Improvement - Dist | \$7,294,625 | \$3,003,423 | \$3,346,979 | \$2,472,169 | \$5,899,069 | \$2,565,816 | \$2,728,066 | \$27,310,147 |
| System Improvement - Trans | \$3,110,536 | \$1,658,913 | \$560,440 | \$560,310 | \$350,000 | \$1,700,000 | \$2,200,000 | \$10,140,199 |
| Production & Storage | \$41,035 | \$8,083 | \$224,326 | \$598,444 | \$1,000,000 | \$100,000 | \$500,000 | \$2,471,888 |
| LP Plant | \$259,690 | \$31,001 | \$0 | \$16,588 | \$0 | \$0 | \$100,000 | \$407,279 |
| Public Improvement - Dist | \$9,692,495 | \$5,570,452 | \$5,521,202 | \$6,470,854 | \$5,824,946 | \$4,431,800 | \$2,011 | \$37,513,760 |
| Services - Replacement | \$8,688,351 | \$9,034,732 | \$9,229,753 | \$5,542,525 | \$0 | \$0 | \$0 | \$32,495,361 |
| Public Improvement - Trans | \$1,628,194 | \$2,076 | \$0 | \$0 | \$0 | \$150,000 | \$150,000 | \$1,930,271 |
| Automated Meter Reader (AMR) | \$0 | \$14,664,881 | \$29,810,518 | \$139,143 | \$40,000 | \$0 | \$0 | \$44,654,542 |
| Gas Communication Equipment | \$129,343 | \$22,565 | \$0 | \$2,173 | \$0 | \$0 | \$0 | \$154,082 |
| Total | \$32,916,169 | \$40,029,771 | \$50,803,952 | \$20,492,255 | \$17,012,062 | \$23,631,727 | \$14,808,502 | \$199,694,437 |



**Vectren South
Compliance Projects Summary - 7 Year Plan Update**

Plan Update - Fall 2018

| Funding Category | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Plan | 2019 Plan | 2020 Plan | 7-year Total |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| BS/CI Replacements | \$14,479,558 | \$13,877,418 | \$12,963,135 | \$16,851,238 | \$14,658,000 | \$15,024,000 | \$15,400,000 | \$103,253,348 |
| Distribution Modernization | \$3,634,893 | \$3,532,769 | \$3,990,432 | \$4,342,171 | \$6,350,000 | \$7,540,000 | \$6,956,000 | \$36,346,265 |
| Transmission Modernization | \$10,811,818 | \$6,801,541 | \$9,937,856 | \$13,872,409 | \$15,141,217 | \$5,595,734 | \$6,828,427 | \$68,989,002 |
| Storage Modernization | \$0 | \$0 | \$0 | \$0 | \$1,200,000 | \$2,122,000 | \$1,948,000 | \$5,270,000 |
| Total | \$28,926,269 | \$24,211,727 | \$26,891,423 | \$35,065,818 | \$37,349,217 | \$30,281,734 | \$31,132,427 | \$213,858,615 |

**Vectren South
TDSIC Projects Summary - 7 Year Plan Update**

Plan Update - Fall 2018

| Funding Category | 2014 Actuals | 2015 Actuals | 2016 Actuals | 2017 Actuals | 2018 Plan | 2019 Plan | 2020 Plan | 7-year Total |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| New Business - Targeted Econ Dev | \$0 | \$0 | \$0 | \$0 | \$0 | \$500,000 | \$500,000 | \$1,000,000 |
| New Business - Rural Expansion | \$0 | \$0 | \$360,249 | \$632,221 | \$7,531 | \$0 | \$0 | \$1,000,000 |
| System Improvement - Dist | \$333,421 | \$174,981 | \$588,593 | \$490,997 | \$782,500 | \$690,000 | \$590,000 | \$3,650,492 |
| System Improvement - Trans | \$0 | \$0 | \$0 | \$0 | \$0 | \$600,000 | \$550,000 | \$1,150,000 |
| Production & Storage | \$1,125,093 | \$263,629 | \$518,488 | \$686,108 | \$1,200,000 | \$300,000 | \$310,000 | \$4,403,318 |
| Public Improvement - Dist | \$4,238,403 | \$1,293,635 | \$548,425 | \$1,340,552 | \$1,500,000 | \$1,550,000 | \$1,600,000 | \$12,071,015 |
| Services - Replacement | \$1,469,048 | \$1,570,507 | \$857,445 | \$1,241,511 | \$0 | \$0 | \$0 | \$5,138,511 |
| Public Improvement - Trans | \$0 | \$0 | \$0 | \$0 | \$0 | \$100,000 | \$100,000 | \$200,000 |
| Gas Communication Equipment | \$0 | \$0 | \$120,415 | \$6,613 | \$0 | \$0 | \$0 | \$127,028 |
| Total | \$7,165,966 | \$3,302,751 | \$2,993,615 | \$4,398,002 | \$3,490,031 | \$3,740,000 | \$3,650,000 | \$28,740,364 |

Capital projects should be budgeted at a level of detail that will allow actual charges to be compared to budget for each applicable statute and funding category listed in the schedules above.

The approval in TDSIC-9 specified projects for the TDSIC Component and programs for the Compliance Component. Through 2020, the Company cannot add new projects to the TDSIC Component plan, and cannot exceed the program budget for the Compliance Component plan. The Company will address capital investments starting 2021 in a subsequent Plan filing to be made in 2020.

South-Electric - Environmental Cost Adjustment (ECA)

Vectren South received an Order in April 2019, approving recovery of federally mandated projects (MATS Projects) to upgrade existing emissions control equipment on our coal-fired steam generating units to comply with three new EPA rules, including the mercury air toxins standards (MATS) that took effect in 2016. These costs will be recovered through a new tracking mechanism called the Environmental Cost Adjustment (ECA) and will include a return on and of these capital investments. The final cost of the projects was approximately \$70M, and was completed in 2017. Previously the IURC approved deferral of the MATS Projects costs in January 2015 and the Order included authorization to create a regulatory asset to reflect deferral of costs including PISCC (using overall cost of capital from last rate case), operating and testing expense, maintenance expense, depreciation and property tax expense, and applicable income tax expense until such costs are reflected for ratemaking purposes.

O&M – Our plan projects the estimated O&M expenses to be \$2.8M in 2020. These expenses should be budgeted to the regulatory asset at a level of detail comparable to the actual charges. Recovery of these expenses will be reflected in revenues, with associated amortization of deferred amounts reflected as pass-through costs.

South-Electric – Transmission, Distribution, and Storage System Improvement Charge (TDSIC)

On September 20, 2017, the Company received authority to invest in up to \$446.5M in capital projects related to its electric system modernization plan. Recovery of a return on and of these investments was approved, using the mechanism allowed under Indiana SEA560. The electric system modernization plan includes investments to upgrade portions of the Company's network of substations, transmission and distribution systems, to enhance reliability and allow the grid to accept advanced technology to improve the information and service provided to customers.



Approval also includes recovery of appropriate costs related to the plan using the mechanism prescribed under SEA560 that allows for the timely recovery of 80 percent of the applicable costs, with the remaining 20 percent deferred for recovery in the next base rate case.

The settlement also provides for accounting authority (deferred depreciation, accrual of post debt component of post in-service carrying costs) on up to \$39 million spent on the AMI project, which is excluded from the plan.

The total approved plan, as of January 2019, is as follows:

| Vectren South | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Electric TDSIC - 7 Year Plan Caps/Expenditures | | | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 7-year Total |
| Settlement Agreement Plan Cap | \$38,153,000 | \$53,925,000 | \$64,723,000 | \$68,098,000 | \$77,535,000 | \$80,838,000 | \$63,236,000 | \$446,508,000 |
| TDSIC-4 Plan Update Cap (Original estimates with new years) | \$40,003,748 | \$57,320,857 | \$68,560,948 | \$63,062,210 | \$76,966,838 | \$80,388,042 | \$60,205,356 | \$446,508,000 |

The annual caps approved within the plan are project specific.

In addition, Electric TDSIC plan development costs will continue to be amortized at an annual rate of \$1.266M per year. Those amortization costs will need to be budgeted through October 2020, which is the end of the 3 year amortization period.

South-Electric – Clean Energy Cost Adjustment (CECA)

In August 2017, the Company received approval to construct three pilot solar facilities and two battery energy storage systems in Vanderburgh County and the authority to recover costs related to the projects through its Clean Energy Cost Adjustment (CECA) rider. Recovery of these investments will be at a full rate of return, with a life of 25 years, and include incremental O&M, incremental property taxes, and credits for sales of Renewable Energy Credits associated with the projects. Two of the solar projects and one of the battery storage systems were placed in service November 2018. The first filing for recovery of investments made for costs incurred through the end of December 2018 was approved in May 2019, with rates effective in June 2019.

Other Items of Note:

In March 2019, Vectren South received approval to construct a 50 MW solar field, with recovery of a return on and of this investment in its currently approved Clean Energy Cost Adjustment (CECA). Recovery of these investments will be at a fixed rate per kWh of energy produced for a period of 35-years. This investment will be removed from rate base throughout the life of the investment, and all recovery of the associated costs will occur in the CECA. Recovery will not begin until the Company makes a filing, once the investments are completed and in-service (targeted to be completed in the spring of 2021).

In August 2019, Vectren South anticipates filing for approval to recover costs associated with the removal of the AB Brown Ash Pond.

In March 2020, Vectren South-Gas and Vectren North will file base rate cases, in accordance with the requirements of the TDSIC Statute. These cases will utilize a budgeted test year of 2021. Further information on these cases will be discussed with the business units throughout the budget process.



BUDGET REPORTS

The budget reports have remained the same as in prior years with two sets of reports, one set that will query against the Budget Input cube (where data is input) and the other set that will query against the Budget Reporting cube. The reports for the Budget Input cube will provide data at the cost center level only; no rollup information will be available from the Budget Input cube. Reports for the Budget Reporting cube will provide rollup information for the business areas, as well as cost center level data. The data from the Budget Reporting cube will be updated every 4 hours throughout the day, which means users will not be able to pull the most current rolled up data at the business area level until the Budget Reporting cube has been updated. The scheduled times for these updates will be at 8am, 12pm, 4pm and 8pm Central Standard Time.

To access the reports, the user will sign into Hyperion Planning and select Explore, then End User Reports and open the Budget Reports folder. If the reports list will not expand clicking the arrows to the left, set the screen zoom to 100% for access. Within this folder there will be two subfolders, “Budget Input Cube Reports” and “Budget Reporting Cube Reports”. To access the most current information that has been entered into Hyperion Planning the user would run the reports in the Budget Input Cube Reports folder. To access the budget data at the business area level or any roll-up level throughout the business area, the user will run the reports within the Budget Reporting Cube Reports folder.

The reports available are listed below:

Budget Input Cube

1. **Cost Center Project Task Detail Report – Budget Dollars**
2. **Cost Center Project Task Detail Report – Budget Hours**
3. **Cost Center Project Task Detail Report by ABM – Budget Dollars**
4. **Cost Center Project Task Detail Report by ABM – Budget Hours**
5. **Cost Summary Report by Month – Budget Dollars**
6. **Cost Summary Report by Month – Budget Hours – Labor Only**
7. **Resource Utilization Report by ABM and Expenditure Type – Budget**
8. **Budget Headcount – Monthly**
9. **Budget Headcount – Year End**
10. **Budget Headcount by Position Status – Monthly**
11. **FTE Reconciliation**
12. **Employee Hours by Employee Type Report**

Budget Reporting Cube

1. **Cost Center Project Task Detail Report - Budget**
2. **Cost Summary Report – Budget to Draft**
3. **Cost Summary Report by Month - Budget**
4. **Rate and Volume Variance Analysis Report – Budget to Draft**
5. **Resource Utilization Report by ABM and Exp Cat with Budget to Draft Comparison**
6. **Resource Utilization Report by ABM and Exp Cat with Yearly Comparison**
7. **Resource Utilization Report by ABM and Expenditure Category - Budget**
8. **Total Cost Report by Month - Budget**

For more instruction about accessing Hyperion Reporting and utilizing the reports available, please see your Hyperion Planning User Guide. Instructions for Hyperion Reporting are within Chapter 8. If you need additional help with the reports, please contact your business analyst or a member of the budget department. (refer to the contact list included within the “Budget Support” section of this document).



BUDGET SUPPORT

If you need assistance, contact the budget department or your business analyst. Do **NOT** contact the IT Service desk. Please see the list below for specific contacts by business area. If the person you contact cannot answer your question directly, he/she will either transfer you to someone who can answer your question or they will research the question and call you back within a reasonable amount of time. You may also request a meeting with any of the contact people listed below. All efforts will be made to accommodate your requests.

| General Budget Support | | | | |
|-------------------------------|----------------------------------|-------------------|------------------------------|---|
| Area | Contact | Desk Phone | Co. Cell Phone | Email |
| Tool Questions / Issues | Tara Farley Joe Manzo | x15003 x14130 | 815-260-4498 | Tara.Farley@centerpointenergy.com Joe.Manzo@centerpointenergy.com |
| Corporate Services Support | Tara Farley Joe Manzo | x15003 x14130 | 815-260-4498 | Tara.Farley@centerpointenergy.com Joe.Manzo@centerpointenergy.com |
| Regulatory Support | Cas Swiz Angie Bell | x14033 x14321 | 812-680-6678 812-618-6001 | Cas.Swiz@centerpointenergy.com Angie.Bell@centerpointenergy.com |
| Capital Planning Support | Ashley Meredith Don Stucki | x14315 x14867 | 812-664-2825 812-205-8842 | Ashley.Meredith@centerpointenergy.com Don.Stucki@centerpointenergy.com |
| Overall Questions | Tara Farley Joe Manzo | x15003 x14130 | 815-260-4498 | Tara.Farley@centerpointenergy.com Joe.Manzo@centerpointenergy.com |

Several corporate and shared service areas will be budgeting in two systems with one FP&A team member responsible for consolidating budget information from both systems. The table below shows the FP&A team member responsible for consolidating the budget support for each functional area, as well as the individual preparing budget information in SAP (i.e. the legacy CNP analyst) and the individual preparing the budget information in Hyperion/Oracle (i.e. the legacy Vectren analyst).



