

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA GAS COMPANY, INC. D/B/A)
VECTREN ENERGY DELIVERY OF INDIANA, INC. FOR)
AUTHORITY TO IMPLEMENT ITS 2017-2019)
FINANCING PROGRAM BY (1) ISSUING NOT TO)
EXCEED \$200,000,000 IN AGGREGATE PRINCIPAL)
AMOUNT OF SECURED OR UNSECURED LONG-TERM)
DEBT ISSUED TO UNAFFILIATED LENDERS OR DEBT)
IN THE FORM OF UNSECURED PROMISSORY NOTES)
TO VECTREN UTILITY HOLDINGS, INC. ("VUHI"), ITS)
IMMEDIATE PARENT COMPANY, PURSUANT TO THE)
PREVIOUSLY APPROVED FINANCIAL SERVICES)
AGREEMENT; (2) EXECUTING AND DELIVERING)
EVIDENCES OF INDEBTEDNESS RELATING TO SUCH)
LONG-TERM DEBT; (3) ENTERING INTO INTEREST)
RATE RISK MANAGEMENT TRANSACTIONS; (4))
ISSUING AND SELLING NOT TO EXCEED \$180,000,000)
OF COMMON AND/OR PREFERRED STOCK; AND (5))
USING THE NET PROCEEDS FROM THE FINANCING)
PROGRAM TO REIMBURSE ITS TREASURY AND,)
THEREAFTER, TO REPAY AND REFUND)
OUTSTANDING LONG-TERM DEBT, REPAY ITS)
SHORT-TERM DEBT, AND FINANCE ITS)
CONSTRUCTION PROGRAM.)

CAUSE NO. 44863

VERIFIED PETITION OF INDIANA GAS COMPANY, INC.

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF
INDIANA, INC. ("Petitioner") respectfully represents and shows the Commission that:

1. **Petitioner's Organization, Business and Properties.** Petitioner is an operating public utility incorporated under the laws of the State of Indiana. Petitioner has its principal office at One Vectren Square, Evansville, Indiana 47708. Petitioner is a "public utility" and a "gas utility" within the meaning of those terms in Ind. Code §§ 8-1-2-1(a) and 8-1-2-87 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the

laws of the State of Indiana. Petitioner has charter power and authority to engage in, and is engaged in, the business of rendering gas distribution service within the State of Indiana under indeterminate permits, franchises, and necessity certificates heretofore duly acquired. Petitioner owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities which are used and useful for the production, storage, transmission, distribution, and furnishing of gas utility service to approximately 588,000 customers in central and southern Indiana. Petitioner is a wholly-owned subsidiary of Vectren Utility Holdings, Inc. (“VUHI”), which is a wholly-owned subsidiary of Vectren Corporation, a holding company whose stock is publicly-traded and listed on the New York Stock Exchange.

2. Capitalization of Petitioner. As of June 30, 2016, Petitioner’s total capitalization amounted to approximately \$814,000,000 and consisted of long-term debt in the amount of \$363,000,000 (including current maturities); common stock (including additional paid-in-capital) in the amount of \$284,000,000 and retained earnings in the amount of \$167,000,000. At that date, the long-term debt of Petitioner was represented by seven series of senior unsecured debt totaling \$96,000,000 and nine series of unsecured notes to VUHI totaling approximately \$267,000,000. A schedule showing the long-term debt is attached as *Exhibit A* hereto. At June 30, 2016, Petitioner had no outstanding short-term debt. All of the outstanding long-term debt and common stock have been duly authorized by Orders of this Commission.

3. Proposed Financing Program. Petitioner requests the authorization and approval of this Commission to carry out, from time to time, during the period from the date of the Order herein through March 31, 2019, a financing program consisting of one or more or a combination of the following:

A. Long-Term Debt. Petitioner requests that it be granted the authority to issue and sell not to exceed \$200,000,000 in aggregate principal amount of long-term debt. The new long-term debt issued pursuant to the financing program (i) will have maturities not to exceed forty (40) years; (ii) will bear interest at a fixed or variable rate; (iii) will be issued and sold for cash at not less than 95% of the face amount thereof plus accrued interest, if any, to the date of delivery thereof; and (iv) will have such other terms and characteristics as shall be fixed and determined by the Board of Directors of Petitioner. Petitioner may issue some or all of the long-term debt to VUHI pursuant to the debt pooling arrangement described below. Debt issued to non-affiliated parties will consist in whole or in some combination of unsecured promissory notes, term loans, debentures, medium-term notes, mortgage bonds, or other instruments evidencing debt of Petitioner and may be issued and sold, by way of public offerings or private placements.

