

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA GAS COMPANY,)
INC. D/B/A VECTREN ENERGY DELIVERY OF)
INDIANA, INC. (“VECTREN NORTH”) FOR (1))
AUTHORITY TO MODIFY ITS RATES AND)
CHARGES FOR GAS UTILITY SERVICE)
THROUGH A PHASE-IN OF RATES, (2))
APPROVAL OF NEW SCHEDULES OF RATES)
AND CHARGES, AND NEW AND REVISED)
RIDERS, (3) APPROVAL OF A NEW TAX)
SAVINGS CREDIT RIDER, (4) APPROVAL OF)
VECTREN NORTH’S ENERGY EFFICIENCY)
PORTFOLIO OF PROGRAMS AND AUTHORITY)
TO EXTEND PETITIONER’S ENERGY EFFICIENCY)
RIDER (“EER”), INCLUDING THE DECOUPLING) CAUSE NO. 45468
MECHANISM EFFECTUATED THROUGH THE)
EER, (5) APPROVAL OF REVISED)
DEPRECIATION RATES APPLICABLE TO GAS)
PLANT IN SERVICE, (6) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, AND (7) APPROVAL OF AN)
ALTERNATIVE REGULATORY PLAN PURSUANT)
TO WHICH VECTREN NORTH WOULD CONTINUE)
ITS CUSTOMER BILL ASSISTANCE PROGRAMS.)

NOTICE OF SUBSTITUTION OF WITNESS

INDIANA GAS COMPANY, INC. D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC., a CenterPoint Energy Company (“Petitioner” or “Vectren North”), by counsel, hereby notifies the Commission and the parties that Mr. Brett A. Jerasa is being substituted for and is adopting the direct testimony previously prefiled by Vectren North witness Robert McRae. Vectren North advises that the relevant portions of the originally prefiled testimony have been revised to reflect this substitution as shown in the attached redline copies. In addition, certain pages of Vectren North's prefiled direct testimony and Petitioner’s Exhibits No. 18 and 19 are being revised to reflect the witness substitution as shown in the attached redlined pages. Clean copies of the revised pages are attached

hereto and will be offered into evidence at the hearing. Revised Petitioner's Exhibit No. 18 is filed herewith in Excel format.

Respectfully submitted,

/s/ Hillary J. Close
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Attorneys for Petitioner
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Energy Delivery of Indiana, Inc.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 10th day of February, 2021, electronically upon:

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/s/ Hillary J. Close
Hillary J. Close

1 Mr. Brett A. Jerasa, Director, Assistant Treasurer, presents the components of the
2 Company's capital structure and the reasonableness of their projected balances and
3 weighting. In addition, he will support the Company's proposed cost of debt.

Deleted: Robert B. McRae

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4
5 Ms. Rina H. Harris, Director, Energy Efficiency will present testimony in support of the
6 extension of the Company's energy efficiency programs. She will discuss the role and
7 results of Vectren's 2022-2025 Market Potential Study and Action Plan; briefly discuss
8 Vectren's current and proposed natural gas energy efficiency initiatives; and discuss
9 the reasons why continuation of natural gas energy efficiency programs is in the public
10 interest.

11
12 Ms. Teresa J. Cullum, Supervisor, Credit and Collections will provide testimony in
13 support of our continuation of the Universal Service Program.

14
15 Mr. Russell A. Feingold, Vice President with Black & Veatch Management Consulting,
16 LLC will present the results of the Cost of Service study, rate design, and discuss its
17 effect on rates.

18
19 Ms. Katie J. Tieken, Manager, Regulatory and Rates, will sponsor the proposed rates
20 within the Tariff; implementation of Phase 1 and Phase 2 rates; the Company's request
21 to continue decoupling and Universal Service Program; and proposals associated with
22 new and existing adjustment mechanisms.