| FP&A responsibility assignments | | | | |
|---------------------------------|---|-------------------|--|-----------------------------|
| Officer | Functional Area | FP&A Responsible | Legacy CNP Support | Legacy VVC Support |
| Tracy Bridge | Texas Electric Utility Business | Margaret Sanchez | | |
| Dale Bodden | Electric Engineering & Asset Optimization | Margaret Sanchez | Tim Bush | Don Stucki |
| Jim Francis | Safety & Technical Training | Margaret Sanchez | Jacob Meyer/Brian Buzzetta | Connie Harpenau |
| Gary Hayes | Technology Operations | Michelle Townsend | Yolanda Adams / Atul Bhakta | Marisa Johnson |
| Shachella James | Information Technology | Michelle Townsend | Yolanda Adams / Atul Bhakta | Marisa Johnson |
| Ben Williams | Chief Digital Officer - Technology Operations | Michelle Townsend | Yolanda Adams / Atul Bhakta | Marisa Johnson |
| Ron Bahr | Technology Integration | Michelle Townsend | Yolanda Adams / Atul Bhakta | Marisa Johnson |
| Valentine Emesih | Operations Technology | Michelle Townsend | Yolanda Adams/Atul Bhakta/Henry Webb | Marisa Johnson |
| Martin Narendorf | High Voltage Operations | Margaret Sanchez | Tim Bush | N/A |
| Randy Pryor | Distribution Operations | Margaret Sanchez | Michelle Meche (O&M)/Aron Gonzalez (capital) | N/A |
| Julienne Sugarek | Power Delivery Solutions | Margaret Sanchez | Henry Webb | N/A |
| Lynnae Wilson | Indiana Electric Utility Business | Joe Manzo | | |
| Wayne Games | Electric Generation | Joe Manzo | N/A | Stephanie Gray/Katie Mathew |
| Jason Williams | System Operations | Joe Manzo | N/A | Don Stucki |
| Justin Joiner | Power Supply Services | Joe Manzo | N/A | Stephanie Gray/Katie Mathew |
| Steve Rawlinson | Electrical Engineering | Joe Manzo | N/A | Don Stucki |
| Nathan Brownell | Electric Field Operations | Joe Manzo | N/A | Tara Farley |
| Scott Doyle | Natural Gas Utility Business | Tommy Williams | | |
| Bruce Coogler | Gas Supply | Tommy Williams | Melissa Johansen/Kera Hill | Connie Harpenau/Andy Day |
| Steve Greenley | Gas Operations | Tommy Williams | Melissa Johansen | Andy Day |
| Tal Centers | Texas | Nolan Balmert | Will Mancia/Chris Picard | N/A |
| Richard Leger | Indiana/Ohio | Ryan Moore | N/A | Andy Day |
| Christe Singleton | Louisiana/Mississippi | Mike Maxwell | Steve Berard/Chet Derouen | N/A |
| Brad Tutunjian | Minnesota | Dave Poppie | Mark Winter | N/A |
| Cindy Westcott | Arkansas/Oklahoma | Amy Morris | Spencer Mckown/Tiffany Brazle | N/A |
| Gregg Knight | Chief customer officer - Customer Operations | Tommy Williams | Eliza Castillo/Kevin Harkel | Marisa Johnson |
| Becky DeMarr | Customer Services | Tommy Williams | Eliza Castillo/Kevin Harkel | Marisa Johnson |
| Trey Kuchar | Gas Engineering & System Integrity | Melissa Johansen | Kera Hill | Brian Hahus/Andy Day |
| Darin Carroll | Operations Support | Melissa Johansen | Ty Cormier | Brian Hahus/Andy Day |
| Joseph Vortherms | Competitive Businesses | Mark Veltman | | |
| Doug Banning | Miller Pipeline and Minnesota Limited | Mark Veltman | Anthony Schmeck | Justin Sanchez |
| Open | Energy Systems Group | Mark Veltman | Anthony Schmeck | Drew Bailey |
| Rob Ellis | Rob Gas Sales, Mass Markets | Mark Veltman | Anthony Schmeck | N/A |
| Jeff Wiese | Retail Energy Services | Mark Veltman | Anthony Schmeck | N/A |
| Casey Lee | Gas Supply and Asset Management | Mark Veltman | Anthony Schmeck | N/A |
| Robbie Sears | Marketing and Commercial Development | Mark Veltman | Anthony Schmeck | Marisa Johnson |
| Xia Liu | Finance | Michelle Townsend | | |
| Kristie Colvin | Chief accounting officer | Michelle Townsend | Emily Fitts | Ryan Moore |
| Patrick Edwards | Indiana / Ohio Accounting | Michelle Townsend | Emily Fitts | Ryan Moore |
| Mark Veltmann | Competitive Business Accounting | Michelle Townsend | Emily Fitts | N/A |
| Ray Ehmer | Corporate Strategy, FP&A, and Perf. Mgmt | Michelle Townsend | Emily Fitts | Ryan Moore |
| Carla Kneipp | Treasury and Commercial Risk | Michelle Townsend | Emily Fitts | Leslie Blenner/Ryan Moore |
| Charlie Pringle | Tax | Michelle Townsend | Emily Fitts | Ryan Moore |
| Jason Ryan | Legal | Michelle Townsend | | |
| Monica Karuturi | Audit | Michelle Townsend | Sally Glaser | Don Stucki |
| Shane Kimzey | Corporate & Commercial | Michelle Townsend | Sally Glaser | Don Stucki |
| Kelly Gauger | Litigation and Ethics | Michelle Townsend | Sally Glaser | Katie Mathew |
| Angila Retherford | Environmental and Corporate Responsibility | Michelle Townsend | Sally Glaser | Stephanie Gray |
| Chasta Martin | Legal, Reg. Services and Govt Affairs | Michelle Townsend | Sally Glaser | Don Stucki |
| Steve Bezecky | Rates and Regulatory Portfolio Management | Michelle Townsend | Sally Glaser | Don Stucki |
| Jeff Bonham | Texas Government Affairs | Michelle Townsend | Sally Glaser | N/A |
| Mike Roeder | State and Federal Government Affairs | Michelle Townsend | Sally Glaser | Don Stucki |
| Jason Stephenson | Regulatory | Michelle Townsend | Sally Glaser | Don Stucki |
| Sue Ortenstone | Human Resources | Michelle Townsend | | |
| Valencia Amenson | Talent Acquisition, Business Partners and Labor | Michelle Townsend | Emily Fitts | Tara Farley |
| Lynne Harkel-Rumford | Compensation, Benefits and HR Technology | Michelle Townsend | Emily Fitts | Tara Farley |
| John Sousa | Communications, Community Relations and Fo | Michelle Townsend | Emily Fitts | Marisa Johnson/Ryan Moore |
| Kenny Mercado | Integration | Michelle Townsend | | |
| Dan Bugher | Integration Management Office | Michelle Townsend | TBD - IMO Resource | Ryan Moore |
| John Slanina | Strategic Sourcing and Logistics | Michelle Townsend | Abbey Gaspard | Connie Harpenau/Brian Hahus |

BUDGET/FORECAST CALENDAR

- **Budget/Forecast Calendar – Select the link below:**
http://vecsharepoint.vectren.com/sites/iWorkSmart/vantage_content/Accounting/Planning%20Calendar.pdf



EXPENDITURE TYPES / CATEGORIES FOR BUDGETING

In an effort to assist you with determining which expenditure category/type to use for specific items, the following table lists expenditure categories/types available for budgeting with typical expenditure types that are used for actual cost. If you have specific questions about a cost and which expenditure type/category should be used, please contact Tara Farley (x15003) or Joe Manzo (x14130).

| EXPENDITURE CATEGORY / TYPE USED IN THE BUDGET | ACTUAL EXPENDITURE TYPES |
|---|---------------------------------|
| REGULAR LABOR | REGULAR LABOR |
| OVERTIME LABOR | OVERTIME LABOR |
| DOUBLETIME | DOUBLETIME |
| OTHER LABOR | OTHER LABOR |
| | |
| HOLIDAY | HOLIDAY |
| VACATION | VACATION |
| SICK PAID | SICK PAID |
| OTHER PAID | OTHER PAID |
| | |
| PAYROLL TAX LOADING | PAYROLL TAX |
| FRINGE BENEFITS LOADING | FRINGE-BENEFITS |
| PENSION LOADING | PENSION |
| 401K LOADING | 401K |
| NON PROD LOADING | NONPRODUCTIVE |
| IT NON PROD LOADING | IT NONPRODUCTIVE |
| | |
| DIRECT MATERIAL BUDGET | MATERIAL ISSUES |
| | MATERIAL RETURNS |
| | |
| CONTRACT LABOR | CONTRACT LABOR |
| | MGMT/PROF CONSULTING |
| | |
| CONTRACT NONLABOR | CONTRACT MATERIALS |
| | HARDWARE / SOFTWARE |
| | VEHICLE PURCHASES |
| | |
| INDIRECT | A&G |
| | E&S |
| | AFUDC – BORROWED/EQUITY |
| | STORES LOADING |
| | |
| OTHER EXPENSES | DUES/FEES |
| | LODGING |
| | MEALS |
| | MISCELLANEOUS |
| | OFFICE SUPPLIES |
| | PARKING |
| | PERIODICALS & SUBSCRIPTIONS |
| | TELECOMMUNICATIONS |
| | CROSS CO |
| VEHICLE CLASS 1 | VEHICLE CLASS 1 |
| VEHICLE CLASS 2 | VEHICLE CLASS 2 |
| VEHICLE CLASS 3 | VEHICLE CLASS 3 |

[illegible]

Roll-forward Template (Located on the BUA Shared Drive)

G:\Corporate\BUAMonthlyPerformanceManagement\2020 Budget\Roll Forward Templates



VECTREN POLICY MEMO

REVIEW OF THE CORPORATE ALLOCATION PROCESS FOR CORPORATE EXPENSES AND SHARED ASSETS

Policy Owner: Financial Planning & Analysis Department

Most Recently Updated January 31, 2020

Purpose

This policy documents the manner in which the FP&A Department of the Finance Group reviews how Vectren Corporation (Vectren) and Vectren Utility Holdings, Inc. (VUHI or Utility Holdings) allocates the use of shared assets and costs to subsidiaries throughout Vectren's operations.

Why the Allocation Process is Important

Management believes shared systems and services create synergies and savings compared to each utility and non-regulated subsidiary, which includes Miller Pipeline and Minnesota Limited (i.e. MVerge or VISCO) and Energy Systems Group (i.e. ESG or VESCO) operating and owning assets as well as obtaining their own services. Vectren and VUHI allocate shared service costs via the "corporate allocation process." VUHI bills each subsidiary for their use of its buildings, systems, and software via an "asset charge." The asset charge and corporate allocation process comply with Cost Allocation Guidelines and Affiliate Guidelines on file with the OUCC in Indiana. The Affiliate Guidelines are also applicable to regulated operations in Ohio. This allocation process is subject to audit by state regulators and other interested parties.

The significance of these costs and assets can impact whether a regulated entity earns its allowed return. In each of the five years ended December 2019, VUHI has incurred consolidated operations and maintenance expenses in the \$300 million range, of which approximately \$100-120 million was allocated through the corporate allocation process. The asset charge systemically and rationally allocates the financing costs, including an equity return, as well as related depreciation and property taxes associated with approximately \$160-170 million in common facilities and assets. These common assets include Banner (the utilities' in-house developed billing system), Asset Management Systems, buildings (such as Vectren One Square "OVS" and the Support Services Center "SSC building"), Oracle (the Company's ERP system), and other assets such as telecommunications equipment, computer hardware and software, including future allocations of common asset from CenterPoint Energy (CNP).

Final Outputs and Stakeholders

Allocated costs and the asset charge are utilized throughout the company by various stakeholders. The FP&A Department of the Finance Group uses this policy to generate four specific outputs:

- the annual allocation percentages loaded into ORACLE and Hyperion;
- a final corporate allocations brochure;
- an annual memo documenting the review/update to derive the following year's allocations; and
- an annual memo documenting the review of actual inputs compared to budgeted inputs and impacts to allocators.

In addition, Regulatory accounting regularly uses the data to assess utility performance and rate case planning. The allocation process also impacts the Corporate Strategy and Financial Planning & Analysis (FP&A) departments, including the FP&A analysts. Applicable reviews of the asset charge and allocation process for annual periods impacting test years are included in minimum standard filing requirements. The OUCC last audited the allocation process for the year ending 2006.



Timing of Performance and Sources of Data

The data utilized in the allocation process generally is derived during the annual budgeting process.

Related to the asset charge, the Plant Accounting Group calculates the point in time assets (generally assets as of 6/30 rolled forward 18 months to December of the following year) for the annual budgeting process and calculates the required return, depreciation, and property taxes. Point in time deferred taxes are also utilized. The Company's policy is to treat deferred taxes in the asset charge calculation consistent with how they were treated in the most recent rate cases. In Indiana deferred taxes are typically treated as cost free capital in the weighted average cost of capital (WACC) calculation while in Ohio deferred taxes are treated as a direct reduction to rate base. Thus, the treatment in Ohio necessitates the tax department to roll forward deferred taxes related to these assets for 18 months, as well.

The financing costs are calculated solely on assets allocated to each utility, and not to assets allocated to Nonutility. The financing calculation uses rate making theory (point in time rate base x WACC grossed up for taxes). The company's policy is to use the WACC used in each entities' last executed rate case.

Key Processes Employed

There are four key processes impacted by the expense allocation and asset charge policy:

- Determination of common drivers;
- Determination of inputs that build the common drivers;
- Determination of how common drivers are applied to actual and budgeted costs; and
- Annual review of actual results.

These processes are more fully described below.

Determination of Common Drivers

Vectren and VUHI incurred approximately \$100 million in annual operating costs in Fiscal Year 2019 that was allocated to operating subsidiaries. On an annual basis during the budgeting cycle (typically in the third quarter), the FP&A Department performs a review of the common drivers. Common drivers were derived during the merger of SIGCORP and Indiana Gas forming Vectren. While both predecessor companies had some general allocation policy, the expanded organization required a more sophisticated process. The Company, with the assistance of Arthur Andersen and later audited by Deloitte and Touche for rate case purposes, determined that qualitative drivers were effective techniques and were used in many organizational structures. The Company chose to use qualitative common drivers over more time-consuming approaches, such as a time study. At inception many drivers were employed, and over time the number of drivers has reduced to four primary company allocators and a fifth to assist with allocating intra-company costs between SIGECO's gas and electric operations. The reduction to four main drivers has reduced overall complexity while continuing to achieve the desired result of a reasonable, systematic, and rationale allocation policy. Main common drivers used to allocate company costs are

- Full Time Equivalent employees (FTE's),
- Customers,
- a blend of Payroll/Margin/Capital Expenditures, and
- a blend of Plant Assets/Capital Expenditures.

The driver that further allocates FTE's and Payroll/Margin/Cap Ex between gas and electric at the combo utility is Margin/Customer/Cap Ex.

Other allocation methodologies are employed for unique situations. The allocation of costs associated with OVS and SSC buildings are examples where a Customer/FTE Blend is applied (see below for additional data regarding drivers used in the asset charge). Any change to the inventory of drivers is documented as part of the annual review process. Such change requires approval from the Director, FP&A (Evansville – Legacy Vectren), as well as the Director, Accounting (Evansville – Legacy Vectren).



Determination of Inputs that Build Common Drivers

During the early stages of the budgeting process, the Company uses current year allocators to allocate future costs. As driver inputs become measurable in subsequent stages, budgeted inputs are used to derive the allocators. The Company's policy is to start with consolidated totals for each driver based on the board approved budget. However, modifications to the consolidated drivers are necessary in certain situations to reflect the actual burden costs have on shared service allocations.

Examples of such modifications include large and unique capital expenditures, FTE's and payroll of subsidiaries that have substantially autonomous payroll functions, and customers of nonutility subsidiaries that do not burden the shared service function. In addition, it is permissible for late changes to budget inputs to not be reflected in final allocators when changes are not significant to the allocator and/or to the overall budget. Any derivation from consolidated totals is documented during the annual review process and must be approved by the Director, FP&A, and the Director, Accounting.

The methodology used to build these common drivers is attached as **Appendix A**.
The allocators and budget inputs to derive the allocators are attached as **Appendix B**.

Determination of how common drivers are applied to actual and budgeted costs- Allocation Process

The Company maintains a Corporate Allocation Brochure that documents the purpose of each cost center (refer to **Appendix E**). Changes to the allocation brochure are required when an existing cost center changes responsibility prompting a change in the allocation driver, a new cost center is added, a new driver is added, or a change to the overall business model affects the appropriateness of a previous driver.

On an annual basis, the FP&A Department of the Finance Group initiates a review of cost allocation drivers applied to each cost center. Such review occurs during the budgeting process and is carried out by the various FP&A analysts throughout the organization. Drivers are established by each FP&A analyst, business unit management team, and are approved by the Director, FP&A, and the Director, Accounting. The steps to obtaining an approved Corporate Allocations Brochure are in **Appendix C**. Changes in cost center allocators are separately highlighted for review by the Director of FP&A, the Manager of Corporate Accounting Services and the Director, Accounting. Additional information about the allocation driver updates are documented in the final approved 2020 Corporate Allocation Brochure.

After the final budget allocators are determined, a communication is sent to the Manager of Corporate Accounting and the owner of Oracle Mass Allocations in Corporate Accounting. The allocators are loaded into Oracle by the owner of Oracle Mass Allocations. Likewise the same allocators are used by Financial Systems to perform allocations within Hyperion for operational & financial reporting. For more detail refer to **Appendix C**.

The process by which common costs are allocated occurs through allocation rules established in the General Ledger Module, Oracle, following guidelines in the allocation brochure. For example, common Accounting costs for general ledger string 99-500-0541-6280000 are allocated to the companies by multiplying the payroll/margin/capital expenditures allocation percent for each company by the common costs. A further allocation is then completed to allocate SIG between Gas and Electric according to the Margins/Customers/Capital Expenditures percentages. In addition, common costs allocated to the Nonutility businesses are further allocated to the holding companies of each subsidiary based on the Nonutility allocation drivers.

Where it is possible to directly assign costs, corporate support service providers should charge directly to business unit projects or charge a direct-assigned product code. In addition, management can direct charge costs to a specific utility or nonutility business as a result of specific circumstances. As an example, in 2014, management determined that non-recurring earnings at VESCO were to be used to fund the VVC Foundation. As such, that expense was direct charged to VESCO.

