

**The IURC Bond Team Report to the Indiana Utility Regulatory Commission
on the Structuring, Marketing, and Pricing of SIGECO/CenterPoint Securitization Bonds
pursuant to the Financing Order in IURC Cause No. 45722.**

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Submitted by:
IURC Bond Team

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Overview and Scope of the IURC Bond Team

The IURC Bond Team was tasked by the Indiana Utility Regulatory Commission (IURC or Commission) to participate in and oversee meetings related to the structuring, marketing, and pricing of the securitization bonds being issued by Southern Indiana Gas and Electric Company (SIGECO) dba CenterPoint Energy Indiana South (CEI South or CenterPoint).

IURC Cause No. 45722 Financing Order (pg. 71)

We find the appropriate scope of engagement of the Commission representatives shall be to attend and/or observe meetings related to the structuring, marketing, and pricing of the securitization bonds. The Commission representatives shall prepare and issue a report to the Commission concurrent with the submission of the final Issuance Advice Letter by CEI South to the Commission, reporting on the activities undertaken during the structuring, marketing, and pricing and the final terms of the Securitization Bonds to aid the Commission in its review of the final Issuance Advice Letter as described in this Order.

PFM Financial Advisors LLC, serving as the Financial Advisor to the Indiana Financing Authority (considered a "sister agency" of the IURC), fulfilled the role of financial advisor and bond team member for the IURC for this transaction.

Meetings with CenterPoint's Securitization Team

Following the IURC's Final Order and opportunity for appeal completed in early February 2023, the IURC Bond Team began its meetings. The initial agenda was to set goals, define expectations, and for the PFM Bond Team members to outline the securitization bonding process. The IURC Bond Team's first meeting with CenterPoint occurred on March 7, 2023, intending to make introductions, build rapport, clarify the IURC Bond Team's role, and establish a timeline of events leading to the pricing of the securitization bonds.

The meeting schedule with CenterPoint and the full team comprised of participants from CenterPoint, Barclays and Citi and the IURC Bond Team was established - starting with monthly meetings, transitioning to bi-weekly, to weekly, and then multiple daily meetings during the pre-marketing and marketing phase of the transaction. Additional IURC Bond Team meetings were scheduled as needed to discuss specific securitization issues, clarify previous topics, and prepare for the next full team meeting.

At each full team meeting, CenterPoint presented an agenda and updated the transaction timeline. Topics discussed included structure updates, SF-1 registration filings with the Securities and Exchange Commission, progress with rating agencies (Moody's and S&P), market conditions (corporate and ABS), and timing issues related to the transaction.

CenterPoint also shared all pertinent bond documents for review by the IURC Bond Team. These included the SIGECO Securitization I, LLC agreement, the indenture, sale agreement, administrative agreement, servicer's agreement, and the SF-1 application (submitted on 3/24/2023). CenterPoint invited comments and discussions from the IURC Bond Team.

Early in the process, CenterPoint shared information on their procedures and requirements for hiring their underwriting team. They provided a quantitative scoring matrix and qualitative support for their choice of Barclays and Citigroup as lead Managers and Drexel Hamilton as a co-manager. This decision was discussed with the IURC Bond Team. PFM was in agreement that the underwriting team

selection process was consistent with a best practices approach, with the Bond Team kept apprised of the process and outcome.

With the underwriting team onboard, full team meetings included updates on market conditions, including UST rate outlooks, updates of new issuance, and market conditions in both the corporate and ABS markets. The underwriting team also discussed their investor marketing and outreach strategies and provided lists of potential investors as well as investors they planned to contact who are not regular rate reduction bond buyers.

Due to the 30-day timeframe for appeals after the final financing order, the securitization process was on an aggressive timeline. Consequently, CenterPoint sought and was granted on May 3, 2023, an extension of the timeline in the Financing Order before its expiration. Allowing for the possibility of appeals of the extension order, the transaction expected pricing date was delayed by approximately 30 days. The IURC Bond Team and the full team continued to discuss the timing and process of pre-marketing, marketing, and pricing of the transaction during this time.