B. Common and Preferred Stock. Petitioner requests that it be granted authority to issue and sell additional common stock or preferred stock (including tax-deductible preferred stock) or a combination thereof, for cash, for an aggregate sale price not to exceed \$180,000,000. The additional common stock will be sold to VUHI. Petitioner will sell any preferred stock, for cash (i) by way of public offerings or private placements to non-affiliated parties or (ii) to VUHI, in the event VUHI sells its own preferred stock, some or all of the proceeds of which will be allocated to Petitioner. In the event of such a preferred stock sale by VUHI, Petitioner will sell preferred stock to VUHI with terms that match those applicable to the VUHI preferred stock for an amount equal to the proceeds of the VUHI preferred stock sale allocated to Petitioner. Any preferred stock will be sold at a price of not less than the par value per share plus accrued dividends, if any, from the date of issuance to the date of delivery. Before issuing any preferred stock pursuant to this authority, Petitioner's Board of Directors will, by resolution, in accordance

with Petitioner's Amended and Restated Articles of Incorporation, as amended (the "Articles"), fix and determine the relative rights, preferences, qualifications, limitations and restrictions of each series of preferred stock, including the maximum number of shares, the annual dividend per share, provisions for a variable or adjustable rate, redemption and sinking fund provisions, preferences as to dividends and other distributions, including rights upon dissolution, and other terms and characteristics as may be determined and approved by the Board of Directors. Petitioner has a sufficient number of authorized but unissued shares of common stock and preferred stock under its Articles and, therefore, no shareholder action will be required for these transactions.

C. Interest Rate Risk Management Transactions. Petitioner requests Commission approval and authority to enter into one or more interest rate risk management transactions, including financing instruments such as forward starting interest rate swaps, treasury locks, derivative products, interest rate caps, floors and collars. The purpose of these types of transactions is to better manage interest rate risks associated with any of the debt issued pursuant to this authorization or previous Orders of the Commission by, in effect (i) synthetically converting variable rate debt to fixed rate debt, (ii) synthetically converting fixed rate debt to variable rate debt, (iii) limiting the impact of changes in interest rates resulting from variable rate debt and (iv) providing the ability to enter into interest rate risk management transactions in future periods for planned issuances of debt securities. Petitioner proposes that the costs involved in any of these transactions be included in determining its overall cost of capital in future rate proceedings, consistent with past practice.

4. Purposes of the Financing Program. Petitioner proposes to apply the proceeds from the financing program, after payment of expenses incurred in connection therewith, for the reimbursement of its treasury for money actually expended or expected to be expended (i) for the acquisition of property, material, or working capital; (ii) the construction, completion, extension, or improvement of its facilities, plant, or distribution system; (iii) the improvement of its service; and (iv) the discharge or lawful refunding of its obligations. Petitioner has kept its accounts and vouchers of such expenditures in such a manner as to enable the Commission to ascertain the amount of money so expended and the purpose for which such expenditures were made. Thereafter, Petitioner shall use such net proceeds of the financing program to repay and refund outstanding long-term debt, to repay short-term borrowings and to finance its construction program or otherwise fund expected expenditures for its construction program.

Depending upon market conditions in existence during the period of time that the financing authority requested herein remains in effect, it may also be advantageous for Petitioner to redeem in whole or in part other outstanding debt prior to the maturity date thereof. The desirability of any such transaction will depend on several factors, including the then current interest rate environment, the market value of the securities and the premium Petitioner may have to pay to redeem any such securities.