On February 1, 2019, (i.e. Day 1) Vectren Corporation (Vectren) completed the previously announced merger with CenterPoint Energy, Inc., a Texas corporation ("CenterPoint"). The evaluation of post-merger impacts to the Allocation Policy and the new Post-Merger Intercompany Allocations have been documented in **Appendix D – Merger with CenterPoint Energy**.



Determination of how common drivers are applied to actual costs- Asset Charge

The method used to allocate depreciation, property taxes, and financing costs via the asset charge has evolved over time. The current method uses a consistent driver of 50/50 Utility Customer and FTE to allocate the asset return and related costs for VUHI's assets, except Oracle which uses a blend of Consolidated Payroll/Margin/Capital Expenditures. VUHI's other largest shared assets include Banner, OVS Building, Asset Management System (AMT) and SSC Building. Future allocations of common assets from CenterPoint Energy to Legacy Vectren legal entities will continue to utilize the asset charge process.

The policy established for the SSC building, Banner, and AMT is to allocate their cost using an equal weighting of Utility Customers and Utility FTE's with no allocation to Nonutility. The SSC building serves as the call center for all utility customers and houses support functions related to utility customer service and utility revenue management and it provides no service to Nonutility. Banner houses the billing function for the utility company and does not provide any services to Nonutility. The Asset Management Transformation system serves as the planning and resource system for the utility operations and it provides no service to Nonutility. Since certain utilities have fewer customers in relation to FTE's and vice versa and these assets are deemed to impact each utility somewhat evenly, a 50/50 utility customer and FTE driver that distributes costs evenly is deemed appropriate. OVS is allocated to the utilities using the 50/50 Utility customer and Utility FTE driver. 100% goes to the utilities since the sale of Vectren Fuels in 2014 and no nonutility employees occupy the building.

The policy is to allocate costs related to Oracle assets between the utilities and nonutilities based on a blend of Consolidated Payroll/Margin/Capital Expenditures. The Oracle system holds all the financial and human resource data for the company which includes payroll, benefit information, margins, and company expenditures including capital costs. The remaining plant balance is allocated using an equal weighting of Utility Customers and Utility FTE's, as the assets primarily serve the utility and provides minimal benefit to the Nonutility organization.

On an annual basis, the FP&A Department of the Finance Group initiates an annual review of asset charge assets and related allocation drivers applied to each asset. Such review occurs during the budgeting process and is carried out with the assistance of the Plant Group and the Regulatory Accounting Group. The overall calculation is reviewed as part of the budget process by the Director of FP&A, and the Manager of Plant Accounting. Any changes to the calculation are approved by the Director, Accounting.

The calculation of the asset charge for the 2020 budget is attached as **Appendix F**. Placed into service and depreciation projections were evaluated as of 12/31/19. There were no material changes to the asset charge, therefore the budget department elected to adhere to the policy and record the asset charge to budget. The asset charge for 2020 will be evaluated at year-end in accordance with the policy.

Annual review of actual results

As noted, allocation percentages are loaded into ORACLE and Hyperion at the beginning of each year based on final budgets, and the asset charge is established based on roll forwards of assets and projections of depreciation and property taxes 18 months in advance. The FP&A Division of the Finance Group performs an annual review of actual inputs/results compared to the budgeted amounts. The purpose of this review is to ensure that the budgeted allocation driver percentages and asset charge established to allocate actual costs were appropriate for the actual level of activity. This review is performed annually during the fourth quarter using a rolling 12 month period of actual results typically ending in October or November. For allocators, there is a high tolerance for variability as the allocation of resources is highly dependent on work plans established during the budgeting process. Generally, a 2 to 4 percent variance in an allocator is not considered material. Related to the asset charge, there is also a high tolerance for variability given that the costs are almost all allocated within VUHI (an audited entity) and impacts only the profitability analysis at the utility level. Generally, an asset charge calculated using actual results that is within 10% of the charge used is considered appropriate. However, facts and circumstances prevail when determining whether changes/adjustments are warranted. Comparisons are then reviewed by the Director of FP&A and actions to be taken (if any) are decided and approved by the Director, Accounting.



Appendix A

FTE's: This number is calculated by querying the Hyperion budgeting database for total budgeted hours by legal entity for 01, 02, 03, and 09. These numbers are then divided by the Total Available Hours for the budget year to arrive at a budgeted FTE for each of the utility companies. The FTE's for legal entity 09 are allocated to legal entities 01, 02, and 03 based on a percentage of each legal entity's FTE. For Nonutility, the number of non-bargaining employees for the various wholly owned subsidiaries has been used. The number of employees is obtained from a headcount report provided by HR.

Customers: For the utility companies, the customer count is derived from the Margin Budget provided by the Margin group on the summary tab in their budget file. Customers are only applicable to the utility companies and do not include any customers from Nonutility.

Payroll: For the utility companies, payroll is determined by querying the direct labor and employee benefits costs for companies 01, 02, 03, and 09. This is then loaded with benefits (the total labor loading rate, less the % for non-productive), in the 2020 budget, this is 37.5 percent. Payroll related to VISCO and VESCO have been excluded from the Payroll allocator as these entities have autonomous payroll functions.

Margin: Sourced from the Margin Budget file for each utility company. The Nonutility margin budget is obtained from the Nonutility budget provided by VISCO and VESCO.

CapX: For the utility companies, a query is run out of the Hyperion budget tool to pull cost type "Capital" for companies 01, 02 and 03 by product (to determine gas/electric split at SIG). Nonutility is pulled from the Nonutility detailed budget. Any known large projects or direct investments will be evaluated on a standalone basis to determine whether they should be included in the calculation.

Plant Assets: These numbers are determined by the Plant Accounting group based on the FERC presentation of net plant assets and provided to the budget department. The calculations use a point-in-time balance unless significant changes are forecasted by the end of the budget year.

2020 Allocation Drivers

| | | | SIG | IGC | VEDO | Total Utility Group | Nonutility | Total Consolidated |
|----------------------|--------------------------------|---------|--------------------|-----|------------|------------------------|--------------------------|-----------------------|
| Consolidated % | FTEs | ALLFTEC | 32% | 24% | 10% | 66% | 34% | 100% |
| | Customers | ALLCUSC | 22% | 51% | 27% | 100% | 0% | 100% |
| | Payroll/Margin/Cap X | ALLPMCC | 40% | 28% | 16% | 84% | 16% | 100% |
| | OVS (Customer/FTE Blend) | ALLSQOC | 35% | 44% | 21% | 100% | 0% | 100% |
| Utility Group % | FTEs | ALLFTEU | 49% | 36% | 15% | 100% | | |
| | Customers | ALLCUST | 22% | 51% | 27% | 100% | | |
| | Payroll/Margin/Cap X | ALLPMCU | 48% | 33% | 19% | 100% | | |
| | SSC (Customer/FTE Blend) | ALLSQFV | 35% | 44% | 21% | 100% | | |
| | Plant Assets/Cap X | ALLPLNT | 48% | 31% | 21% | 100% | | |
| SIG/IGC (510) | Payroll/Margin/Cap X | ALLPMCX | 59% | 41% | 0% | 100% | | |
| Gas % | Customers | GSCU | 11% | 58% | 31% | 100% | | |
| | Plant Assets/Cap X | GSAS | 15% | 50% | 35% | 100% | | |
| | HCA for Integrity Mgmt | GSIV | 8% | 45% | 47% | 100% | | |
| | Distribution Integrity Mgmt | | 14% | 60% | 26% | 100% | *review not yet complete | |
| SIG/IGC (610) | Gas Customers | ALLCUIN | 16% | 84% | | | | |
| Gas/Elec Split Basis | | | <u>Electric</u> | | <u>Gas</u> | | | |
| | Margin/Customer/Cap X | ALMG | 77% | 23% | | 100% | | |
| | Customers | ALCU | 57% | 43% | | 100% | | |
| | Plant Assets/Cap X | ALAS | 82% | 18% | | 100% | | |
| | SW Division SIGECO Common | ALSW | 68% | 32% | | 100% | | |
| | | | <u>2020 Budget</u> | | | | | |
| Nonutility | VISCO Corp Allocations (LE 54) | ALLENTR | 85% | | | | | |
| | VESCO Corp Allocations (LE 72) | ALLENTR | 15% | | | | | |
| | | | 100% | | | | | |

2020 Allocation Drivers

| | | SIG | IGC | VEDO | Total Utility Group | Nonutility | Total Consolidated |
|--------------|------------------------|--------------|--------------|--------------|------------------------|------------|-----------------------|
| FTEs 1/ | | 852 | 634 | 267 | 1,752 | 883 | 2,635 |
| Payroll 1/ | Direct Company Payroll | \$ 69,813 | \$ 44,846 | \$ 19,885 | \$ 134,544 | \$ - | \$ 134,544 |
| | VUHI Payroll | \$ 27,052 | \$ 17,377 | \$ 7,705 | \$ 52,134 | \$ - | \$ 52,134 |
| | Total Payroll | \$ 96,865 | \$ 62,223 | \$ 27,590 | \$ 186,678 | \$ - | \$ 186,678 |
| Margin | Gas | \$ 74,014 | \$ 365,903 | \$ 201,891 | \$ 641,808 | \$ 300,610 | \$ 942,418 |
| | Electric | \$ 420,591 | | | \$ 420,591 | | \$ 420,591 |
| | | \$ 494,605 | \$ 365,903 | \$ 201,891 | \$ 1,062,399 | \$ 300,610 | \$ 1,363,009 |
| CapEx 2/ | Gas | \$ 61,798 | \$ 213,226 | \$ 133,878 | \$ 408,902 | \$ 59,897 | \$ 468,799 |
| | Electric | \$ 260,118 | | | \$ 260,118 | | \$ 260,118 |
| | | \$ 321,916 | \$ 213,226 | \$ 133,878 | \$ 669,019 | \$ 59,897 | \$ 728,916 |
| Plant Assets | Gas | \$ 405,850 | \$ 1,420,365 | \$ 1,011,167 | \$ 2,837,382 | \$ - | \$ 2,837,382 |
| | Electric | \$ 1,807,227 | | | \$ 1,807,227 | | \$ 1,807,227 |
| | Common | \$ 32,006 | | | \$ 32,006 | | \$ 32,006 |
| | | \$ 2,245,082 | \$ 1,420,365 | \$ 1,011,167 | \$ 4,676,614 | \$ - | \$ 4,676,614 |
| Customers | Gas | 112,767 | 614,178 | 324,060 | 1,051,005 | - | 1,051,005 |
| | Electric | 152,041 | | | 152,041 | | 152,041 |
| | | 264,808 | 614,178 | 324,060 | 1,203,046 | - | 1,203,046 |
| SW Division | Gas - Direct | 7,440 | | | | | |
| | Electric - Direct | 15,981 | | | | | |
| | | 23,420 | | | | | |

1/ Does not include FTE's or payroll for VVC Parent employees (VUHI Common FTEs allocated across Utilities)

2/ SIG Common Cap Ex is split 82% / 18%

2021 Budget Allocation Drivers

| | | | SIG | IGC | VEDO | Total Utility Group | Nonutility | Total Consolidated |
|----------------------|--------------------------------|---------|-------------|-----|------|------------------------|------------|-----------------------|
| Consolidated % | FTEs | ALLFTEC | 32% | 24% | 10% | 66% | 34% | 100% |
| | Customers | ALLCUSC | 22% | 51% | 27% | 100% | 0% | 100% |
| | Payroll/Margin/Cap X | ALLPMCC | 39% | 27% | 16% | 82% | 18% | 100% |
| | OVS (Customer/FTE Blend) | ALLSQOC | 35% | 44% | 21% | 100% | 0% | 100% |
| Utility Group % | FTEs | ALLFTEU | 49% | 36% | 15% | 100% | | |
| | Customers | ALLCUST | 22% | 51% | 27% | 100% | | |
| | Payroll/Margin/Cap X | ALLPMCU | 48% | 33% | 19% | 100% | | |
| | SSC (Customer/FTE Blend) | ALLSQFV | 35% | 44% | 21% | 100% | | |
| | Plant Assets/Cap X | ALLPLNT | 47% | 31% | 22% | 100% | | |
| SIG/IGC (510) | Payroll/Margin/Cap X | ALLPMCX | 59% | 41% | 0% | 100% | | |
| Gas % | Customers | GSCU | 11% | 58% | 31% | 100% | | |
| | Plant Assets/Cap X | GSAS | 14% | 50% | 36% | 100% | | |
| | HCA for Integrity Mgmt | GSIV | 8% | 45% | 47% | 100% | | |
| | Distribution Integrity Mgmt | | 14% | 60% | 26% | 100% | | |
| SIG/IGC (610) | Gas Customers | ALLCUIN | 15% | 85% | | | | |
| Gas/Elec Split Basis | | | Electric | | Gas | | | |
| | Margin/Customer/Cap X | ALMG | 78% | 22% | | 100% | | |
| | Customers | ALCU | 57% | 43% | | 100% | | |
| | Plant Assets/Cap X | ALAS | 81% | 19% | | 100% | | |
| | SW Division SIGECO Common | ALSW | 68% | 32% | | 100% | | |
| | | | 2021 Budget | | | | | |
| Nonutility | VISCO Corp Allocations (LE 54) | ALLENTR | 86% | | | | | |
| | VESCO Corp Allocations (LE 72) | ALLENTR | 14% | | | | | |
| | | | 100% | | | | | |

2021 Budget Allocation Drivers

| | | SIG | IGC | VEDO | Total Utility Group | Nonutility | Total Consolidated |
|--------------|------------------------|--------------|--------------|--------------|------------------------|------------|-----------------------|
| FTEs 1/ | | 852 | 636 | 267 | 1,755 | 883 | 2,638 |
| Payroll 1/ | Direct Company Payroll | \$ 71,913 | \$ 46,381 | \$ 20,484 | \$ 138,778 | \$ - | \$ 138,778 |
| | VUHI Payroll | \$ 27,930 | \$ 18,013 | \$ 7,956 | \$ 53,899 | \$ - | \$ 53,899 |
| | Total Payroll | \$ 99,843 | \$ 64,395 | \$ 28,440 | \$ 192,677 | \$ - | \$ 192,677 |
| Margin | Gas | \$ 78,546 | \$ 384,232 | \$ 214,991 | \$ 677,770 | \$ 320,203 | \$ 997,973 |
| | Electric | \$ 439,253 | | | \$ 439,253 | | \$ 439,253 |
| | | \$ 517,799 | \$ 384,232 | \$ 214,991 | \$ 1,117,023 | \$ 320,203 | \$ 1,437,226 |
| CapEx 2/ | Gas | \$ 48,383 | \$ 194,442 | \$ 129,688 | \$ 372,512 | \$ 97,955 | \$ 470,467 |
| | Electric | \$ 252,032 | | | \$ 252,032 | | \$ 252,032 |
| | | \$ 300,414 | \$ 194,442 | \$ 129,688 | \$ 624,544 | \$ 97,955 | \$ 722,499 |
| Plant Assets | Gas | \$ 441,186 | \$ 1,519,875 | \$ 1,099,895 | \$ 3,060,956 | \$ - | \$ 3,060,956 |
| | Electric | \$ 1,881,243 | | | \$ 1,881,243 | | \$ 1,881,243 |
| | Common | \$ 29,724 | | | \$ 29,724 | | \$ 29,724 |
| | | \$ 2,352,153 | \$ 1,519,875 | \$ 1,099,895 | \$ 4,971,923 | \$ - | \$ 4,971,923 |
| Customers | Gas | 113,202 | 622,188 | 326,143 | 1,061,533 | - | 1,061,533 |
| | Electric | 153,050 | | | 153,050 | | 153,050 |
| | | 266,252 | 622,188 | 326,143 | 1,214,584 | - | 1,214,584 |
| SW Division | Gas - Direct | 7,593 | | | | | |
| | Electric - Direct | 16,226 | | | | | |
| | | 23,819 | | | | | |

1/ Does not include FTE's for VVC Parent employees (VUHI Common FTEs allocated across Utilities)

2/ SIG Common Cap Ex is split 81% / 19% - same as current plant allocation



Appendix C

Allocation Brochure Review Process:

I. Annual Communication with Business Units

1. Send current Allocation Brochure to FP&A Analysts for review with Business Unit Director and/or VP and comment. Reviews to be performed include:
 - a. Cost centers, services provided and allocation drivers.
 - b. If services provided have changed, update the commentary to reflect such change.
 - c. The cost center listing for completeness to ensure all shared services cost centers are included.
 - d. Allocation drivers and confirm these are the best causative cost justification allocation drivers for each cost center's associated costs.
2. Review with FP&A Analysts to Discuss Brochures and Suggested Changes
 - a. Review the theory, importance, and stress direct charging is preferable, when possible.
 - b. Discuss the types of services provided that are shared with affiliates or legal entities within Vectren and the policies and procedures that are in place to ensure there is no cross-subsidizing.
 - c. Confirm current business unit customers receiving charges via selected allocation driver are also receiving comparable services.
 - d. Confirm FP&A is in agreement with allocation drivers and any proposed changes.
 - e. Determine intercompany billing implications within each cost center (see **Appendix D** – Merger with CenterPoint Energy)
 - f. Obtain Cost Center Owner sign-off on Allocations Brochure.