Several securitization structuring alternatives were introduced by the underwriting team, aiming to maximize marketability and optimize Net Present Value savings for rate payers within the Financing Order guidelines. After an extensive discussion and review, the IURC Bond Team agreed on the preliminary structure.

The draft Issuance Advice Letter's ("IAL's") timing and required information were discussed by the full team. The draft letter offered the IURC Bond Team an informal review of the company's submission and provided a full understanding of what was being reported to the Commission, ensuring the securitization transaction would comply with the Financing Order.

With the draft IAL submitted, Aaa(sf) and AAA(sf) credit ratings received, and the SF-1 activated; Barclays and Citi commenced the premarketing process, during the week of June 12. The process included the release of a pre-record investor roadshow and prospectus for investors to review. The underwriters set up eight separate group calls with approximately 20 different potential investors to answer any additional questions. This marketing and outreach process was well received by investors (see table below), judging from the tracking of downloads, views of the roadshow and the salesforce's investor interactions. The IURC Bond Team was invited to and attended all scheduled group investor calls. A full team discussion followed the conclusion of the scheduled calls. CenterPoint was very responsive to investors' questions and requests for information.

Account Type Investor Roadshow Activity

Account Type	Accounts	Contacts	Login #	View Time	% of Time
Insurance Company	33	45	64	29:23:40	32.1%
Asset Manager (<\$100B)	26	33	47	25:08:04	27.4%
Asset Manager (>\$500B)	9	16	26	20:47:54	22.7%
Broker-Dealer	7	14	18	6:51:22	7.5%
Asset Manager (\$100-500B)	7	11	17	4:39:10	5.1%
Hedge Fund	6	7	7	4:18:44	4.7%
Bank / Depository	1	1	1	0:17:14	0.3%
Pension Fund	2	2	2	0:15:47	0.3%
Total	91	129	182	91:41:55	100.0%

Source: Finsight Deal Manager (6/21/2023 @4:48pm)

The preliminary investor interest in the SIGECO securitization transaction was strong. With this information, the full team discussed the releasing of the structure and initial price talk (IPTs) for the transaction to investors (see table below).

Structure and IPTs

Tranche	Coupon Rate	Scheduled Final Maturity Date	Legal Final Maturity Date	Exp. Weighted avg. life (years)	UST Benchmark On-The-Run	Price Guidance Spread Range
A-1	TBD	11/15/2036	11/15/2038	7.50	7-Year	125-135
A-2	TBD	5/15/2041	05/15/2043	15.82	10-Year	165-175

Initial indications of interest (investor response prior to formal order period) at the IPTs from investors were strong. Based on the strength of the order book, shown in the table below, the underwriter team suggested re-announcing the transaction guidance for both the A-1 and A-2, shown in the “Updated Price Guidance After IPTs” table below.

Order Book after IPTs

Class	Offered Size	WAL	Orders	Status	Remaining
A-1	215.000	7.50	281.250	1.31 x	0.000
A-2	126.450	15.82	443.000	3.50 x	0.000
Total	341.450	10.58	724.250	2.12 x	

Updated Price Guidance after IPTs

Tranche	Coupon Rate	Scheduled Final Maturity Date	Legal Final Maturity Date	Exp. Weighted avg. life (years)	UST Benchmark On-The-Run	Price Guidance Spread Range
A-1	TBD	11/15/2036	11/15/2038	7.50	7-Year	120-125
A-2	TBD	5/15/2041	05/15/2043	15.82	10-Year	155 area

CenterPoint and the underwriting team released new guidance and the order book continued to increase, indicating strong investor demand. As expected, based on preliminary conversation, the underwriting team received orders from some large investors and updates from previous orders. CenterPoint and the underwriting team determined it was best to set a “subject” time or deadline to make sure all investor orders had been placed. The table below represents the status of the order book when the deal went “subject”.

Order Book after Updated Price Guidance

Class	Offered Size	WAL	Orders	Status	Remaining
A-1	215.000	7.50	533.250	2.48 x	0.000
A-2	126.450	15.82	878.900	6.95 x	0.000
Total	341.450	10.58	1,412.150	4.14 x	

With the order book oversubscribed, the underwriting team made their final recommendations by “testing” the order book at final spread levels. After the release of final spread, the order book remained largely intact. The underwriting team shared the allocations of bonds to investors and there were no objections from CenterPoint. The underwriters spotted (recorded the price and yield) the respective UST benchmarks (7yr and 10yr), and they proceeded to set the final coupon for each tranche. The transaction was priced. See tables below for details.