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2 Environmental Cost Adjustment ("ECA") proceeding, Cause No. 45052; its Fuel
3 Adjustment Clause ("FAC") proceedings, Cause No. 38708; and its Electric Demand
4 Side Management ("DSM") Plan proceeding, Cause No. 45387. I have also testified
5 before the Commission on behalf of Vectren North in its GCA proceedings, Cause No.
6 37394. I have also provided testimony on behalf of Vectren South in its most recently
7 filed general gas rate case proceeding under IURC Cause No. 45447.

8
9 **Q. What is the purpose of your testimony in this proceeding?**

10 A. The purpose of my testimony is to present: (i) the financial and accounting data in
11 support of Vectren North's revenue requirement; (ii) an explanation of the Company's
12 decision to use a forecasted 2021 test year for ratemaking purposes, along with the
13 budgeting and forecasting process used for the test year; (iii) the proposed update
14 process for Phase 2 rates; (iv) the pro forma adjustments to the test year; (v) the
15 determination of rate base; and (vi) certain elements of the capital structure presented
16 by Petitioner's Witness Brett A. Jerasa.

Deleted: Robert B. McRae

17
18 **Q. Are you sponsoring any of the Revenue Requirement Schedules provided in**
19 **Petitioner's Exhibit No. 18 in this proceeding?**

20 A. Yes. Within the financial schedules included in Petitioner's Exhibit No. 18, I am
21 specifically sponsoring or co-sponsoring the revenue requirement and supporting
22 calculations within **Schedules A** (Revenue Increase and Financial Summary),
23 **Schedules B** (Rate Base), and **Schedules C** (Income Statement and Adjustments).
24 Petitioner's Witnesses Jerasa will sponsor and support **Schedules D** (Capital
25 Structure) and Russell A. Feingold and Katie J. Tieken will sponsor and support

Deleted: McRae

1 A. Yes, they were.

2

3 **Q. Are the Company's books and records kept in accordance with the Federal**
4 **Energy Regulatory Commission ("FERC") Uniform System of Accounts**
5 **("USoA") and generally accepted accounting principles ("GAAP")?**

6 A. Yes. The Company's books and records are kept in accordance with the FERC
7 Uniform System of Accounts as adopted by this Commission and GAAP.

8

9

10 **II. REVENUE REQUIREMENT**

11

12 **Q. What is the revenue increase requested by Vectren North?**

13 A. As reflected on Schedule A-1, the Company seeks a total revenue increase of
14 \$20,759,200 utilizing a projected test year for calendar year 2021 and rate base,
15 capital structure balances and costs projected as of December 31, 2021. This is
16 necessary to allow the Company to earn a fair and reasonable return on its investment
17 at a recommended return on equity of 10.15 percent. The recommended return on
18 equity as detailed in Schedule D-1 is supported in the testimony of Petitioner's Witness
19 Ann E. Bulkley and is set forth in the capital structure (Schedule D-1) sponsored by
20 Petitioner's Witness Jerasa.

21

22 **Q. Why is Vectren North seeking rate relief in this proceeding?**

23 A. Specifically, Ind. Code Ch. 8-1-39 ("TDSIC Statute") requires that the Company file a
24 base rate case prior to the completion of a 7-year plan under the TDSIC Statute. In
25 consolidated Cause Nos. 44429 and 44430, the Company sought and received

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1 within Schedule E-4 is based on the rates submitted as part of Vectren North's
2 proposed tariff supported by Petitioner's Witness Feingold. By adjusting the current
3 adjusted operating income statement by the impact of the proposed rates, this
4 schedule shows that the Company's rate of return will increase to 6.32 percent, which
5 is the requested Rate of Return reflected on Schedule D-1 and discussed by
6 Petitioner's Witnesses Jerasa and Bulkley.