II. Annual Update to Final Budget Allocators

1. After final pass of budget is complete, update allocators to final and evaluate the impact of any changes on the approved budget.
2. Input updated allocation driver percentages into Hyperion.
3. Communicate revised allocation driver percentages to the Oracle Mass Allocations Owner, Manager Corporate Accounting and the G/L Module Owner.

III. Annual Communication with Oracle Mass Allocation Owner

1. Consistency with Mass Allocations in Oracle
 - a. Review with owner of Oracle Mass Allocations from Corporate Accounting.



- b. Compare allocation drivers on Oracle mass allocations listing to budget allocations in the Allocation Brochure.
- c. Update Hyperion and Oracle Mass Allocations to agree with approved, updated Allocation Brochures' allocation drivers.
- d. Communicate by sending final Allocation Brochure to the Oracle Mass Allocations Owner, Manager Corporate Accounting, Director, Accounting, Financial Systems and G/L Module Owner.

IV. Interim Process to Update Allocators

- 1. During the year, maintenance will be necessary.
- 2. When new cost centers are added, allocation drivers will be reviewed and approved by the Director of FP&A and communicated to the Oracle Mass Allocations Owner, Manager Corporate Accounting, Hyperion and Financial Systems and G/L Module Owner. It is imperative these groups are consistent in treatment of allocations.
- 3. New cost centers will be added to the Allocation Brochure.
- 4. If the services provided by a cost center change during the year, we need to determine:
 - a. Did the services provided change in a manner such that business unit customers benefiting from those services changed?
 - b. If yes, and the difference is material, especially in cases where the non-regulated entities are involved, a new cost center should be created. This will help avoid any future allocation calculation problems with data requests involving cost centers that were allocated by one allocation driver for part of the year and another driver for the remainder of the year.
 - c. If no change is necessary in the allocation driver, simply update the services provided on the Allocation Brochure.
 - d. If yes, the difference is immaterial and does not involve the non-regulated entities, the change will be noted and made during the upcoming budget year review.



Appendix D

Merger with CenterPoint Energy

Post-Merger Intercompany Allocations

On February 1, 2019, (i.e. Day 1) Vectren Corporation (Vectren) completed the previously announced merger with CenterPoint Energy, Inc., a Texas corporation ("CenterPoint"). Post merger, legacy CenterPoint and Vectren entities will remain on existing SAP and Oracle systems for an unspecified period of time. Until all entities are on a common platform, intercompany cost allocations will be performed using 3rd party invoicing processes.

Cost allocations include support costs provided by legacy CenterPoint and Vectren employees. As many employees have oversight over employees and activities across both legacy companies, the intercompany cost allocations are necessary to record support costs in the appropriate business units and regulatory jurisdictions. The invoicing process will use General Ledger accounts that will be eliminated during the consolidation process.

On Day 1, legacy Vectren and CNP FP&A personnel performed a comprehensive analysis of the impacts of the final organization design, which was not known until the merger was completed. The following considerations were utilized for this assessment:

Cost Allocation Guidelines

Examples of the types of costs that allocate between legacy CNP and legacy Vectren are listed below:

Direct Billed

- Employees with direct management oversight of cross company employees should bill time
- Leaders without direct supervision of cross company employees, but with cross company employees in their organization will allocate as needed.
- Employees performing specific work activities to support employees or activities in the other legacy system
 - Example: Legacy CNP Legal employees providing support to a legacy Vectren business

Allocated

- Work groups or functions that support activities across the legacy organizations.
 - Example: HR Generalists supporting employees in both SAP and Oracle allocate costs based on headcount
 - Example: Call Center employees allocating costs based on call minutes

General guidelines for allocating costs for management oversight are listed below.

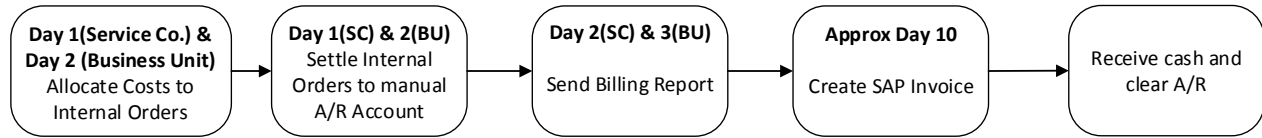
- Level 1 and Level 2 employees (Sr VP, VP) allocate a portion of total costs based on a calculated factor. Legacy CNP factors (ex: composite, headcount, customer count) are recalculated to include legacy Vectren business units.
 - Level 1 and Level 2 employees allocating from Oracle allocate total costs to SAP. Once in SAP, the costs are further allocated to legacy CenterPoint business units, with a portion allocating back to legacy Vectren businesses. These costs are allocated using legacy CenterPoint methodologies.
- Directors and managers that have direct oversight of employees in the other legacy system allocate a portion of costs based on billable hours. These employees will track time to specific objects created in SAP and Oracle. The rate used to calculate the billed time is fully loaded, including labor, benefits and other O&M.
- Timing – when appropriate, cost allocations should be retro-active to February 1, 2019. If costs are allocated and should be retro-active, a correction cycle will be created to allocate the previous months activity. If costs are direct billed and retro-active, time can be entered into previous periods in their system.



The assessment resulted in two invoicing processes to properly transfer costs between the two ERP systems and ensure proper application of affiliate guidelines.

SAP Allocations to Oracle

The diagram below shows the cost flow process:



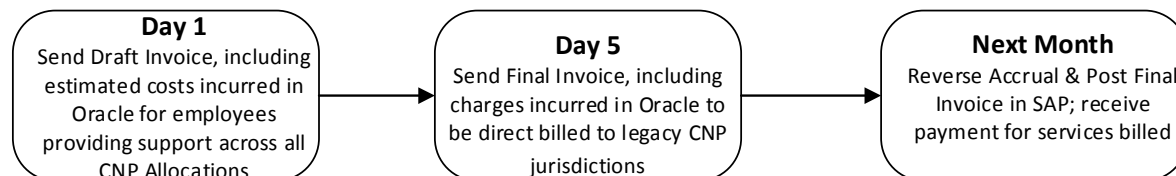
The CenterPoint Energy Service Company and legacy CNP business units allocate costs to SAP internal orders representing functions and business units. Service Company costs are bundled, including labor, short-term incentive, benefits and non-labor O&M in a single cost element. Contributions, sponsorships and other below-the-line costs are excluded from the bundled service costs. SAP allocations to Oracle represent total legacy Vectren allocated charges, and further allocation to legacy Vectren entities takes place in Oracle following the processes previously described in this policy.

CNP Service Company allocations to VVC will include governance costs of the CEO, the Board of Directors and corporate function and business unit executives. These governance costs are primarily allocated based on a composite ratio. The composite ratio formula weights assets, gross margin, and number of employees at 40%, 40%, and 20%, respectively. This formula ensures that an appropriate share of governance costs is allocated to the business units and the corporate parent. Costs allocated to Vectren following the merger completion date include the following:

- Governance costs for senior executives including CEO, Electric Operations / Technology Operations EVP, Gas Operations / Customer Operations SVP, Legal SVP, Human Resources SVP, Finance EVP/CFO
- Allocated work groups supporting total company (including Audit, Corporate Communications, Customer Operations, Finance, Human Resources, Integration Management Office, Legal, Regulatory Operations Management, Regulatory, Safety & Training, Sourcing, and Technology Operations)
- Integration Lead
- Technology Operations SVP and Customer Operations SVP
- Board of Directors Costs
- Executive Benefits and Service Company Long-term Incentive costs – these costs are not included in the bundled Service Company costs and will be allocated separately
- Direct Billings from Service Company functions – each function will have direct billed Internal Orders available to record costs specific to Vectren business units (including Audit, Facilities, Finance, Government Affairs, Human Resources, Legal, Regulatory Operations, Risk Insurance Premiums, Tax)
- Money pool interest

Oracle Allocations to SAP

The diagram below shows the cost flow process:



Costs between legacy CNP and legacy Vectren are direct billed where possible (i.e. employees with direct management oversight of cross company employees, and employees performing specific work activities to support employees or activities in the other legacy system). Other costs are allocated, including work groups or functions that support activities across the legacy organizations (i.e. HR supporting employees in both SAP and Oracle allocate costs based on headcount).



On Business Day 1 of the Accounting close, an estimate of costs incurred in Oracle for employees providing support across all CNP Allocations is provided to Legacy CNP FP&A and posted to specific cost objects within the Service Company and the Business Units. SAP allocations are run on workday 1 and 2 and will allocate the costs to the appropriate jurisdictions, including a charge back to legacy Vectren jurisdictions. On Day 5, legacy Vectren FP&A provides a Final Invoice, including actual charges recorded in Oracle as well as charges direct billed to specific legacy CNP jurisdictions, where an allocation back to Legacy Vectren is not necessary. In the next month, the accrual is reversed and payment of the invoice is settled.

2020-21 Cost Allocation Brochure

General Allocation Rules:

- * Expenses that have legal entity 99 and product 500 are allocated on a consolidated basis
- * Expenses that have legal entity 99 and product 509 are allocated on a utility basis
- * Expenses that have legal entity 09 and product 500 are allocated on a utility basis
- * Expenses that have legal entity 09 and product 509 are allocated on a utility basis
- * Products 400 and 600 are split between the 3 gas entities
- * Product 610 is split between SIG Gas & IGC
- * Product 510 is split between SIG Gas/Elec & IGC

Exceptions:

- * Employee Safety (0582) - expenses on legal entity 09 and product 500 are allocated on a consolidated basis so portion goes to Enterprises.
- * Community Sustainability - VVC (0522) - expenses on legal entity 99 and product 500 are allocated to the Utility group only based on the work impacting Utility customers.
- * Corporate Security - VVC (0505) - corporate security and records expenses on legal entity 99 and product 500 should be allocated to the Utility only, as security provides no support to the Nonutility group.
- * HR - Employee Relations (0527) - Employee Relation expenses on legal entity 99 and product 500 should be allocated to the Utility only, as activities in cost center 0527 primarily support the Utility operations.
- * Supply Chain - Supplier Diversity (0436) - Supplier Diversity expenses on legal entity 99 and product 500 should be allocated to the Utility only, as activities in cost center 0436 provide no support to the Nonutility group.
- * Fleet & Facilities - Office Services (A551) - Office Services expenses on legal entity 99 and product 500 should be allocated to the Utility only, as activities in cost center A551 provide no support to the Nonutility group.
- * Information Technology Mgmt. - Information Technology expenses on legal entity 99 and product 500 should be allocated to the Utility only for the following cost centers: B552, C552, A553, 0555, 0557, 0558 and 0559.
- * Accounts Payable (0545) - expenses on legal entity 99 and product 500 are allocated to the Utility group only based on A/P processing payments for only the Utility and Corporate. Nonutility entities process their own payments.
- * Payroll (0549) - expenses on legal entity 99 and product 500 are allocated to the Utility group only based on Payroll processing payroll for only the Utility and Corporate. Nonutility entities process their own payroll.
- * Safety (0582), Environmental Affairs (A571) and Rates/Regulatory (0573) - Primary allocation method is either FTE or Payroll/Margin/CapX. Expenses on legal entity 09 and product 600 use Gas Customers, as FTE or P/M/C is not used for Gas allocations.

Legend:

SIG = Southern Indiana Gas and Electric Company
IGC = Indiana Gas
VEDO = Ohio operations
ENT = Vectren Enterprises
Y = Yes
N = No
FTE = Full Time Equivalent

Corporate Services: IN Electric & Ops Support

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|---|--------------------|-----|------|---------|----------------|-------------------|------------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| FORT BRANCH/MT VERNON - SIG (5855) | • Field Operations - direct charged to SIG | Y | N | N | N | Direct | Directly Assigned | SW Division SIG Common | ALSW | N/A | Nathan Brownell |
| SIG EVANSVILLE (5854) | • Field Operations - direct charged to SIG | Y | N | N | N | Direct | Directly Assigned | SW Division SIG Common | ALSW | N/A | Nathan Brownell |
| SIG BOONVILLE/ROCKPORT (5856) | • Field Operations - direct charged to SIG | Y | N | N | N | Direct | Directly Assigned | SW Division SIG Common | ALSW | N/A | Nathan Brownell |
| EVANSVILLE G&E SERVICES (5850) | • Field Operations - direct charged to SIG | Y | N | N | N | Direct | Directly Assigned | SW Division SIG Common | ALSW | N/A | Nathan Brownell |
| VUTL ELECTRIC COMPLIANCE (1999) | • Operational policies, standards, and procedures • Regulatory liaison and public safety | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Jason Williams |
| SIG ELEC CITY OF BOONVILLE (2034) | • Field Operations - Boonville Elec only | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Nathan Brownell |
| SIG VINCENNES/WASHINGTON (5857) | • Field Operations - direct charged to SIG | Y | N | N | N | Direct | Directly Assigned | Gas Only | N/A; Direct Gas | N/A | Nathan Brownell |
| SIG ELECTRIC DISTR SYSTEM OPER (1997) | • Manage Electric Meter Order Dispatch Operations • Monitor and Control Electric Distribution System Operations • Perform Electric Trouble Order Dispatching | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Jason Williams |
| VUTL ELECTRIC OPERATIONS (2002) | • Monitor and Control Electric Transmission System Operations | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Jason Williams |
| SIG ELEC METER SHOP (2031) | • Elec meter repair and testing (elec) • Operate and maintain AMI network | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Jason Williams |
| VUTL-Dir Network Ops (2001) | • Manage Electric SCADA system • Manage Electric Distribution and Transmission System Operations SCADA EMS • Provide Direction to SCADA/SCADA-EMS Processes • MISO Affairs - MISO Liason for Electric Transmission & Generation integration, policy, comments, Indiana TO's, markets, etc. | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Jason Williams |
| VUTL ELECTRICAL ENGINEERING (2027) | • Electric transmission and substation project design and major construction management | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Steve Rawlinson |
| ELEC PROGRAM MGMT (2042) | • Manage Electric TDSIC program • Manage INDOT and ODOT billings | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Steve Rawlinson |
| SIG Substation & Elect Metering (5858) | • Field Operations - direct charged to SIG | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Nathan Brownell |
| CBO Indiana Electric (5600) | • Manage Indiana Electric T&D and generation operations and capital activity; Industry Dues | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Lynnae Wilson |
| Power Supply Services - Market Settlements (D503) | • Handles RTO market settlements for IN Electric | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Justin Joiner |
| Power Supply Services - Wholesale Power Marketing (4330) | • Oversees wholesale market participation for IN Electric generation fleet | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Justin Joiner |
| Power Supply Services - Generation Planning (4331) | • Provide generation planning services for IN Electric | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Justin Joiner |
| Elec Dist Eng (2049) | • Electric distribution project design and construction management | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Steve Rawlinson |
| Asset Planning and Optimization (2050) | • Electric infrastructure asset planning and optimization | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Steve Rawlinson |
| Engineering Protection (2051) | • Electric infrastructure protection project design and construction management | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Steve Rawlinson |