Post Guidance “Testing” Level & Final Spread and Pricing

Tranche	Coupon Rate	Scheduled Final Maturity Date	Legal Final Maturity Date	Exp. Weighted avg. life (years)	UST Benchmark On-The-Run	Final Spread
A-1	5.026%	11/15/2036	11/15/2038	7.42	7-Year	118
A-2	5.172%	5/15/2041	05/15/2043	15.76	10-Year	145

Final Order Book after Final Spread

Class	Offered Size	WAL	Orders	Status	Remaining
A-1	215.000	7.50	533.250	2.48 x	0.000
A-2	126.450	15.82	878.900	6.95 x	0.000
Total	341.450	10.58	1,412.150	4.14 x	

Order by Investor Type

Types of Accounts	# Orders	\$ Order(MM)
Insurance Companies	21	\$ 460.00
Asset Manager (>\$500B)	7	\$ 833.15
Asset Manager (\$100-500B)	3	\$ 52.00
Asset Manager (<\$100B)	1	\$ 7.00
Hedge Fund	3	\$ 40.00
Bank	2	\$ 20.00
Totals Initial Orders*	37	\$ 1,412.15

*orders for both tranches, 25 unique investors

Benefits of Securitization

Cause No. 45722 Financing Order (#16 pg. 75)

The net present value of the total Securitization Charges to be collected by Petitioner under this Order is less than the amount that would be recovered through traditional ratemaking if Petitioner's Qualified Costs were included in its net original cost rate base and recovered over a period of not more than 20 years.

BENEFITS VERSUS TRADITIONAL FINANCING

	Traditional Financing (\$MM)	Securitization Bond Financing* (\$MM)	Savings/(Cost) of Securitization Bond Financing (\$MM)
Present Value	\$271.500	\$218.600	\$52.900

*Includes ADIT benefit to customers

IURC Bond Team Conclusion

In conclusion, the IURC Bond Team successfully fulfilled its obligation of monitoring and reporting on the structuring, marketing, and final pricing of the SIGECO securitization. PFM believes that CenterPoint's management team was open, proactive, transparent, and very forthcoming throughout the whole process. This helped them achieve their goal of maximizing savings for rate payers. The CenterPoint team did an excellent job of explaining and marketing the transaction to investors. They also exercised diligence in the negotiating process with underwriters throughout the pricing process – repeatedly exploring the logic behind pricing levels and exploring opportunities for improved pricing and lower interest rates.

Appendix – Additional IURC Bond Team involvement

Structuring

- Reviewed and discussed structural components of securitization
- Reviewed rating agencies (sf) rating methodology
- Questioned and reviewed optimal securitization structure
- Reviewed deal documents and SF-1 registration
- Discussed the “request for extension of 90-day period”, original 90-day period to expire on May 4, 2023
- Discussed changes to assumption of savings since 2022 petition, savings dropped from \$57.5 to \$52.4 million due to higher interest rates, final savings calculated at \$52.9 million.

Market and Marketing

- Discussed present market conditions for both corporate and ABS markets (weekly)
- Discussed over-all view of UST market and possible effects of failed debt ceiling negotiations
- Discussed over rate reduction bonds being issued and secondary market spreads
- Review future issuance calendar in both markets
- Went over comparable securities and spreads to better understand pricing dynamics in the market
- Reviewed marketing and pricing strategies of other rate reduction bonds
- Observed marketing plan and process
- Underwriters identify key investors and others (roadshow and one on ones)
- Witnessed the underwriting team executed plan

Pricing

- Discussed pricing process from start to finish and the goals of the pricing
- Reviewed comparables and market demands and the developed pricing thoughts
- Discussed the underwriter’s “build a book” pricing theory (start with wider spreads and tighten when demand overwhelms supply)
- Discussed the release of timing and levels of the initial price guidance, firming of levels and testing of levels before final pricing.

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