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8 **Q. Please describe Schedule C-1.1.**

9 A. Schedule C-1.1 presents a more detailed view of the pro forma income statement,
10 through net operating income, for the twelve months ended December 31, 2021.
11 Column A presents the unadjusted income statement, by FERC Account, for the 2021
12 budget as supported by Petitioner's Witness Moore. Column B summarizes the pro
13 forma adjustments required to the test year. These pro forma adjustments are detailed
14 within the various C-3 schedules I will discuss later in my testimony. These
15 adjustments are numbered sequentially starting with Schedule C-3.1, by FERC
16 Account, on the far side of Schedule C-1.1. Column C then represents the pro forma
17 income statement at present rates. Column D captures the revenue increase, as noted
18 on Schedule C-1, to arrive at the pro forma at proposed rates income statement
19 presented in Column E.

21 **Q. In your opinion, does Schedule C-1.1, Column E accurately reflect Vectren**
22 **North's projected operating results during the test year, with appropriate**
23 **adjustments?**

24 A. Yes.

1 **Q. Please describe Schedules C-3.23 and C-3.24.**

2 A. Schedules C-3.23 and C-3.24 are calculations of the Indiana state and federal income
3 taxes for the pro forma adjusted test year. Indiana state income taxes are calculated
4 in detail on Schedule C-4, sponsored by Petitioner's Witness Brenda L. Musser. The
5 statutory rate utilized for the Indiana income taxes is 4.90 percent, reflecting the rate
6 expected to be effective July 1, 2021. Schedule C-4 captures the impact of the change
7 in the state income tax rate during the test year from the level utilized to determine
8 income tax expense in the unadjusted budget. Federal income taxes are calculated
9 in detail on Schedule C-5, also sponsored by Petitioner's Witness Musser. The current
10 statutory rate utilized for the federal income taxes is 21 percent, which is unchanged
11 from the rate utilized for the test year. The pro forma level of state and federal income
12 tax expense is compared to the test year unadjusted tax expense to determine the
13 required adjustment. As all of the adjustments to revenue and operating expenses
14 also include state and federal income tax impacts, the net adjustment shown on
15 Schedules C-3.23 and C-3.24 excludes all adjustments already reflected to the test
16 year income tax expense.

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19 **VIII. D SCHEDULES**

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21 **Q. Please describe Schedule D-1.**

22 A. Schedule D-1 reflects the calculation of the overall rate of return summary which is
23 based on the forecasted capital structure at December 31, 2021. This is sponsored
24 by Petitioner's Witness Jerasa, who also discusses how the forecasted balances for
25 long-term debt and common equity were determined for December 31, 2021.

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Q. Has Vectren North adjusted the capital structure components from how it is presented in its semi-annual CSIA proceedings in Cause No. 44430?

A. Yes. The Company has included prepaid pension asset as a component of the capital structure which is an offset to zero cost capital. This methodology is consistent with previous rulings made by the Commission in Cause No. 45029 and Cause No. 44688. Petitioner's Witness Jerasa discusses in further detail Vectren North's proposal to include the prepaid pension asset in the capital structure within this proceeding.

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Q. Are there components of Vectren North's capital structure that have not been projected to December 31, 2021?

A. Yes. On Schedule D-5, Customer Advances for Construction and Customer Deposits are held constant as of December 31, 2019, with no projected assumptions or estimates to include for the projected test year for 2021. This is consistent with how the Company currently budgets, with these items not discretely forecasted for changes on the projected balance sheet.

Q. How did the Company forecast the test year balance of Investment Tax Credits ("ITC")?

A. The Company used the year-end balance as of December 31, 2019 as a starting point then projected activity associated with amortizations of the balance through December 31, 2021 to arrive at the projected level of ITC included in the capital structure.

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22 31, 2021 to arrive at the projected level of ITC included in the capital structure.