Petitioner is engaged in the construction and acquisition of improvements, replacements and extensions to its gas utility plant, property, equipment and facilities required in its gas utility operations. Petitioner estimates that for the two-year three-month period beginning January 1, 2017 through March 31, 2019, capital expenditures totaling approximately \$208,000,000, \$178,000,000 and \$47,000,000 respectively, will be required for these purposes. Petitioner

initially will make short-term borrowings for such purposes, and later a portion of such debt will be repaid and permanently funded from the proceeds of Petitioner's long-term debt and equity issues.

5. Vectren Utility Holdings, Inc. Petitioner is an affiliate of two other operating utilities: Southern Indiana Gas and Electric Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South"), which provides electric utility service to approximately 144,000 customers and gas utility distribution service to approximately 111,000 customers in southwestern Indiana; and Vectren Energy Delivery of Ohio, Inc. ("VEDO"), which provides gas utility service to approximately 318,000 customers in west central Ohio. Petitioner, Vectren South and VEDO are wholly-owned subsidiaries of VUHI, which in turn is a wholly-owned subsidiary of Vectren Corporation. Pursuant to authority granted by the Commission in its Orders in Cause No. 41909 dated May 24, 2001, Cause No. 42367 dated April 16, 2003, Cause No. 42888 dated October 26, 2005, Cause No. 43330 dated November 20, 2007, Cause No. 43714 dated October 21, 2009 Cause No. 44226 dated January 16, 2013, and Cause No. 44546 dated March 4, 2015, Petitioner issues new debt through VUHI pursuant to a Financial Services Agreement under which its debt requirements are pooled with those of Vectren South and VEDO, thereby creating larger debt issues at more attractive interest rates and lower transaction costs than would otherwise be available. Petitioner proposes to issue some or all of the new debt for which authority is sought herein pursuant to this debt pooling arrangement.

Pursuant to the Financial Services Agreement, VUHI satisfies its needs and the combined long-term debt requirements of Petitioner, Vectren South and VEDO ("Participants") by selling its own long-term debt securities in the public or private markets and reloaning the proceeds

thereof to the Participants on the same terms as apply to the corresponding debt issue of VUHI. To ensure the availability of financing by VUHI to meet its financing needs and those of the Participants and to maximize the benefit of the pooling arrangement, the Participants provide ongoing joint and several guarantees of VUHI's debt to make VUHI's debt issues attractive to investors and to achieve lower debt costs. These ongoing guarantees of VUHI's debt are provided pursuant to authority previously granted by the Commission in various financing proceedings, consistent with the provisions in the Financial Services Agreement.

The Financial Services Agreement between VUHI and the Participants also provides benefits to Petitioner with respect to short-term borrowings and management of its cash resources. VUHI arranges for access to short-term borrowings through a multi-year syndicated bank credit facility and, where appropriate, commercial paper issued in the public market. The proceeds of VUHI's short-term borrowings are made available to the Participants through short-term loans on the same basis as that on which VUHI has borrowed. The costs of these short-term borrowings are more favorable than Petitioner could obtain on its own. VUHI's existing \$350,000,000 multi-year credit facility matures in October 2019 and management expects the facility to be renewed or otherwise to have the maturity and/or maximum borrowing levels amended and extended during the period of time covered by the Order in this proceeding.

VUHI also provides a cash management program under which operating cash surpluses and deficits of each Participant are loaned to or borrowed from VUHI on a daily basis at a rate equal to VUHI's blended daily cost of short-term borrowings. If VUHI is a net investor, any Participant with an excess cash balance earns a rate of interest on those funds equal to the income earned on those funds by VUHI.

6. Amortization of Issuance and Interest Rate Risk Management Costs.

Petitioner requests authority from the Commission to amortize issuance costs and interest rate risk management costs associated with new long-term debt issued pursuant to the authority granted herein over the life of the new debt issue and in the case of interest rate risk management costs associated with currently outstanding debt, over the remaining life of such long-term debt. Petitioner also requests authority to treat all costs associated with the early redemption of outstanding debt and any unamortized issuance expense relating to the premature redemption of debt issues as an issuance expense to be amortized over the life of the refinancing issue, or if not refinanced with long-term debt, over the original life of the debt being redeemed.