Corporate Services:IN-OH Gas & Ops Support

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|---|--------------------|-----|------|---------|----------------|--------------------|--------------------|-------------------------|------------------|-----------------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| SVP, UTILITY OPERATIONS & PRESIDENT OF VUHI (0570) | <ul style="list-style-type: none">• Oversight of Gas Utility Operations• Utility Industry Support (S&P)• Utility association membership & Lobbying (AGA; MEA)• Indiana utility association membership & Lobbying (IEA) | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | CNP to VVC | Leger, Richard |
| GAS COMPLIANCE (2043) | <ul style="list-style-type: none">• Regulatory liaison• Operational policies, standards, and procedures | Y | Y | N | N | Allocation | Gas Customers | Gas Only | ALLCUIN | | A Gilles 10/28 |
| | | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | N/A | |
| | | Y | Y | Y | N | Direct | N/A | N/A | N/A | N/A | |
| VEDO (0468) | <ul style="list-style-type: none">• Gas field operations | N | N | Y | N | Direct Charge | N/A | N/A | N/A | N/A | Direct charge, no approval needed |
| VEDO - WPAFB (0465) | <ul style="list-style-type: none">• Gas field operations | N | N | Y | N | Direct Charge | N/A | N/A | N/A | N/A | Direct charge, no approval needed |
| IGC - Northeast (5830) | <ul style="list-style-type: none">• Gas field operations | N | Y | N | N | Direct Charge | N/A | N/A | N/A | N/A | Direct charge, no approval needed |
| IGC - Southeast (5920) | <ul style="list-style-type: none">• Gas field operations | N | Y | N | N | Direct Charge | N/A | N/A | N/A | N/A | Direct charge, no approval needed |
| IGC - Northwest (5950) | <ul style="list-style-type: none">• Gas field operations | N | Y | N | N | Direct Charge | N/A | N/A | N/A | N/A | Direct charge, no approval needed |

Corporate Services: Gas Eng & System Integrity

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|---|--------------------|-----|------|---------|----------------|--------------------|--------------------|-------------------------|------------------|---------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| VUTL GAS DISTRIBUTION ENGINEERING (2028) | <ul style="list-style-type: none">• Manage Engineering and technical support• Manage Gas Capital budget for IN/OH region | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | CNP to VVC | Steve Hoover |
| GAS METER SHOP (2029) | <ul style="list-style-type: none">• Gas meter repair and testing | Y | Y | Y | N | Allocation | Customers | Gas Only | GSCU | VVC to CNP | Bo Murphy |
| Leak Survey (2046) | <ul style="list-style-type: none">• Planning leak survey routes and analysis of leak survey data | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | N/A | Bo Murphy |
| | <ul style="list-style-type: none">• Leak Survey and Patrol of the gas distribution and transmission system | N | N | N | N | Direct charge | N/A | Gas Only | N/A | N/A | |
| GAS MEASUREMENT SERVICES (2030) | <ul style="list-style-type: none">• Gas measurement and regulation assets installation/operation/maintenance/inspection/retire. | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | N/A | Bo Murphy |
| VUTL CORROSION (2035) | <ul style="list-style-type: none">• Gas corrosion control program oversight | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | N/A | Bo Murphy |
| GAS ASST INTGRTRY MNGT (2037) | <ul style="list-style-type: none">• Manage Gas Transmission and Storage Integrity Management Programs | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | VVC to CNP | Charles Dolezel/S. Vyvoda |
| Gas Standards & Process Opt (2044) | <ul style="list-style-type: none">• Maintain & Update gas standards and materials | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | CNP to VVC | Charles Dolezel/S. Vyvoda |
| System Planning (2045) | <ul style="list-style-type: none">• Gas system planning | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | CNP to VVC | Charles Dolezel/S. Vyvoda |
| Distribution Integrity (2053) | <ul style="list-style-type: none">• Manage Distribution Integrity Management Program | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | CNP to VVC | Charles Dolezel/S. Vyvoda |
| | <ul style="list-style-type: none">• Manage Distribution Integrity Management Program | N | N | N | N | Direct charge | N/A | Gas Only | N/A | N/A | |
| Gas Asset Risk Management & Analytics (2054) | <ul style="list-style-type: none">• Data quality management for Integrity management programs | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | VVC to CNP | Charles Dolezel/S. Vyvoda |

Corporate Services: Gas Supply & Systems Ops

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|--|--------------------|-----|------|---------|----------------|------------------------------|--------------------|-------------------------|------------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| VUTL GAS SYSTEM OPERATIONS (2005) | <ul style="list-style-type: none">• Oversee Compliance• Review, monitor and execute all Gas Supply Plans• Monitor and control Gas Deliveries to Vectren System | Y | Y | Y | N | Allocation | Customers | Gas Only | GSCU | N/A | J Heer |
| VUTL MGR STORAGE & LP OPERATIONS (2006) | <ul style="list-style-type: none">• Propane Operations for VEDN• Storage Operations for VEDS and VEDN• Manage well logging plan | Y | Y | N | N | Allocation | Customers - North/South only | Gas Only | ALLCUIN | VVC to CNP | J Heer |
| Gas Supply (0578) | <ul style="list-style-type: none">• Provide gas purchasing and hedging activities | Y | Y | Y | N | Allocation | Customers | Gas Only | GSCU | CNP to VVC | Bruce Coogler |
| Ohio Valley Hub (6300) | <ul style="list-style-type: none">• Gas storage activities outside of utility owned storage | N | N | N | Y | Direct charge | N/A | N/A | N/A | N/A | J Heer |

Corporate Services: Operations Support

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|---|--------------------|-----|------|---------|----------------|---------------------|--------------------------|--------------------------|------------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| VUTL GEO SYS & DATA QUALITY (2038) | <ul style="list-style-type: none">• Technical support for work estimating systems; GIS Mapping Services• Technical support for ED work management systems• Gas map printing | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Plant Assets/Cap X | ALLPLNT | Both | J George |
| METER READING (5617) | <ul style="list-style-type: none">• Management and analysis of meter reading processes• Analyze meter reading routes for optimization• Monitor, track and report contractor performance• Research customer inquiries and/or complaints in order to facilitate resolution• Analyze meter reading data to identify fraud and diversion• Monitor, identify and address meter anomalies and consecutive estimates to enhance revenue assurance• Manage low tech service order process | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | | |
| | | | | | | | Customers | Customers | ALLCUST | CNP to VVC | Lynette Sealy |
| VUTL DIRECTOR FIELD OPERATIONS (5707) | <ul style="list-style-type: none">• Read meters• Provide data analysis and support for Gas Operations | Y | Y | Y | N | Direct charge | N/A | Gas Only | N/A | | |
| OPS SCHEDULING (5708) | <ul style="list-style-type: none">• Manage/coordinate the operations schedulers to bring about efficiencies in scheduling, processing and completing field operations work. | Y | Y | Y | N | Allocation | Customers | Gas Only | GSCU | Both | R Brandel |
| VUTL LAND SERVICES (L503) | <ul style="list-style-type: none">• Utility easement acquisition and management• Right of way maintenance | Y | Y | Y | N | Allocation | Customers | Customers | GSCU | N/A | R Brandel |
| VUTL GAS COMPLIANCE (2026) | <ul style="list-style-type: none">• Regulatory liaison for DP & PA• Manage Facility Damage Claims investigation process for gas and electric• Closely monitor qualifications, training and performance of contractors• Manage Facility Damage Prevention Programs• Manage 811 one call mapping and system locates | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Plant Assets/Cap X | ALLPLNT | VVC to CNP | A Babcock |
| | | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Each Utility | N/A; Direct Each Utility | N/A | |
| VUTL SCHEDULING AND DISPATCH (2003) | <ul style="list-style-type: none">• Perform Gas and Electric Meter Order Dispatching and scheduling• Perform Gas Trouble Order Dispatching | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Plant Assets/Cap X | ALLPLNT | VVC to CNP | A Babcock |
| Work Order Process Management (2052) | <ul style="list-style-type: none">• Work order processing and closing• Payroll processing for BU and company• Accounts payable• Field operations; permit filing; FDS creation, service watch scheduling, Arcos reporting | Y | Y | Y | N | Allocation | Customers | Customers | GSCU | N/A | R Brandel |
| | <ul style="list-style-type: none">• Work order processing and closing• Payroll processing for BU and company• Accounts payable• Field operations; permit filing; FDS creation, service watch scheduling, Arcos reporting | Y | Y | Y | N | Direct | Directly Assigned | N/A | N/A | VVC to CNP | L Sealey |
| INNOVATION AND CONTINUOUS IMPROVEMENT (0515) | <ul style="list-style-type: none">• Performance Management and Continuous Improvement for total CNP | Y | Y | Y | Y | Allocation | Customers | Customers | ALLCUST | VVC to CNP | L Sealey |
| | | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | Both | K Johns |

Corporate Services: Technology Operations

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|---|--------------------|-----|------|---------|----------------|-----------------------------------|--------------------------|--------------------------|------------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| VVC SUPPORT HOUSTON(0550) | <ul style="list-style-type: none">• Corporate Oversight of the TO Department (i.e. CNP allocations to VVC) | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Schirtzinger, Cecil W |
| VUTL SOLUTION PLANNING, DEV & DEVOPS (5607) | <ul style="list-style-type: none">• Center of excellence for software quality tools and practices• Develop, Enhance and Maintain software quality systems• Coaching software delivery teams in agile practices | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Schirtzinger, Cecil W |
| SCADA (0553) | <ul style="list-style-type: none">• Manage Electric & Gas Network System Operations• Provide Direction to SCADA/SCADA-EMS Processes• Manage Electric Engineering and Gas Regulatory Requirements (NERC, TSA) | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Each Utility | N/A; Direct Each Utility | N/A | Schirtzinger, Cecil W |
| IT INFORMATION SECURITY (0554) | <ul style="list-style-type: none">• Network and Cybersecurity, Business Continuity | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | N/A | Schirtzinger, Cecil W |
| PROJECT MANAGEMENT OFFICE - VVC (0555) | <ul style="list-style-type: none">• Manage the Program Management Office• Provide IT Project Management | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | VVC to CNP | Schirtzinger, Cecil W |
| SERVICE DESK OPS (0557) | <ul style="list-style-type: none">• Provide Desk side Support (Install, Maintain and Upgrade PCs)• Provide General Help Desk Management• Provide Support for Mobile Data Dispatching and Cellular Services• Provide Problem Management (Phone Support and After Hours Support) | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | VVC to CNP | Schirtzinger, Cecil W |
| VVC SYSTEMS INFRASTRUCTURE AND SUPPORT (0558) | <ul style="list-style-type: none">• Manage systems infrastructure availability for Unix, Linux, Windows servers as well as the VMware virtualized server environment. This includes managing hardware, software, disaster recovery and vendor services.• Manage the corporate data network and wide area network. This includes managing hardware, software, disaster recovery and outside services.• Manage database administration team responsible for Oracle and SQL server databases for all corporate applications. | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | VVC to CNP | Schirtzinger, Cecil W |
| NETWORK & TELECOM (0559) | <ul style="list-style-type: none">• Provide Telecommunication and Networking Services | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | N/A | Schirtzinger, Cecil W |
| AMI TECHNOLOGY (0560) | <ul style="list-style-type: none">• Manage Field Area routers and networks for AMI meter network. This includes 24x7 monitoring for alerts and outages and• Manage hosted software systems for AMI systems working directly with hosting provider.• Work with Advanced metering team to support AMI meters and functionality. | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Schirtzinger, Cecil W |
| CORPORATE ANALYTICS (5502) | <ul style="list-style-type: none">• Obtain better understanding of larger amounts of data analyzed computationally to be predictive and reveal patterns, trends, and associations especially related to human behavior/interactions and asset maintenance through advanced analytics | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | Schirtzinger, Cecil W |
| INTEGRATION AND BI SYSTEMS (5508) | <ul style="list-style-type: none">• Develop, Enhance and Maintain Integration and Business Intelligence Reporting necessary in support of Vectren Business Applications• Develop, Enhance and Maintain Enterprise Content Management Systems | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Schirtzinger, Cecil W |
| VVC e-Business Systems (A553) | <ul style="list-style-type: none">• Provide/Manage voice services and Internet/Intranet and all customer contact channels (IVR, web, mobile)• Develop, Enhance and Maintain Wholesale Power Marketing Systems• Provide Contact Center Technology Training• Develop, Enhance and Maintain Wholesale Power Marketing Systems• Manage Electric Energy Trade and Settlements (MISO) systems | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Schirtzinger, Cecil W |
| CUSTOMER INFORMATION SYSTEMS (B552) | <ul style="list-style-type: none">• Develop, Enhance and Maintain Customer Systems | Y | Y | Y | N | Direct | Directly Assigned (Electric Only) | N/A | N/A | | |
| ENERGY SYSTEMS (C552) | <ul style="list-style-type: none">• Develop, Enhance and Maintain Energy Delivery Systems | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | CNP to VVC | Schirtzinger, Cecil W |
| ENTERPRISE SYSTEMS (D552) | <ul style="list-style-type: none">• Develop, Enhance and Maintain Financial Systems• Develop, Enhance and Maintain HR Systems• Develop, Enhance and Maintain Supply Chain Systems• Develop, Enhance and Maintain Power Supply Systems | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | N/A | Schirtzinger, Cecil W |
| | | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | |

Corporate Services: Customer Operations

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|--|--------------------|-----|------|---------|----------------|------------------------------|---------------------|----------------------|---------------|---------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| VUTL Gas Transportation Program (1998) | • Employee volunteer hours | Y | Y | Y | N | Allocation | Customers | Gas Only | GSCU | N/A | Jarrett Simon |
| | • Manage the operations functions of Indiana transportation programs | Y | Y | N | N | Allocation | Customers - North/South only | Gas Only | ALLCUIN | N/A | |
| | • Manage the operations functions of Ohio transportation programs | N | N | Y | N | Direct | Directly Assigned | N/A; Direct VEDO | N/A; Direct VEDO | N/A | |
| SVP Customer Operations and Administration (5550) | • Capture CNP allocations to VVC | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | CNP to VVC | N/A - CNP Allocation Only |
| CREDIT RISK MANAGEMENT (5551) | • Manage the uncollectible expense provision for utility receivables, which may include periodic regulatory reporting and projections and forecast of uncollectible risk • Review and analyze customer late fees and DNP's to assist in the analysis of collection risk • Ensure timely filing of bankruptcy settlements related to customer accounts • Manage non-residential deposits and the Landlord reversion process • Assess credit risk and manage credit portfolio for utility customer contracts • Manage vendor relationships with outside collection agencies (OCA) and | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Shonda Royston-Johnson |
| LOW INCOME ASSISTANCE PROGRAMS (5605) | • Collect, analyze and report low income assistance program information for regulatory reporting • Monitoring of collection of USF funds and various payments of funds • Managing the payments, contact with capital agencies, education related to low income assistance programs. | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Shonda Royston-Johnson |
| CUSTOMER RELATIONS & PROCESS IMPROVEMENT (5612) | • Oversee the complaint management process and link relevant issues to improvement opportunities within the department • Engage regulator constituents and oversee customer service compliance matters • Provide support for court, records validation, claims and subpoena matters related to customer service matters | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Tony Gardner |
| MARKETING (5648) | • Provide marketing support to residential/commercial sales to increase customers • Manage customer service programs such as budget bill, eBill, etc. • Marketing of energy efficiency programs • Web and publication management | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | Tina Curry |
| | • Provide marketing support to residential/commercial sales to increase customers | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | N/A | Tina Curry |
| MARKET RESEARCH (5649) | • Saturation Surveys & Reports • Review of current marketing areas to determine how and what would help grow the customer base or customer usage • Customer Satisfaction Surveys | Y | Y | Y | N | Allocation | Plant Assets/CapX | Plant Assets/Cap X | ALLPLNT | N/A | Rob Pinkasavage |
| Ohio Conservation (5655) | • Manage Energy Efficient Programs in Ohio | N | N | Y | N | Allocation | Directly Assigned | N/A; Direct VEDO | N/A; Direct VEDO | N/A | Rina Harris |
| Electric DSM New (5656) | • Manage Electric projects recoverable through the DSMA rider | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | Rina Harris |
| MARKETING ENERGY EFFICIENCY PROGRAMS (5640) | • Manage all Energy Efficiency programs | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Rina Harris |
| QUALITY ASSURANCE - VUTL (5606) | • Manage quality assurance functions for all resource groups • Monitor contacts and call recordings for quality and process adherence | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Tony Gardner |
| CONTACT CENTER (5611) | • Respond to customer inquiries via all communication channels • Provide conservation tips and suggestions • Assist customers with conservation incentives • Schedule relevant service orders for customers | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Reese Hamilton |

Corporate Services: Customer Operations (cont.)