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1 **Q. Were any adjustments made to the ADIT balance?**

2 A. Yes. ASC 740 requires deferred income taxes to be recorded on the difference
3 between the tax basis of assets and liabilities and the book basis at which they are
4 carried in the financial statements. ASC 980-740-25 requires regulated enterprises to
5 recognize deferred taxes on temporary differences that are, at the direction of
6 regulatory authorities, flowed through to the customers' benefit for ratemaking
7 purposes and for the equity component of the allowance for funds used during
8 construction. Regulated enterprises are also required to recognize regulatory assets
9 and liabilities for the effect of future revenues expected to be realized as the tax effects
10 of these temporary differences reverse. Consistent with prior rate cases and for
11 simplicity of presentation, these regulatory assets and liabilities have been netted
12 against the deferred income tax liability. The result is a deferred income tax balance
13 included in the capitalization, which is on the same basis as that recognized in previous
14 cases.

15
16 **Q. How is ADIT reflected in filing schedules of this proceeding?**

17 A. The pro-forma ADIT balance has been incorporated as a component of cost-free
18 capital on Petitioner's Exhibit No. 18, Schedule D-5 sponsored by Petitioner's Witness

19 Brett A. Jerasa.

Deleted: Robert B. McRae

20
21
22 **IV. OTHER INCOME TAX RELATED COST OF CAPITAL ITEMS**

23
24 **Q. Please discuss the EDIT included in cost free capital.**

25 A. As I previously stated, federal EDIT is currently being refunded in the Company's CSIA

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INDIANA GAS COMPANY, INC.
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
A CENTERPOINT ENERGY COMPANY
(VECTREN NORTH)

IURC CAUSE NO. 45468

DIRECT TESTIMONY
OF
BRETT A. JERASA
DIRECTOR, ASSISTANT TREASURER

ON

CAPITAL STRUCTURE AND COST OF DEBT

Deleted: ROBERT B. MCRAE
VICE PRESIDENT AND TREASURER

Glossary of Acronyms

CenterPoint	CenterPoint Energy, Inc.
Company	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
FSA	Financial Services Agreement
IURC or Commission	Indiana Utility Regulatory Commission
Petitioner	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
Service Company	CenterPoint Energy Service Company, LLC
Vectren	Vectren Corporation
Vectren North	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
Vectren South	Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
Vectren Ohio	Vectren Energy Delivery of Ohio, Inc.
VUHI	Vectren Utility Holding, Inc.

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IV.	CONCLUSION.....	15

DIRECT TESTIMONY OF BRETT A. JERASA

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Brett A. Jerasa. My business address is 1111 Louisiana St, Houston, TX 77002.

Deleted: Robert Bruce McRae

Q. By whom are you employed?

A. I am employed by CenterPoint Energy Service Company, LLC ("Service Company"), a wholly-owned subsidiary of CenterPoint Energy, Inc. ("CenterPoint"). The Service Company provides centralized support services to CenterPoint's operating units, which includes Vectren Corporation ("Vectren"), a wholly-owned subsidiary of CenterPoint.

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

A. I am testifying on behalf of Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner", "Vectren North" or "the Company"), which is a subsidiary of Vectren.

Q. What is your role with respect to Petitioner Vectren North?

A. I am Director, Assistant Treasurer for CenterPoint, the ultimate parent company of Vectren North. I have the same role with two other utility subsidiaries of Vectren – Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South") and Vectren Energy Delivery of Ohio, Inc. ("Vectren Ohio").

Deleted: Vice President and

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

3 A. I have a Bachelor of Arts in Economics from the University of Virginia, a Master of Arts
4 in History from Old Dominion University, and a Master of Business Administration from
5 Indiana University's Kelley School of Business.

Deleted: I have a Bachelor of Science in Management from Brigham Young University

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

8 A. I have been employed by CenterPoint since 2012 and have held various positions
9 within the company. From 2011 to 2015, I was a lead analyst in the Corporate Strategic
10 Planning group responsible for assisting various business units and functions with the
11 creation of their strategic plans and capital project evaluation. Since 2015 I have
12 worked in the Treasury group, first as a Treasury Manager responsible for the
13 administration and operations of CenterPoint's various pension, savings and benefit
14 plans and Capital Markets activities. In 2020, I was promoted to Director, Assistant
15 Treasurer and have responsibilities for the Company's capital markets, debt
16 compliance, treasury operations and investments.