7. Petitioner's Financial Data. Attached hereto as *Exhibit B* is a Balance Sheet of Petitioner as of June 30, 2016 and June 30, 2015. Attached as *Exhibit C* is a Statement of Income of Petitioner for the twelve months ended June 30, 2016 and June 30, 2015.

8. Petitioner's Financing Program Is Advantageous, Necessary and in the Public Interest. The proposed financing program is advantageous and necessary, and in the public interest. The consummation of the program will enable Petitioner to refinance short-term borrowings with long-term capital, ensure adequate liquidity, maintain an appropriate capital structure, and enable Petitioner to improve and expand its facilities and service so as to provide adequate, dependable, economic and efficient service to the public.

Since the proposed financings may be consummated from time to time in separate transactions, the actual capitalization ratios of Petitioner at any point in time cannot now be precisely determined due to the uncertainty of the actual amount of securities that may be issued by Petitioner during such period. However, Petitioner will give due consideration to the nature

of the business in which Petitioner is engaged, its credit, future prospects and earnings and the effect which such issue of securities may have on the management and efficient operation of Petitioner. The total outstanding capitalization of Petitioner, inclusive of the financing programs and the application of the proceeds, therefrom, will not be in excess of the fair value of Petitioner's property.

9. Applicable Statutory Provisions. Petitioner considers that Ind. Code §§ 8-1-2-76 through 81, § 8-1-2-84(f) and § 8-1-4-1 may be deemed applicable to the subject matter of this petition.

10. Prehearing Conference and Preliminary Hearing. Pursuant to 170 1AC 1-1.1-15, Petitioner requests that a prehearing conference and preliminary hearing be scheduled as soon as possible for the purpose of fixing a procedural schedule for this proceeding.

11. Petitioner's Attorneys. Petitioner's attorneys in this Cause who are duly authorized to accept service of pleadings on behalf of Petitioner are as follows:

Robert E. Heidorn (Atty. No. 14264-49)
P. Jason Stephenson (Atty. No. 21839-49)
Michelle D. Quinn (Atty. No. 24357-49)
VECTREN CORPORATION
One Vectren Square
Evansville, Indiana 47708
Mr. Heidorn's Telephone: (812) 491-4203
Mr. Stephenson's Telephone: (812) 491-4231
Ms. Quinn's Telephone: (812) 491-4093
Fax: (812) 491-4238
Email: rheidorn@vectren.com
Email: jstephenson@vectren.com
Email: mquinn@vectren.com

WHEREFORE, Petitioner respectfully requests that the Indiana Utility Regulatory Commission make such investigation and hold such hearings as it may deem necessary, and thereafter make and enter an Order in this Cause:

- (a) authorizing Petitioner to issue from time to time over the period from the date of the Order in this proceeding and ending March 31, 2019, of up to \$200,000,000 in aggregate principal amount of secured or unsecured long-term debt with fixed or variable interest rates, in the form of promissory notes, loan agreements, mortgages, and other evidences of indebtedness, as described in this Petition and in Petitioner's evidence to be submitted herein;
- (b) authorizing the sale of additional common stock or preferred stock or a combination thereof for a price not to exceed \$180,000,000;
- (c) authorizing Petitioner to engage in interest risk management transactions, as described in this Petition;
- (d) authorizing Petitioner to use the cash proceeds arising from the issuance and sale of such long-term debt, common stock and preferred stock for the purposes set forth in this Petition;
- (e) authorizing Petitioner to amortize the issuance costs associated with new long-term debt issued pursuant to the authority granted herein over the life of the new issue and to treat the costs associated with any early redemption or purchase in lieu of redemption of any outstanding long-term debt, including any premium, and any unamortized issuance expense of any such prematurely redeemed or

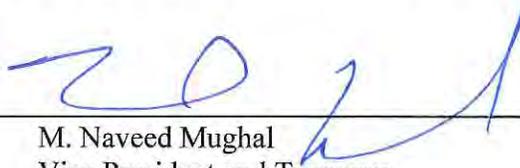
purchased issues as an issuance expense to be amortized over the life of the refinancing issue, or if not refinanced with long-term debt, amortized over the original life of the debt being redeemed;

- (f) authorizing Petitioner to treat the costs of interest risk management transactions applicable to a debt issue as a debt cost to be amortized over the life of the new issue or the remaining life of the outstanding issue, as the case may be, in the same manner as the issuance costs related to that issue;
- (g) issuing to Petitioner a Certificate of Authority for the issuance of securities pursuant to the financing program; and
- (h) making such other and further Orders in the premises as the Commission may deem appropriate and proper.