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|---|--------------------|-----|------|---------|----------------|-------------------|---------------------|----------------------|---------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| PERFORMANCE ASSURANCE (5616) | • Manage and optimize the utilization of 3rd party service providers | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Tony Gardner |
| CUSTOMER SERVICE ADMIN (5618) | • Oversee the customer service business processes | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | Reese Hamilton |
| | • Manage overall performance and establish improvement initiatives | | | | | | | | | | |
| RESIDENTIAL & COMMERCIAL SALES (5647) | • Working with housing developers for new business | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Rafi Sohail |
| | • Audits on developer and new line extensions (gas & electric) | | | | | | | | | | |
| | • Assist customers regarding energy usage | | | | | | | | | | |
| | • Gather load information for new commercial developments | | | | | | | | | | |
| | • Solicit residential and commercial customers for fuel conversion | | | | | | | | | | |
| | • Working with housing developers for new business | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | N/A | Rafi Sohail |
| | • Audits on developer and new line extensions (gas & electric) | | | | | | | | | | |
| | • Assist customers regarding energy usage | | | | | | | | | | |
| | • Gather load information for new commercial developments | | | | | | | | | | |
| | • Solicit residential and commercial customers for fuel conversion | | | | | | | | | | |
| DECOUPLING (5651) | • Manage Gas Energy Efficiency projects in Indiana | Y | Y | N | N | Allocation | Customers | Customers | ALLCUIN | N/A | Rina Harris |
| CREDIT RISK MANAGEMENT (5551) | • Manage the uncollectible expense provision for utility receivables, which may include periodic regulatory reporting and projections and forecast of uncollectible risk | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Shonda Royston-Johnson |
| | • Review and analyze customer late fees and DNP's to assist in the analysis of collection risk | | | | | | | | | | |
| | • Ensure timely filing of bankruptcy settlements related to customer accounts | | | | | | | | | | |
| | • Manage non-residential deposits and the Landlord reversion process | | | | | | | | | | |
| | • Assess credit risk and manage credit portfolio for utility customer contracts | | | | | | | | | | |
| | • Manage vendor relationships with outside collection agencies (OCA) and optimize collection performance | | | | | | | | | | |
| REMITTANCE (5608) | • Manage and oversee utility payment processing vendor relationships | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Shonda Royston-Johnson |
| | • Process returned payments such as checks and bank drafts | | | | | | | | | | |
| | • Process and assist customers with inquiries or payments on | | | | | | | | | | |
| | • Research and resolve all unposted payments | | | | | | | | | | |
| | • Research and resolve customer inquiries related to payments and account transfers | | | | | | | | | | |
| | • Support balance and reconciliation of cash receipts with corporate accounting depts | | | | | | | | | | |
| | • Process, analyze and report on meter reading and billing exceptions | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | Brian Gower |
| | • Perform billing adjustments | | | | | | | | | | |
| | • Research, analysis and billing of non-registering meters | | | | | | | | | | |
| | • Research identified fraud and diversion events to bill responsible party | | | | | | | | | | |
| | • Perform periodic reviews of the accuracy of customer tariff assignments in the customer billing system | | | | | | | | | | |
| | • Research customer inquiries and/or complaints in order to facilitate resolution | | | | | | | | | | |
| | • Maintenance of state sales tax exemption certificates (Indiana) | | | | | | | | | | |
| | • Close manual service orders (i.e. Bare Steel, MDSI, and Measurement) | | | | | | | | | | |
| | • Manage bill print vendor contract to ensure timely and accurate distribution of customer bills | | | | | | | | | | |
| NEW SERVICE CENTER (2040) | • Plan work orders required for field operations construction and maintenance activities including: labor, materials and | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Reese Hamilton |
| | • Create estimates to assist in determining customer contributions for the installation of services and main/primary extensions. | | | | | | | | | | |
| | • Process requests received by phone or electronically for new gas/electric service lines and new meter set installs | | | | | | | | | | |
| | • Process requests received by phone / electronically for gas/electric service line retirements, resize and relocations | | | | | | | | | | |
| | • Take orders for net metering requests | | | | | | | | | | |
| | • Perform revenue calculations for residential customers and generate MBO | | | | | | | | | | |
| | • Work with new home builders and developers on new gas/electric service | | | | | | | | | | |
| | • Provide customer status updates and support relating to new service line installations, new meter set requests, service resize, service relocation, service retirement and net metering | | | | | | | | | | |
| ECONOMIC DEVELOPMENT (0572) | • Provide and Coordinate Economic Development Services to Communities | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Jarrett Simon |
| | • Prepare analysis, presentations, and solutions for prospective companies. | | | | | | | | | | |
| | • Provide and Coordinate Economic Development Services to Communities | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | N/A | Jarrett Simon |
| | • Prepare analysis, presentations, and solutions for prospective companies. | | | | | | | | | | |
| INDUSTRIAL SALES (5642) | • Technical Analysis | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Jarrett Simon |
| | • Large Customer Problems/Complaints/Billings | | | | | | | | | | |
| | • Negotiate/Monitor/Maintain Rate Contracts for Large Industrials | | | | | | | | | | |
| | • Technical Analysis | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | N/A | Jarrett Simon |
| | • Large Customer Problems/Complaints/Billings | | | | | | | | | | |
| | • Negotiate/Monitor/Maintain Rate Contracts for Large Industrials | | | | | | | | | | |
| Customer Service Performance Management (5613) | • Schedule internal resources to optimize resolution of customer inquiries | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Tony Gardner |
| | • Liaison for effective use and implementation of all telecom & IT support systems used in the contact center operations | | | | | | | | | | |
| | • Enhance and drive increased utilization rates of customer self-service across existing and new customer service apps | | | | | | | | | | |
| | • Manage continuous improvement within Customer Operations | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Tony Gardner |
| CS Customer Engagement (5614) | • Manage programs for Customer Operations | | | | | | | | | | |
| CS LEARNING TECHNOLOGY (5615) | • Training processes for all contact center resource groups | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | James Copeland, Jr. |
| | • Evaluate training program effectiveness and make appropriate adjustments | | | | | | | | | | |
| | • Provide training to contact center new hires | | | | | | | | | | |
| | | | | | | | | | | | |

Corporate Services: Corp Real Estate & Security

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---------------------------|---|--------------------|-----|------|---------|----------------|-------------------------------------|-----------------------|-------------------------|------------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| CORPORATE SECURITY (0505) | <ul style="list-style-type: none">• Manage Security of Corporate Assets & Employees• Security Contract Labor for OVS, Wagner, SSC• Security Contract Labor for Substations• Security Contract Labor for Power Plants | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | N/A | Sean Stewart |
| | | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | N/A | |
| OFFICE SERVICES (A551) | <ul style="list-style-type: none">• Provide Copy Services• Provide GO Services Management• Provide Graphic Services• Provide Internal and External Mail Services• Provide Printing Services | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | N/A | George Blamire |
| BUILDINGS VUTL (A575) | <ul style="list-style-type: none">• Common Building Maintenance (Corrective & Preventative)• Janitorial• Pest Control• Maintain CNG Station | Y | Y | Y | N | Allocation | Customer/FTE Blend (formerly Square | Margin/Customer/Cap X | ALLSQFV | Both | George Blamire |

Corporate Services: Safety and Tech Training

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|-----------------------------------|--|--------------------|-----|------|---------|----------------|-------------------|-----------------------|-------------------------|------------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| SAFETY (0582) | <ul style="list-style-type: none">• Manage Employee Safety• Monitor/Regulatory Compliance• Monitor Safety Programs• Workers Comp Design/Admin/Testing• Manage Fleet Safety | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | Both | A Payton |
| | • All above services - most are direct charged when able to identify specifically | Y | Y | Y | N | Direct | Directly Assigned | N/A | N/A | | |
| PIPELINE SAFETY MGMT (2024) | <ul style="list-style-type: none">• Manage Engineering and technical support (Change Management)• Operational policies, standards, and procedures• Manage Integrity Management Program | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | N Conder |
| | • All above services - most are direct charged when able to identify specifically | N | N | Y | N | Direct | Directly Assigned | N/A | N/A | | |
| VUTL TECHNICAL TRAINING (2039) | <ul style="list-style-type: none">• Technical training administration | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | JD Street |
| | • Technical training administration | Y | N | Y | N | Direct | Directly Assigned | N/A | N/A | | |
| Quality Program Management (2047) | <ul style="list-style-type: none">• Manage gas and electric contractor oversight and auditing | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | N Conder |
| | • Manage electric contractor oversight and auditing | Y | N | N | N | Direct | Directly Assigned | N/A | N/A | | |
| Quality Control (2048) | • Manage quality control and field inspection technical support | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | N Conder |
| OPERATIONS COMPLIANCE (5712) | <ul style="list-style-type: none">• Manage Pipeline Safety Management System | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | N Conder |
| | <ul style="list-style-type: none">• Manage operational control and risk register process• All above services - most are direct charged when able to identify specifically | Y | N | Y | N | Direct | Directly Assigned | N/A | N/A | | |

Corporate Services: Finance

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|---|--------------------|-----|------|---------|----------------|---------------------|-----------------------|-------------------------|------------------|------------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| REGULATORY ACCOUNTING (0536) | • Manage Utility Accounting functions | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | N/A | David Bowler |
| EXTERNAL REPORTING (0543) - NO LONGER USED | • Complete/Manage SEC Compliance • Review/approve complicated non-cash entries (deriv./pension/stock) • Implement new accounting principles | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | VVC to CNP | N/A |
| PAYROLL & PROCESS IMPROVEMENT (0549) | • Administer Payroll for Utility • Federal, State and Local Tax Payments • Administer W-2 process • File IRS Forms 940 and 941, along with State Unemployment Reports • Setup and Administer Payroll Deductions • Deduct and Remit Court Ordered Garnishments • Verify 401(k) changes and remit funds to T. Rowe Price | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | N/A | Russell Wright |
| ACCOUNTS PAYABLE (0545) | • Manage Accounts Payable for the Utility • Setup and Administer Vendor file • Administer 1099 process | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | N/A | Russell Wright |
| CORPORATE SERVICES (0542) | • General Financial Accounting Management • Corporate Consolidation | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | VVC to CNP | David Bowler |
| TRANSACTION PROCESS & FIN SYSTEMS (0537) | • Manage the Financial Systems and changes/modifications to it • Assist end users in project maintenance/setup • Aid other departments in accounting processing | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | N/A | Kevin Reckelhoff |
| INDIANA ELECTRIC FP&A (0544) | • Develop/Distribute Management Reports, including Monthly Projections for Indiana Electric • Manage/Develop Budgets/Forecasts for Indiana Electric | Y | N | N | N | Direct | Directly Assigned | N/A; Direct Electric | Electric Only | N/A | Joe Manzo |
| | • Oversight of cost pools and rate setting for total Legacy Vectren • Manage/Develop Corporate Allocations for total Legacy Vectren | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | N/A | |
| IN/OH GAS FP&A (5650) | • Develop/Distribute Management Reports, including Monthly Projections for IN/OH Gas • Manage/Develop Budgets/Forecasts for IN/OH Gas | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | N/A | Ryan Moore |
| CORPORATE TAX (0546) | • Complete/Manage Tax Consulting and Research • Manage Tax Compliance | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Brenda Musser |
| PLANT ACCOUNTING (0538) | • Manage Plant Accounting Functions | Y | Y | Y | N | Allocation | Plant Assets / CapX | Plant Assets/Cap X | ALLPLNT | N/A | Jessica Thayer |
| VVC CONTROLLER (0541) | • General Accounting Management and Oversight for Vectren entities (Cross charges from Houston) | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | Both | David Bowler |
| EVP & CFO (0534) | • General VP Management (Cross charges from Houston) • General Corporate Financial Support • Utility Industry Financial Support • Non-Regulated Financial Support | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Ryan Moore |
| RATES & REGULATORY ANALYSIS (0535) | • Manage Regulatory Initiatives and implement regulatory outcomes • Cost Recovery Proceedings - gas, fuel, and other • Rate and Tariff Design and Maintenance • Manage Utility Financial Analysis and Performance | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | N/A | David Bowler |
| Corporate Planning (0435) | • Coordination of Corporate Planning activities (cross charges from Houston Corporate FP&A team) | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Ryan Moore |
| Corporate Development (0434) | • Corporate Development project costs - unallocated (Cross charges from Houston Strategy team) | N | N | N | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | CNP to VVC | Ryan Moore |
| MARGIN ANALYSIS AND REVENUE ACCOUNTING (5506) | • Performs daily financial balancing of utility customer billing system • Responsible for month end verification of billed utility revenue and consumption, which may include preparing reports, analysis and reconciliations for corporate accounting departments • Sampling and audit of utility customer bills focusing on billing accuracy • Subject matter expert for utility margin • Monthly analysis and reporting of all utility margin, which includes an assessment of the accuracy of the utility margin projection • Analyze and forecast AUPC (average use per customer) and customer count • Preparation of semi-annual 5-year utility margin forecast and annual budget • Budget Bill Forecasting and Analysis | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Margaret Sanchez |
| Remittance Processing (0532) | • Remittance Processing | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Russell Wright |
| | • Direct Charging utilities for Lock box, eCheck, & PaySite | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | N/A | Russell Wright |
| Financial Services Accounting (0533) | • Bank Recons, Escheatment, and OnePay | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | VVC to CNP | Russell Wright |

Corporate Services: Audit

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|------------------------------|---|--------------------|-----|------|---------|----------------|----------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| CORPORATE AUDIT - VVC (0504) | <ul style="list-style-type: none">Manage/Complete Internal Audits - Regulated & Nonregulated EntitiesManage Audit Planning and Code of ConductGeneral Internal Audit Management | Y | Y | Y | Y | Allocation | Payroll/Margin/Cap X | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Gauger, Kelly |

Corporate Services: Treasury & Risk

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|--|--------------------|-----|------|---------|----------------|----------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| VVC CORP CHARTER FLIGHTS (0501) | <ul style="list-style-type: none">Manage Corporate Charter Flights | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | N/A | Ryan Moore |
| TREASURY AND INVESTOR RELATIONS (0547) | <ul style="list-style-type: none">Manage Working CapitalManage Permanent CapitalManage Pension Plan AssetsManage Corporate RiskGeneral Finance and Treasury Management | Y | Y | Y | Y | Allocation | Payroll/Margin/Cap X | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | McRae, Robert |
| | <ul style="list-style-type: none">VUHI Credit Facility Fees and Bank Service Charges | Y | Y | Y | N | Allocation | Payroll/Margin/Cap X | Margin/Customer/Cap X | ALLPMCU | N/A | |
| | <ul style="list-style-type: none">Non-Regulated Credit Facility Fees and Bank Service Charges | N | N | N | Y | Direct | Directly Assigned | N/A; Direct Non-reg | N/A; Direct Non-reg | N/A | |
| | <ul style="list-style-type: none">Bond Trustee Fees for SIGECO debt | Y | N | N | N | Direct | Directly Assigned | N/A; Direct SIG | N/A; Direct SIG | N/A | |
| | <ul style="list-style-type: none">Manage Investor Relations | Y | Y | Y | Y | Allocation | Payroll/Margin/Cap X | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | |
| | <ul style="list-style-type: none">Manage Shareholder Services | | | | | | | | | | |

Corporate Services: Human Resources

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|--|--------------------|-----|------|---------|----------------|-------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| TALENT MGMT & ORGANIZATIONAL DEVELOPMENT - VVC (0431) | <ul style="list-style-type: none">Workforce PlanningSuccession PlanningHR Consulting CostsManage Human Resources Needs for Business UnitsSalary PlanningLeadership DevelopmentPerformance ManagementCompany Wide HR Policy AdministrationMonitors labor and employment litigationsLead Negotiator in labor and employment mattersInteract with bargaining unit employees/labor agreementsExecute labor relations strategy | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | VVC to CNP | C. Harlow |
| VP HR & ADMINISTRATION - VVC (0520) | <ul style="list-style-type: none">HR and Communications ManagementOverall HR Strategy and ExecutionPerformance ManagementCompany Wide HR Policy Administration | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | CNP to VVC | C. Harlow |
| Workforce Mgt and Planning (0526) - NO LONGER USED | <ul style="list-style-type: none">Recruiting - Executive/General | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | N/A | No Longer used |
| EMPLOYEE RELATIONS - VVC (0527) - NO LONGER USED | <ul style="list-style-type: none">Monitors labor and employment litigationsLead Negotiator in labor and employment mattersInteract with bargaining unit employees/labor agreementsExecute labor relations strategy | Y | Y | Y | N | Allocation | FTE | Margin/Customer/Cap X | ALLFTEU | N/A | No Longer used |
| ORGANIZATIONAL DEVELOPMENT - VVC (0528) | <ul style="list-style-type: none">Technical TrainingPeople Skills TrainingGeneral TrainingHR CommunicationsEmployee Development | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | VVC to CNP | Scott Harper |
| DIVERSITY & EMPL PROGRAMS - VVC (0530) - NO LONGER USED | <ul style="list-style-type: none">Diversity Strategy Development and ImplementationDiversity and Harassment TrainingDiversity Recruiting | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | N/A | No Longer used |
| TOTAL COMPENSATION - VVC (A529) | <ul style="list-style-type: none">Benefits Administration and DesignBenefits Compliance Reporting & DocumentationLabor Relations/BenefitsShort-Term/Long-Term Disability AdministrationHealth & Welfare Budgeting and InvoicingHRIS Processing and AnalysisFMLA ProcessingRecognition and Service Awards Administration | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | VVC to CNP | A. Martin |