Deleted: 2011 and have held various positions within the company. From 2011 to 2012, I was a lead analyst in the Corporate Strategic Planning group responsible for assisting various business units and functions with the creation of their strategic plans. From 2012 to 2015 I was a manager in the Investor Relations group where I was responsible for communicating financial, strategic, and operational information to existing and prospective investors and research analysts. Since 2015 I have worked in the Treasury group.

17
18 **Q. Provide some specific examples of activities you have undertaken during your**
19 **time in the Treasury department.**

20 A. I have managed the debt service and compliance of more than \$14 billion of external
21 debt, led 16 external bond offerings aggregating \$6.0 billion, led two (2) external
22 offerings aggregating \$1.7 billion of equity hybrid securities, among other things.

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Deleted: transactions regarding CenterPoint and its subsidiaries' \$5.1 billion credit agreements, co-led a \$5 billion Bridge facility syndication

23
24 **Q. What are your present duties and responsibilities as Director, Assistant**
25 **Treasurer?**

Deleted: Vice President and

1 A. I am responsible for the short-term and long-term financing activities of CenterPoint
2 and its subsidiaries, including Vectren North. This includes having responsibility for
3 cash management, bank relations, short-term borrowings, long-term capital financing,
4 credit rating agency relations and a variety of other finance-related activities. I am
5 responsible for arranging the corporate financings and bank credit facilities for
6 CenterPoint and its utility subsidiaries.

Deleted: all Treasury functions of CenterPoint and its subsidiaries, including Vectren, the parent company of Vectren North. Treasury includes all short-term and long-term financing, short-term investing, cash management, pension and savings plan administration, banking relationships, and rating agency relationships. In addition, I am responsible for the credit risk function of CenterPoint and CenterPoint Energy Houston Electric, LLC.

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

9 A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or "the
10 Commission") on behalf of Vectren North and Vectren South in its most recently filed
11 financing proceeding, Cause Nos. 45457 and 45458.

Deleted: South in its most recently filed general gas rate case proceeding, Cause No. 45447. Additionally, I have testified on behalf of CenterPoint Energy Houston Electric, LLC in dockets 48226 and 49421 and on behalf of CenterPoint Energy Minnesota Gas in dockets G-008/GR-17-285 and G-008/GR-19-524.

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

14 A. My testimony will provide an overview of the components of Vectren North's capital
15 structure and its weighted average cost of capital.

17 **Q. Are you sponsoring any attachments in this proceeding?**

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

- 19 • The D Schedules of Petitioner's Exhibit No. 18, Capital Structure and Cost of
20 Capital

22 **Q. Were these schedules prepared by you or under your supervision?**

23 A. Yes, they were.

1 **II. CAPITAL STRUCTURE**

2
3 **Q. What topics do you discuss in this section of your testimony?**

4 A. In this part of my testimony I explain the importance of establishing a capital structure
5 that will help preserve the financial integrity of the Company, thereby allowing it to
6 maintain access to capital on reasonable terms in all market conditions. Next, I
7 describe the Company's projected capital structure for the test year and I explain why
8 that capital structure is reasonable.

9
10 **Q. What does the phrase "capital structure" mean in the context of utility**
11 **ratemaking?**

12 A. "Capital structure" refers to the percentages of debt and equity used to finance the
13 assets and perform the operations necessary to provide service to customers. The
14 primary sources of capital to finance long-term assets of the Company are long-term
15 debt and common equity. Capital structure is typically expressed in terms of the ratio
16 of a particular type of capital to total capital. Thus, for example, a utility with a total
17 capitalization of \$1 billion, long-term debt of \$450 million, and common equity of \$550
18 million would have a capital structure composed of 45% long-term debt and 55%
19 common equity.

20
21 **Q. Are there other capital structure components other than investor provided debt**
22 **and equity used to determine Vectren North's requested capital structure?**

23 A. Yes. In addition to investor provided debt and equity, there are several additional
24 components included in the regulatory capital structure calculation such as customer
25 deposits, accumulated deferred income taxes, prepaid pension and investment tax

1 credits. Petitioner's Exhibit No. 18, Schedule D-1 details all of the components used
2 to calculate the Company's requested capital structure.