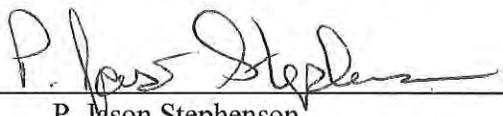
Dated this 4th day of October, 2016.

**INDIANA GAS COMPANY, INC. D/B/A
VECTREN ENERGY DELIVERY OF INDIANA,
INC.**

By: _____

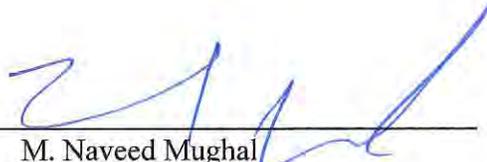

M. Naveed Mughal
Vice President and Treasurer

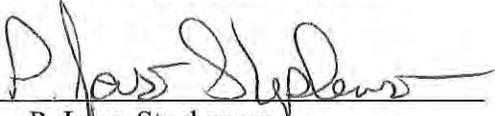
By: _____


P. Jason Stephenson
Vice President, General Counsel

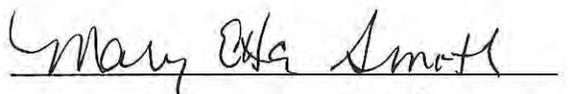
STATE OF INDIANA)
) SS:
COUNTY OF VANDERBURGH)

M. Naveed Mughal and P. Jason Stephenson, being first duly sworn, upon oath, depose and say that they are, respectively, the Vice President and Treasurer and Vice President, General Counsel of Indiana Gas Company, Inc., an Indiana corporation and Petitioner in this Cause; that as such officers of said corporation they have executed the foregoing Verified Petition and have authority to do so; that they have read said Verified Petition and know the contents thereof; and that the statements therein contained are true to the best of their knowledge, information and belief.

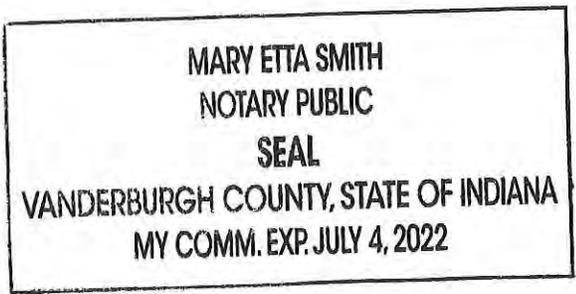
By: 
M. Naveed Mughal
Vice President and Treasurer

By: 
P. Jason Stephenson
Vice President, General Counsel

Subscribed and sworn to before me, a Notary Public in and for said State and County aforesaid, this 4th day of October, 2016.


Printed: Mary Etta Smith

My Commission Expires:
July 4, 2022
My County of Residence:
Vanderburgh

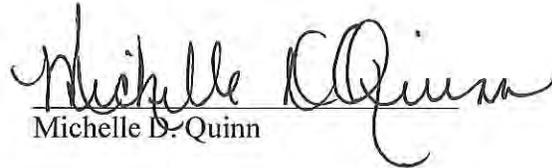


CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Verified Petition of Indiana Gas Company, Inc., has been served by electronic mail transmission, addressed to:

Office of Utility Consumer Counselor
ATTN: Randall C. Helmen
Suite 1500 South
115 W. Washington Street
Indianapolis, Indiana 46204
rhelmen@oucc.in.gov
infomgt@oucc.in.gov

This 4th day of October, 2016.