Corporate Services: Strategic Sourcing & Logistics

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---------------------------------|--|--------------------|-----|------|---------|----------------|---------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| SUPPLIER DIVERSITY - VVC (0436) | <ul style="list-style-type: none">Manage Supplier Diversity Initiative Enterprise WideDiverse Vendor Identification, Recruitment and DevelopmentSmall Business Liaison for GSA Area Wide AgreementInternal & External Stakeholder EngagementRepresentative with local, regional and national advocacy & industry organizations | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | CNP to VVC | J Stanina |
| PURCHASING (0574) | <ul style="list-style-type: none">Process Purchase Requisitions and Purchase OrdersNegotiate Supplier Price Reductions and Implement ContractsNegotiate Supplier Price Reductions and Implement ContractsExpedite Order Delivery | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | Both | E Raben |
| MATERIALS CONTROL - SIG (1063) | <ul style="list-style-type: none">Material Inventory Value AccuracyManage Material Mix and Stocking LevelsDistribute Material for Projects, Repairs, and Emergent Jobs | Y | N | N | N | Direct | Directly Assigned | N/A; Direct SIG | N/A; Direct SIG | N/A | RK Gray |

Corporate Services: Communications, External Affairs & Foundation

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|--|--------------------|-----|------|---------|----------------|-------------------|-----------------------|-----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| EXTERNAL AFFAIRS & SUSTAINABILITY (0522) | <ul style="list-style-type: none">Manage Community RelationsManage Corporate DonationsManage Community SustainabilityManage Vectren Foundation | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | VVC to CNP | Diane Englet |
| COMMUNICATIONS - VVC (B521) | <ul style="list-style-type: none">Internal/employee communicationsExternal and customer communications | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | Both | Natalie Hedde |
| Branding - VVC (C521) | <ul style="list-style-type: none">Mass media messaging about pipeline safetyDigital media messaging about pipeline safetyEnhanced customer access to pipeline work schedules | Y | Y | Y | N | Direct | Directly Assigned | N/A | N/A | N/A | Natalie Hedde |
| Branding - VVC (D521) | <ul style="list-style-type: none">Community financial supportSponsorship Funding | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Corporate | N/A; Direct Corporate | N/A | Natalie Hedde |

Corporate Services: Legal, Regulatory, Government Affairs

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|--|--------------------|-----|------|---------|----------------|---------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| LEGAL - GENERAL & ADMIN (A503) | <ul style="list-style-type: none">Manage Department and Legal Budget - note certain services are utility-specific | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | Both | J. Stephenson |
| CORPORATE SECRETARY (E503) | <ul style="list-style-type: none">Perform Corporate Secretary Function (Allocation from CNP)Manage Board of Directors Fees (allocation from CNP) | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | N/A |
| EVP - CHIEF LEGAL & EXTERNAL AFFAIRS OFFICER (0510) | <ul style="list-style-type: none">General Corporate Support & Oversight from CNP AllocationsUtility Industry SupportNon-Regulated Support | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | No Longer Used |
| PRESIDENT, VECTREN SOUTH (0511) | <ul style="list-style-type: none">Support of Vectren SouthUtility Industry Support | Y | N | N | N | Direct | Directly Assigned | Margin/Customer/Cap X | N/A; Direct SIG | N/A | Mike Roeder |
| PRESIDENT, VECTREN ENERGY DELIVERY OF OHIO (0512) | <ul style="list-style-type: none">Support of Vectren OhioUtility Industry Support | N | N | Y | N | Direct | Directly Assigned | N/A; Direct VEDO | N/A; Direct VEDO | N/A | Mike Roeder |
| VP GOV AFFAIRS (0502) | <ul style="list-style-type: none">Manage Federal Governmental AffairsManage State Governmental AffairsManage/Complete Non-Regulated Governmental AffairsManage PAC ActivityGeneral Governmental Affairs ManagementSupport of Vectren NorthLobbying | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | Both | Mike Roeder |
| RATES/REGULATORY - VUTL (0573) | <ul style="list-style-type: none">Manage Regulatory initiatives and implement regulatory outcomesCost Recovery Proceedings - gas, fuel, and otherRate and Tariff Design and MaintenanceRegulatory Affairs RepresentationManage Regulatory initiatives and implement regulatory outcomes - gas utilities only | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | CNP to VVC | Cas Swiz |
| | | Y | Y | Y | N | Allocation | Plant Assets/Cap X | Gas Only | GSAS | N/A | |
| REGULATORY RELATIONS & POLICY (0575) | <ul style="list-style-type: none">Manage Regulatory relations, policy, and initiatives | Y | Y | Y | N | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCU | CNP to VVC | |

Corporate Services: Litigation & Claims

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|---|--|--------------------|-----|------|---------|----------------|---------------------|-----------------------|----------------------|---------------|-----------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| INSURANCE, CLAIMS & RECORDS MGMT (C503) | <ul style="list-style-type: none">Insurance Premiums (other than specified below; majority of property insurance is direct charged)Insurance ClaimsAsh Pond premiums | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Jim Vacek Judy Liu |
| | | Y | N | N | N | Direct | Directly Assigned | Electric Only | N/A; Direct Electric | | |

Corporate Services: Environmental

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|------------------------------|---|--------------------|-----|------|---------|----------------|---------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| ENVIRONMENTAL AFFAIRS (A571) | <ul style="list-style-type: none">General environmental & compliance supportMGP issues | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | Both | Anglia Retherford |
| | | Y | Y | N | N | Direct | Directly Assigned | N/A; Direct SIG/IGC | N/A; Direct SIGG/IGC | | |

Corporate Services: Competitive Energy Businesses

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--|---|--------------------|-----|------|---------|----------------|-------------------|----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| COMMERCIAL DEVELOPMENT (0585) | <ul style="list-style-type: none">Coordinate commercial development dealing with emerging energy technology and energy industry innovationDetermine business value and opportunity of emerging energy technologies to current and future CenterPoint Energy business operations as well as potential for new business opportunities.Develop and manage key emerging energy technology projects at the preliminary planning level from concept to implementation | N | N | N | Y | Direct | Directly Assigned | N/A; Direct CEB | N/A; Direct CEB | N/A | Sears, Robert C |
| CEB - VP MARKETING & COMMERCIAL DEVELOPMENT (3011) | <ul style="list-style-type: none">Oversight of CenterPoint Energy marketing activities related to the competitive energy businessOversight of planning and execution of competitive energy business marketing and advertising activitiesOversight of commercial development and business opportunity developmentMembership to ESN supports all utility | N | N | N | Y | Direct | Directly Assigned | N/A; Direct CEB | N/A; Direct CEB | VVC to CNP | Sears, Robert C |
| | | Y | Y | Y | N | Allocation | Customers | Customers | ALLCUST | N/A | Sears, Robert C |
| MARKET SOLUTIONS (5641) | <ul style="list-style-type: none">Develop and lead the business development strategy of utility related products and services including sourcing, managing and implementing new business opportunities in order to grow earningsDevelopment of-commercial energy business growth opportunities, business plans, implementation and management of products and services. | N | N | N | Y | Direct | Directly Assigned | N/A; Direct CEB | N/A; Direct CEB | N/A | Sears, Robert C |
| URBAN LIVING RESEARCH CENTER (5643) | <ul style="list-style-type: none">Plan, design, and execute strategy for conducting research at the Post House/Urban Living Research Center to enhance understanding of distributed generation, smart home technology, and customer habits and preferences surrounding energy useManage contracts, design, construction, and development of building and software projects | Y | N | N | N | Direct | Directly Assigned | N/A; Direct Electric | Electric Only | CNP to VVC | Sears, Robert C |

Corporate Services: STL-LTI

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|-------------------------------------|---|--------------------|-----|------|---------|----------------|-------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| INCENTIVE COMPENSATION - VVC (B529) | <ul style="list-style-type: none">Incentive CompensationExecutive Incentive CompensationDirect portion of STI | Y | Y | Y | Y | Allocation | FTE | Margin/Customer/Cap X | ALLFTEC | CNP to VVC | Ryan Moore |
| | | Y | Y | Y | N | Direct | Directly Assigned | N/A; Direct Unalloc | N/A; Direct Unalloc | N/A | |

Corporate Services: CEO-COO-VUTL MGT

| Cost Center | Services Provided | Existing Customers | | | | Type of Charge | Allocation Driver | Sig Gas/Elec Split | Primary STAT Account | Cross Co Type | Allocation Approval |
|--------------------------------|--|--------------------|-----|------|---------|----------------|---------------------|-----------------------|----------------------|---------------|---------------------|
| | | SIG | IGC | VEDO | NonUtil | | | | | | |
| CHIEF EXECUTIVE OFFICER (0500) | <ul style="list-style-type: none">General Corporate Support & OversightUtility Industry SupportNon-Regulated Support | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | CNP to VVC | Ryan Moore |
| EVP & COO (0506) | <ul style="list-style-type: none">General Corporate SupportUtility SupportNon-Regulated Support | Y | Y | Y | Y | Allocation | Payroll/Margin/CapX | Margin/Customer/Cap X | ALLPMCC | N/A | Ryan Moore |

UTILITY HOLDINGS' ASSET CHARGE
Updated through December 31, 2020

| <u>Line #</u> | <u>Category</u> | | | | | | | | | |
|-------------------------------------|---|------------------------|----------------------|---------------------|---------------------|-----------------------|--------------------|----------------------|----|--|
| Calculation of Plant Balance | | | | | | | | | | |
| | Plant NBV at December 31, 2019 | | | | \$ | 171,484,282 | | | | |
| | 2020 Cap Ex | | | \$ | 13,618,406 | | | | | |
| | Carryforward CWIP | | | \$ | 11,712,577 | | | | | |
| | Estimated CWIP balance end of Year | | | \$ | 13,591,826 | | | | | |
| | Placed into Service | | | | \$ | 11,739,157 | | | | |
| | Depreciation Expense 2020 | | | | \$ | 26,016,094 | | | | |
| | Plant NBV at December 31, 2020 | | | | \$ | 157,207,345 | | | | |
| | | | North | Ohio | South-Gas | South-Electric | Enterprises | TOTAL | | |
| 1 | Utility Holdings Projected Net Plant at December 31, 2020 | [A] | \$ 157,207,344 | \$ 157,207,344 | \$ 157,207,344 | \$ 157,207,344 | \$ 157,207,344 | \$ 157,207,344 | 1 | |
| 2 | Allocation Factor | [B] | 43.09% | 20.87% | 10.37% | 25.25% | 0.42% | 100.00% | 2 | |
| 3 | Allocated Net Plant at December 31, 2020 | [C]=[A]*[B] | 67,740,645 | 32,809,173 | 16,302,402 | 39,694,854 | 660,271 | 157,207,344 | 3 | |
| 4 | Allocated Plant Related Utility Holdings Def. Tax Liab. Projected for 12/31/19 as calculated by Vectren [1] | [D] | | (1,793,822) | | | | (1,793,822) | 4 | |
| 5 | Allocated Net Plant and Plant Related Def. Tax Liability at Decemb | [E]=[C]+[D] | 67,740,645 | 31,015,351 | 16,302,402 | 39,694,854 | 660,271 | 155,413,522 | 5 | |
| 6 | Rate Case Rate of Returns (Final / Settlement) | [F] | 9.13% | 8.81% | 8.47% | 8.50% | - | | 6 | |
| 7 | Asset Cost -- Return and Income Taxes | [G]=[E]*[F] | \$ 6,184,721 | \$ 2,732,452 | \$ 1,380,813 | \$ 3,374,063 | \$ - | \$ 13,672,049 | 7 | |
| 8 | Depreciation | [H] | \$ 11,030,703 | \$ 5,371,026 | \$ 2,683,247 | \$ 6,635,673 | \$ 295,533 | \$ 26,016,182 | 8 | |
| 9 | Property Taxes | [I] | \$ 861,420 | \$ 415,858 | \$ 205,640 | \$ 497,460 | \$ - | \$ 1,980,378 | 9 | |
| 10 | 2020 Asset Charge Budget | [J]=[G]+[H]+[I] | \$ 18,076,844 | \$ 8,519,336 | \$ 4,269,700 | \$ 10,507,196 | \$ 295,533 | \$ 41,668,609 | 10 | |
| 11 | Charge From SIGECO to VUHI for use of assets | [K] | | | | \$ - | | \$ - | 11 | |
| 12 | Net Asset Charge | [J]+[K] | \$ 18,076,844 | \$ 8,519,336 | \$ 4,269,700 | \$ 10,507,196 | \$ 295,533 | \$ 41,668,609 | 12 | |

Final Rate Case Amounts
variance

15,042,795
(3,034,049)

9,033,405
514,069

3,313,450
(956,250)

11,196,300
689,104

[1] Other jurisdictions include deferred taxes as an element of cost free capital, VEDO is the only one that nets deferred against "rate base"

Vectren
Five Largest Assets & Other
2020 Budget (depreciation expense allocation)

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P |
|----------------|---------------|------------|----------------------------------|-----------------------------|----------|---------|---------|--------|---------|---------------|--------------|--------------------------|--------------|------------|---------------|
| Asset | Deprec Exp | % of Total | Driver | Allocations Based on Driver | | | | | | (C * E) | (C * F) | Weighting of % Allocated | | | |
| | | | | IGC | SIG Elec | SIG Gas | VEDO | ENT | Total | IGC | SIG Elec | SIG Gas | VEDO | ENT | Total |
| 1 CIS - Banner | \$ 1,460,717 | 5.61% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | \$ 635,412 | \$ 366,640 | \$ 151,915 | \$ 306,751 | \$ - | \$ 1,460,718 |
| 2 OVS | 872,004 | 3.35% | Utility Customers/ Utility FTE's | 43.50% | 25.14% | 10.37% | 21.00% | 0.00% | 100.0% | \$ 379,322 | \$ 219,222 | \$ 90,427 | \$ 183,121 | \$ - | \$ 872,092 |
| 3 SSC Building | 572,399 | 2.20% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | \$ 248,994 | \$ 143,672 | \$ 59,529 | \$ 120,204 | \$ - | \$ 572,399 |
| 4 AMT | 1,626,975 | 6.25% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | \$ 707,734 | \$ 408,371 | \$ 169,205 | \$ 341,665 | \$ - | \$ 1,626,975 |
| 5 Other | 19,636,916 | 75.48% | Utility Customers/ Utility FTE's | 43.500% | 25.100% | 10.400% | 21.000% | 0.000% | 100.0% | \$ 8,542,058 | \$ 4,928,866 | \$ 2,042,239 | \$ 4,123,752 | \$ - | \$ 19,636,915 |
| 6 Oracle | 1,847,083 | 7.10% | Cons. P/M/C | 28.00% | 30.80% | 9.20% | 16.00% | 16.00% | 100.00% | \$ 517,183 | \$ 568,902 | \$ 169,932 | \$ 295,533 | \$ 295,533 | \$ 1,847,083 |
| | \$ 26,016,094 | 99.99% | | | | | | | | \$ 11,030,703 | \$ 6,635,673 | \$ 2,683,247 | \$ 5,371,026 | \$ 295,533 | \$ 26,016,182 |
| | | | | | | | | | | 42.40% | 25.51% | 10.31% | 20.65% | 1.14% | 100.00% |

Driver Calculation - Utility Customer and Utility FTE

| | Utility FTE | Utility Cust | Blended Rate | Remainder |
|------|-------------|--------------|--------------|-----------|
| IGC | 36.0% | 51.000% | 43.500% | 43.50% |
| SIGE | 37.7% | 12.540% | 25.135% | 25.14% |
| SIGG | 11.3% | 9.460% | 10.365% | 10.37% |
| VEDO | 15.0% | 27.000% | 21.000% | 21.00% |
| | 100.0% | 100.0% | 100.00% | 100.00% |