3
4 **Q. Why does a utility finance its assets and operations with different types of**
5 **capital?**

6 A. A utility typically uses different types of capital because the various elements of capital
7 have different risks, and, hence, different costs. Debt is less risky than equity because
8 debt holders are senior to equity holders in terms of having a claim on the utility's
9 assets, and for that reason debt is generally cheaper than equity. Additionally, income
10 tax deductibility of interest expense, in contrast with the non-deductibility of most types
11 of cash dividends, further reduces the after-tax cost of debt capital. As a utility
12 increases the proportion of debt in its capital structure, however, lenders increasingly
13 demand higher returns to offset the risk of default. Utilities and other companies
14 therefore try to strike a balance that will provide dependable access to capital in a cost-
15 effective manner.

Q. What is the forecasted capital structure for this case?

A. Table BAJ-1 below details the Company's forecasted capital structure.

Table BAJ-1

Long-Term Debt	36.88%
Preferred Stock	0.00%
Common Equity	46.22%
Cost Free Capital	15.29%
Other Capital	1.61%
Total Capital	100.00%

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Q. What investor provided capital structure is reflected in the Company's forecasted capital structure?

A. As is detailed in workpapers to Petitioner's Exhibit No. 18, D Schedules, WPD-1.1, the investor provided capital structure consists of 44.38% long-term debt and 55.62% common equity. This reflects a projected capital structure and will be updated to actual as of June 30, 2021 for Phase 1 rates, and actual as of December 31, 2021 for Phase 2 rates, as discussed by Petitioner's Witness Angie M. Bell.

Q. Does the Company directly issue equity into the external capital markets?

A. No, the sources of the equity on the Company's balance sheet are: (1) equity contributions from Vectren Utility Holdings, Inc. ("VUHI"); and (2) retained earnings from operations. The Company may make periodic dividend payments to VUHI to ensure that the Company's equity ratio remains within a reasonable range, and VUHI may make equity contributions to the Company for the same purpose. VUHI, in turn, obtains equity financing ultimately from CenterPoint.

1 **Q. Does the Company issue debt into the external capital markets?**

2 A. In the past, the Company did issue debt in the public or private debt capital markets,
3 however today all of its debt capital is issued to VUHI.

4
5 **Q. Are there any forecasted debt issuances included in Vectren North's investor
6 provided capital structure during the test year?**

7 A. There are two notes planned for issuance in 2021 aggregating \$80 million. The \$80
8 million will be used to term out short-term borrowing and invest in capital expenditures.

9
10 **Q. You testified earlier that the Company's investor provided capital structure
11 includes 55.62% common equity. Why is that percentage reasonable and
12 appropriate?**

13 A. The projected common equity ratio of 55.62% as of the end of the test year is
14 reasonable for several reasons. First, it is consistent with equity ratios found to be
15 reasonable for other utilities within Indiana in recent Commission orders. Second, it is
16 reasonable as compared to the equity ratios of the Company's proxy group, as
17 presented by Petitioner's Witness Ann E. Bulkley. Finally, this is consistent with
18 current financing authority as approved in Cause No. 45171 for Vectren North.

19
20 **Q. You testified that a 55.62% equity ratio is consistent with equity ratios found by
21 the Commission to be reasonable for other utilities. What findings are you
22 referring to?**

23 A. The IURC issued an order in the Duke Energy rate case (Cause No. 45253) on June
24 29, 2020 which included an investor provided equity ratio of 53%. Additionally, the
25 IURC issued an order approving a settlement in the NIPSCO electric rate case (Cause

No. 45159) on December 4, 2019 which included an investor provided equity ratio of 57% and an order approving a settlement in the NIPSCO gas rate case (Cause No. 44988) on September 19, 2018 which included an investor provided equity ratio of 56.02% at the end of the test year in that case. Given that the equity ratio being requested in this case is within the range of these recent orders, the request is reasonable.