Michelle D. Quinn

Indiana Gas Company, Inc.
Schedule of Long-Term Debt Outstanding
June 30, 2016

<u>Debt Series</u>	<u>Maturity Date</u>	<u>Principal Amount Outstanding</u>	
6.53% Series E3	06/27/25	10,000,000	1
6.42% Series E7	07/07/27	5,000,000	2
6.68% Series E8	07/07/27	1,000,000	3
6.34% Series F2	12/10/27	20,000,000	4
6.36% Series F5	05/01/28	10,000,000	5
6.55% Series F6	06/30/28	20,000,000	6
7.08% Series G	10/05/29	30,000,000	7
5.75% VUHI Notes	08/01/18	37,128,275	8
3.20% VUHI Notes	06/05/28	8,952,105	9
6.10% VUHI Notes	12/01/35	50,568,961	10
4.25% VUHI Notes	06/05/43	15,914,853	11
3.72% VUHI Notes	12/05/23	74,540,046	12
3.90% VUHI Notes	12/15/35	8,289,289	13
4.36% VUHI Notes	12/15/45	15,749,650	14
4.36% VUHI Notes	12/15/45	39,788,589	15
4.51% VUHI Notes	12/15/55	15,749,650	16
		\$ 362,681,418	17
			18
			19
			20

Effective Weighted Average Interest Rate = 5.507%

INDIANA GAS COMPANY, INC. & SUBSIDIARY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 (\$000's)

	At June 30, 2016	At June 30, 2015	
<u>ASSETS</u>			
Utility Plant			
Original cost	\$ 2,144,664	\$ 1,966,476	1
Less: accumulated depreciation & amortization	868,338	817,047	2
Net utility plant	1,276,326	1,149,429	3
Current Assets			4
Cash & cash equivalents	1,219	3,129	5
Invested cash with other Vectren companies	-	-	6
Accounts receivable - less reserves of \$2,394 & \$3,017, respectively	-	-	7
Accounts receivable, less reserves	14,425	13,881	8
Receivables due from other Vectren companies	6,673	46,701	9
Accrued unbilled revenues	7,315	17,773	10
Inventories	23,348	17,629	11
Recoverable natural gas costs	12,538	-	12
Prepayments & other current assets	19,721	19,492	13
Total current assets	85,239	118,605	14
Other investments	7,199	7,631	15
Regulatory assets	57,234	32,910	16
Other assets	31,377	27,682	17
TOTAL ASSETS	\$ 1,457,375	\$ 1,336,257	18
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>			
Common Shareholders' Equity			19
Common stock (no par value)	\$ 284,536	\$ 259,536	20
Retained earnings	166,613	146,509	21
Total common shareholders' equity	451,149	406,045	22
Long-term debt payable to third parties - net of current maturities & debt subject to tender	96,000	111,000	23
Long-term debt payable to Utility Holdings	266,681	187,104	24
Total long-term debt, net	362,681	298,104	25
Current Liabilities			26
Accounts payable	49,927	32,960	27
Payables to other Vectren companies	14,142	23,622	28
Accrued liabilities	49,494	71,576	29
Short-term borrowings payable to Utility Holdings	-	-	30
Current maturities of long-term debt	-	24,716	31
Long-term debt subject to tender	-	-	32
Total current liabilities	113,563	152,874	33
Deferred Income Taxes & Other Liabilities			34
Deferred income taxes	230,020	195,577	35
Regulatory liabilities	256,692	243,799	36
Deferred credits & other liabilities	43,270	39,858	37
Total deferred income taxes & other liabilities	529,982	479,234	38
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	\$ 1,457,375	\$ 1,336,257	39

INDIANA GAS COMPANY, INC. & SUBSIDIARY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
 (\$000's)

	Twelve Months Ended June 30,		
	2016	2015	
OPERATING REVENUES	\$ 499,573	\$ 597,580	1
COST OF GAS	209,367	307,630	2
GAS OPERATING MARGIN	290,206	289,950	3
OPERATING EXPENSES			4
Other operating	116,260	123,559	5
Depreciation & amortization	69,274	64,908	6
Taxes other than income taxes	15,372	17,450	7
Total operating expenses	200,906	205,917	8
OPERATING INCOME	89,300	84,033	9
Other income - net	3,121	3,230	10
Interest expense	18,911	18,735	11
INCOME BEFORE INCOME TAXES	73,510	68,528	12
Income taxes	29,127	27,006	13
NET INCOME	\$ 44,383	\$ 41,522	14