Vectren
Five Largest Assets & Other
2020 Budget (property tax allocation)

| A | B | C | D | E | F | G | H | I | J | K (C * E) | L (C * F) | M (C * G) | N (C * H) | O (C * I) | P |
|----------------|------------------|------------|----------------------------------|-----------------------------|----------|---------|---------|---------|----------|--------------------------|---------------|---------------|---------------|--------------|-----------------|
| Asset | Property Tax Exp | % of Total | Driver | Allocations Based on Driver | | | | | | Weighting of % Allocated | | | | | |
| | | | | IGC | SIG Elec | SIG Gas | VEDO | ENT | Total | IGC | SIG Elec | SIG Gas | VEDO | ENT | Total |
| 1 CIS - Banner | \$ - | 0.000% | Utility Customers/ Utility FTE's | 43.500% | 25.100% | 10.400% | 21.000% | 0.000% | 100.00% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 OVS | \$ 1,027,645 | 51.894% | Utility Customers/ Utility FTE's | 43.50% | 25.14% | 10.37% | 21.00% | 0.00% | 100.01% | \$ 447,025.58 | \$ 258,349.95 | \$ 106,566.79 | \$ 215,805.45 | \$ - | \$ 1,027,748 |
| 3 SSC Building | \$ 400,475 | 20.223% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.00% | \$ 174,206.62 | \$ 100,519.23 | \$ 41,649.40 | \$ 84,099.75 | \$ - | \$ 400,475.00 |
| 4 AMT | \$ - | 0.000% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.00% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5 Other | \$ 552,156 | 27.883% | Utility Customers/ Utility FTE's | 43.500% | 25.100% | 10.400% | 21.000% | 0.000% | 100.00% | \$ 240,187.85 | \$ 138,591.16 | \$ 57,424.22 | \$ 115,952.76 | \$ - | \$ 552,156 |
| 6 Oracle | \$ - | 0.000% | Cons. P/M/C | 28.000% | 30.800% | 9.200% | 16.000% | 16.000% | 100.000% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | \$ 1,980,276 | 100.00% | | | | | | | | \$ 861,420.05 | \$ 497,460.34 | \$ 205,640.41 | \$ 415,857.96 | \$ - | \$ 1,980,379.00 |
| | | | | | | | | | | 43.4977% | 25.1195% | 10.3839% | 20.9989% | 0.0000% | 100.000% |

Driver Calculation - Utility Customer and Utility FTE

| | Utility FTE | Utility Cust | Blended Rate | Remainder |
|------|-------------|--------------|--------------|-----------|
| IGC | 36.000% | 51.000% | 43.500% | 43.50% |
| SIGE | 37.730% | 12.540% | 25.135% | 25.14% |
| SIGG | 11.270% | 9.460% | 10.365% | 10.37% |
| VEDO | 15.000% | 27.000% | 21.000% | 21.00% |
| | 100.000% | 100.000% | 100.00% | 100.00% |

**Vectren
Five Largest Assets & Other
2020 Budget (Net Plant Allocation)**

| A | B | C | D | E | F | G | H | I | J | K (C * E) | L (C * F) | M (C * G) | N (C * H) | O (C * I) | P |
|----------------|----------------|------------|----------------------------------|-----------------------------|----------|---------|--------|--------|---------|--------------------------|--------------|--------------|--------------|--------------|---------|
| | Net Book Value | % of Total | Driver | Allocations Based on Driver | | | | | | Weighting of % Allocated | | | | | |
| | | | | IGC | SIG Elec | SIG Gas | VEDO | ENT | Total | IGC | SIG Elec | SIG Gas | VEDO | ENT | Total |
| 1 CIS - Banner | 13,501,436 | 8.5883% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | 3.736% | 2.156% | 0.893% | 1.804% | 0.000% | 8.589% |
| 2 OVS | 21,598,516 | 13.7389% | Utility Customers/ Utility FTE's | 43.50% | 25.14% | 10.37% | 21.00% | 0.00% | 100.0% | 5.976% | 3.454% | 1.425% | 2.885% | 0.000% | 13.740% |
| 3 SSC Building | 8,416,987 | 5.3541% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | 2.329% | 1.344% | 0.557% | 1.124% | 0.000% | 5.354% |
| 4 AMT | 6,507,889 | 4.1397% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | 1.801% | 1.039% | 0.431% | 0.869% | 0.000% | 4.140% |
| 5 Other | 103,103,573 | 65.5845% | Utility Customers/ Utility FTE's | 43.5% | 25.1% | 10.4% | 21.0% | 0.0% | 100.0% | 28.529% | 16.462% | 6.821% | 13.773% | 0.000% | 65.585% |
| 6 Oracle | 4,078,943 | 2.5946% | Cons. P/M/C | 28.00% | 30.80% | 9.20% | 16.00% | 16.00% | 100.00% | 0.727% | 0.799% | 0.239% | 0.415% | 0.415% | 2.595% |
| | 157,207,344 | 100.0% | | | | | | | | 43.10% | 25.25% | 10.37% | 20.87% | 0.42% | 100.00% |

Driver Calculation - Utility Customer and Utility FTE

| | Utility FTE | Utility Cust | Blended Rate | Remainder |
|------|-------------|--------------|--------------|-----------|
| IGC | 36.00% | 51.00% | 43.500% | 43.50% |
| SIGE | 37.73% | 12.54% | 25.135% | 25.14% |
| SIGG | 11.27% | 9.46% | 10.365% | 10.37% |
| VEDO | 15.00% | 27.00% | 21.000% | 21.00% |
| | 100.00% | 100.00% | 100.00% | 100.00% |

APPENDIX F

| Vectren Utility Holdings, Inc. Net Book Value Projected Roll Forward | | | | | Property Tax Allocation: 1,980,275 | | |
|---|-----------------------|--------------------------|------------------------|---------------------------|---------------------------------------|---------------------|-------------------|
| | [A] | [B] | [C] | [D]=[A]+[B]+[C] | | | |
| Description | 12/31/2019 NBV | 2020 Cap. Ex. In Service | 2020 Depreciation | Net Book Value 12/31/2020 | Real Prop Alloc | Personal Prop Alloc | Total by Category |
| CIS - Banner | \$ 14,962,153 | \$ - | \$ (1,460,717) | \$ 13,501,436 | | | |
| New HQ | \$ 22,470,520 | \$ - | \$ (872,004) | \$ 21,598,516 | 911,977 | 115,668 | 1,027,645 |
| SSC Building | \$ 8,989,386 | \$ - | \$ (572,399) | \$ 8,416,987 | 355,399 | 45,076 | 400,475 |
| AMT [1] | \$ 8,134,864 | \$ - | \$ (1,626,975) | \$ 6,507,889 | | | |
| Other | \$ 111,001,333 | \$ 11,739,156 | \$ (19,636,916) | \$ 103,103,573 | | 552,156 | 552,156 |
| Oracle | \$ 5,926,026 | \$ - | \$ (1,847,083) | \$ 4,078,943 | | | |
| TOTAL | \$ 171,484,282 | \$ 11,739,156 | \$ (26,016,094) | \$ 157,207,344 | 1,267,376 | 712,900 | 1,980,276 |

64% Real Property % from current liability analysis
36% Personal property % from current liability analysis

APPENDIX F

**Vectren
Total Customer / Total FTE Weighting
2020 Budget**

| | A | B | C | D | E | F | G |
|--------------------------|---------------|----------------------|--------------|-------------------|--------------|-------------------|----------------------|
| | | Margin/Cust/ CapX | | Customers | | | |
| 2020 Allocators | 2020 FTE's | Gas/ Elec | Total FTE | 2020 Customers | Gas/ Elec | 2020 Customers | Weighted Cust/FTE |
| Indiana Gas | 24.0% | | 24.00% | 51.00% | | 51.0% | 37.500% |
| SIGECO Electric | 32.0% | 77.0% | 24.64% | 22.00% | 57.0% | 12.5% | 18.570% |
| SIGECO Gas | 32.0% | 23.0% | 7.36% | 22.00% | 43.0% | 9.5% | 8.430% |
| VEDO | 10.0% | | 10.00% | 27.00% | | 27.0% | 18.500% |
| Vectren Nonutility Group | 34.0% | | 34.00% | 0.00% | | 0.0% | 17.000% |
| | | | 100.0% | | | 100.0% | 100.0% |

Driver Calculation - Utility Customer and Utility FTE

| | Utility FTE | Utility Cust |
|------------|-------------|--------------|
| IGC | 36.000% | 51.000% |
| SIGE | 37.730% | 12.540% |
| SIGG | 11.270% | 9.460% |
| VEDO | 15.000% | 27.000% |
| | 100.000% | 100.000% |
| Nonutility | | |

| OVS Allocator | |
|---------------|-----------|
| Blended Rate | Remainder |
| 43.500% | 43.500% |
| 25.135% | 25.135% |
| 10.365% | 10.365% |
| 21.000% | 21.000% |
| 100.000% | 100.000% |
| | 0.000% |
| | 100.000% |

Driver Calculation - Consolidated Payroll/ Margin/ Cap Ex

| | | Margin/Cust/ CapX | |
|--------------------------|---------------|----------------------|----------------|
| 2020 Allocators | 2020 P/M/C | Gas/ Elec | Total P/M/C |
| Indiana Gas | 28.0% | | 28.00% |
| SIGECO Electric | 40.0% | 77.0% | 30.80% |
| SIGECO Gas | 40.0% | 23.0% | 9.20% |
| VEDO | 16.0% | | 16.00% |
| Vectren Nonutility Group | 16.0% | | 16.00% |
| | | | 100.0% |

Vectren South (Gas & Electric)
Consolidated Balance Sheet

Year Ended December 31, (dollars in thousands)

2021

2020

Assets

Current Assets

| | | | | |
|--|----|--------|----|--------|
| Cash & cash equivalents | \$ | 467 | \$ | 748 |
| Accounts receivable, less reserves | | 43,802 | | 43,102 |
| Accrued unbilled revenues | | 28,199 | | 27,206 |
| Inventories | | 69,877 | | 69,877 |
| Recoverable fuel & natural gas costs | | 2,435 | | 2,435 |
| Short-term intercompany notes receivable | | - | | - |
| Prepayments & other current assets | | 6,530 | | 6,530 |

| | | | | |
|----------------------|----|---------|----|---------|
| Total Current Assets | \$ | 151,310 | \$ | 149,897 |
|----------------------|----|---------|----|---------|

Utility Plant

| | | | | |
|---|----|-------------|----|-------------|
| Utility plant at original cost | \$ | 4,460,440 | \$ | 4,179,092 |
| Less: accumulated depreciation & amortization | | (1,849,146) | | (1,759,074) |

| | | | | |
|-------------------|----|-----------|----|-----------|
| Net Utility Plant | \$ | 2,611,294 | \$ | 2,420,018 |
|-------------------|----|-----------|----|-----------|

Deferred Charges and Other Assets

| | | | | |
|--|----|---------|----|---------|
| Investments in unconsolidated affiliates | \$ | 150 | \$ | 150 |
| Other investments | | 12,396 | | 12,396 |
| Non-utility property - net | | 1,497 | | 1,494 |
| Goodwill - net | | 5,557 | | 5,557 |
| Regulatory assets | | 163,986 | | 136,878 |
| Other assets | | 26,802 | | 26,802 |

| | | | | |
|--------------------|----|---------|----|---------|
| Total Other Assets | \$ | 210,388 | \$ | 183,277 |
|--------------------|----|---------|----|---------|

| | | | | |
|---------------------|-----------|------------------|-----------|------------------|
| Total Assets | \$ | 2,972,992 | \$ | 2,753,192 |
|---------------------|-----------|------------------|-----------|------------------|

Vectren South (Gas & Electric)
Consolidated Balance Sheet

Year Ended December 31, (dollars in thousands)

2021

2020

LIABILITIES and SHAREHOLDERS' EQUITY

Current Liabilities

| | | | |
|--|----|---------|------------|
| Accounts payable | | | |
| Accounts payable to affiliated companies | \$ | 88,425 | \$ 78,310 |
| Accrued liabilities | | - | - |
| Short-term borrowings | | 57,917 | 57,115 |
| Current maturities of long-term debt | | 156,000 | 63,000 |
| Long-term debt subject to tender | | 4,640 | - |
| | | | |
| Total Current Liabilities | \$ | 306,982 | \$ 198,425 |

Deferred Income Taxes and Other Liabilities

| | | | |
|---|----|---------|------------|
| Deferred income taxes | \$ | 269,428 | \$ 255,315 |
| Regulatory liabilities | | 207,386 | 210,919 |
| Deferred credits and other liabilities | | 112,621 | 113,020 |
| | | | |
| Total Deferred Income Taxes & Other Liabilities | \$ | 589,434 | \$ 579,254 |

Minority Interest in Subsidiary

| | | | |
|----|---|----|---|
| \$ | - | \$ | - |
|----|---|----|---|

Long-Term Debt - Net

| | | | |
|----|---------|----|---------|
| \$ | 927,596 | \$ | 861,848 |
|----|---------|----|---------|

Preferred Shareholders' Equity

| | | | |
|----|---|----|---|
| \$ | - | \$ | - |
|----|---|----|---|

Common Shareholder's Equity

| | | | |
|--|----|-----------|--------------|
| Common stock | \$ | 468,276 | \$ 468,276 |
| Retained earnings | | 680,703 | 645,388 |
| Accumulated other comprehensive income | | - | - |
| | | | |
| Total Common Shareholder's Equity | \$ | 1,148,979 | \$ 1,113,664 |

Total Liabilities and Shareholders' Equity

| | | | |
|----|-----------|----|-----------|
| \$ | 2,972,992 | \$ | 2,753,192 |
|----|-----------|----|-----------|

Vectren South (Gas & Electric)
Consolidated Statement of Cash Flows
For the 12 Months Ended *(dollars in thousands)*

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---------------------|---------------------|
| Cash Flows From (Required For) Operating Activities | | |
| Net income | \$ 95,037 | \$ 89,977 |
| Adjustments to reconcile net income to net cash: | | |
| Depreciation and amortization | 123,504 | 117,259 |
| Deferred income taxes and ITCs | 13,714 | 8,237 |
| Exp. portion of pension & postretirement benefit costs | - | - |
| Equity in earnings of unconsolidated affiliates | - | - |
| Provision for uncollectible accounts | 2,348 | 2,348 |
| Other | (11,560) | (7,665) |
| Changes in working capital accounts: | | |
| Accounts receivable and accrued unbilled revenue | (4,041) | (3,934) |
| Inventories | - | 30,000 |
| Recoverable/refundable fuel & natural gas costs | - | - |
| Short-term intercompany notes receivable | - | - |
| Prepayments & other current assets | - | - |
| Accounts payable - net | 10,115 | 10,152 |
| Accrued liabilities | 802 | 410 |
| Changes in noncurrent assets | (27,768) | (14,524) |
| Changes in noncurrent liabilities | (8,558) | (10,276) |
| Net cash flows from (required for) operating activities | \$ 193,591 | \$ 221,983 |
| Cash Flows (Required For) From Financing Activities | | |
| Proceeds from: | | |
| Long-term debt - net of issuance costs | \$ 125,000 | \$ 200,000 |
| Additional Equity Issuance / Capital Contribution | - | - |
| Requirements for: | | |
| Dividends to parent | (60,378) | (68,886) |
| Redemption of preferred stock | - | - |
| Dividends on preferred stock | - | - |
| Retirement of long-term debt, including premiums paid | (54,612) | (114,456) |
| Net change in short-term borrowings | 93,000 | 65,678 |
| Proceeds from other financing activities | - | - |
| Net cash flows (required for) from financing activities | \$ 103,010 | \$ 82,336 |
| Cash Flows (Required For) From Investing Activities | | |
| Proceeds from: | | |
| Distribution from equity investments | \$ - | \$ - |
| Other (Insurance Claim / Restricted Cash) | - | - |
| Requirements for: | | |
| Capital expenditures and AFUDC Debt, excluding Cost of Removal and AFUDC equity | (297,539) | (324,324) |
| Unconsolidated affiliate investments | - | - |
| Net cash flows (required for) from investing activities | \$ (297,539) | \$ (324,324) |
| Net increase or (decrease) in cash & cash equivalents | \$ (281) | \$ (20,005) |
| Cash & cash equivalents at beginning of period | \$ (19,252) | \$ 459 |
| Cash & cash equivalents at end of period | \$ (19,533) | \$ (19,546) |