Q. Your second reason for testifying that a 55.62% equity ratio is reasonable is that it is reasonably comparable to the equity ratios of the Company's proxy group. Has the Company provided an analysis comparing its proposed equity ratio to the equity ratios of the proxy group companies?

A. Petitioner's Witness Bulkley's direct testimony demonstrates that equity ratios of the proxy group range from 50.03% to 66.58% with an average of 58.88%. As Petitioner's Witness Bulkley states, this demonstrates that "Vectren North's projected equity ratio of 55.62% is near the average equity ratio for the utility operating subsidiaries of the proxy groups."

Q. You testified earlier that the Company is requesting approval of a capital structure containing 44.38% long-term debt. Is that debt ratio reasonable?

A. Yes. That long-term debt ratio reflects projected long-term debt issuances during the test year. See Petitioner's Exhibit No. 18, Schedule D-1. The determination of the cost of debt associated with those projected issuances is discussed below.

1 **III. COST OF CAPITAL**

2
3 **Q. What topics do you discuss in this section of your testimony?**

4 A. I discuss the components of the Company's weighted average cost of capital.

5
6 **Q. What is the Company's requested weighted average cost of capital?**

7 A. The Company's requested weighted average cost of capital is 6.32%.

8
9 **Q. What is the weighted cost of the long-term debt portion of Vectren North's**
10 **capital structure?**

11 A. As shown in Petitioner's Exhibit No. 18, Schedule D-1, Vectren North's forecasted
12 weighted average cost of long-term debt as of the end of the test year is 4.36%. The
13 details used to calculate this cost of long-term debt are shown in Petitioner's Exhibit
14 No. 18, Schedule D-2. This cost rate reflects the carrying value of the long-term debt,
15 which reflects the unamortized issuance costs.

16
17 **Q. Previously you had mentioned that one source of debt capital was intercompany**
18 **notes between VUHI and the Company. How are the interest rates for those**
19 **notes determined?**

20 A. The interest on the intercompany notes between VUHI and the Company is governed
21 by the Financial Services Agreement ("FSA") each entity entered into as of December
22 31, 2011. Per the FSA, "interest shall be charged on the unpaid outstanding balance
23 ... at a rate per annum equal to the rate paid and to be paid by Lender with respect to
24 the borrowings it made in order to provide funds to Borrower hereunder." For example,
25 if VUHI borrows \$100 million at a rate of 4.0%, any intercompany notes put in place

1 between VUHI and the Company associated with that \$100 million borrowing would
2 carry the same 4.0% interest rate.

3
4 **Q. Earlier in your testimony you mentioned that there were expected debt**
5 **issuances planned for the test year. What is the interest rate assumed for those**
6 **issuances and what is the impact to the cost of long-term debt?**

7 A. The first issuance during the test year of \$50 million will have a coupon of 1.21%. The
8 second issuance during the test year of \$30 million assumes a coupon of 2.87%. Both
9 of these low coupons are included in the proposed cost of long-term debt and have
10 the effect of lowering the cost of debt to the projected 4.36%.

11
12 **Q. What was the cost of equity used to calculate the Company's proposed cost of**
13 **capital?**

14 A. The cost of equity used in the determination of the overall cost of capital was 10.15%.
15 Details regarding the cost of equity estimate can be found in Petitioner's Witness
16 Bulkley's direct testimony.

17
18 **Q. Are there other capital structure components for purposes of determining**
19 **Vectren North's cost of capital?**

20 A. Yes. As mentioned earlier, Petitioner's Exhibit No. 18, Schedule D-1 and the
21 supporting workpapers contain a listing of those components and their proposed
22 weighted average interest rates. That schedule includes customer deposits at a 1.50%
23 weighted average interest rate and investment tax credits at a rate of 7.58%.

24

1 **Q. Are there any cost-free components included in Vectren North's proposed cost**
2 **of capital?**

3 A. Yes. Accumulated deferred income taxes, customer advances for construction, other
4 post-employment benefits ("OPEB"), and prepaid pension were included at zero cost.
5 Accumulated deferred income taxes are addressed by Petitioner's Witness Brenda L.
6 Musser. Customer advances for construction are discussed by Petitioner's Witness
7 Bell.

8
9 **Q. What is the prepaid pension asset and why is it included in the capital structure?**

10 A. The prepaid pension asset is the difference between the cumulative contributions to
11 the pension fund and the cumulative accruals of pension expense. In other words,
12 these are amounts that have been paid into the pension fund in excess of cumulative
13 pension expense. Once amounts are contributed to the fund, the Company no longer
14 has access to these amounts – they must remain in the fund. The prepaid pension
15 asset provides a benefit to customers in that it serves to reduce pension expense that
16 would otherwise be accrued and recovered in rates. I understand that in Indiana there
17 have been two recognized methods for including the value of the prepaid pension
18 asset in ratemaking: some utilities have included the prepaid pension asset in rate
19 base, and other utilities have included the prepaid pension asset in the capital structure
20 as an offset to zero cost capital. Both methods have been accepted by this
21 Commission. We have elected to include the prepaid pension asset in the capital
22 structure.

23
24 **Q. You also mentioned OPEB. What is that and why is it in the capital structure?**

1 A. This results from the adoption of Financial Accounting Standards No. 106 nearly thirty
2 years ago, which requires that postretirement benefits other than pensions be reflected
3 on an accrual basis. The difference between the accrued expense under generally
4 accepted accounting principles and the amount that is paid out on a pay-as-you-go
5 basis is reflected either as a rate base offset or as a component of zero cost capital.
6 The Company has historically reflected it as zero cost capital. This treatment is the
7 mirror image of the treatment of the prepaid pension asset, and so the OPEB zero cost
8 capital is an offset to the prepaid pension asset in the capital structure.

9
10
11 **IV. CONCLUSION**

12
13 **Q. Does this conclude your prepared direct testimony?**

14 A. Yes, it does.

INDIANA GAS COMPANY, INC.
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
A CENTERPOINT ENERGY COMPANY
(VECTREN NORTH)

IURC CAUSE NO. 45468

DIRECT TESTIMONY
OF
BRETT A. JERASA
DIRECTOR, ASSISTANT TREASURER

ON

CAPITAL STRUCTURE AND COST OF DEBT

Glossary of Acronyms

CenterPoint	CenterPoint Energy, Inc.
Company	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
FSA	Financial Services Agreement
IURC or Commission	Indiana Utility Regulatory Commission
Petitioner	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
Service Company	CenterPoint Energy Service Company, LLC
Vectren	Vectren Corporation
Vectren North	Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
Vectren South	Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
Vectren Ohio	Vectren Energy Delivery of Ohio, Inc.
VUHI	Vectren Utility Holding, Inc.

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IV.	CONCLUSION.....	15

DIRECT TESTIMONY OF BRETT A. JERASA

1 **I. INTRODUCTION**

2

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

4 A. My name is Brett A. Jerasa. My business address is 1111 Louisiana St, Houston, TX
5 77002.

6

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

8 A. I am employed by CenterPoint Energy Service Company, LLC ("Service Company"),
9 a wholly-owned subsidiary of CenterPoint Energy, Inc. ("CenterPoint"). The Service
10 Company provides centralized support services to CenterPoint's operating units,
11 which includes Vectren Corporation ("Vectren"), a wholly-owned subsidiary of
12 CenterPoint.

13

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

15 A. I am testifying on behalf of Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery
16 of Indiana, Inc. ("Petitioner", "Vectren North" or "the Company"), which is a subsidiary
17 of Vectren.

18

19 **Q. What is your role with respect to Petitioner Vectren North?**

20 A. I am Director, Assistant Treasurer for CenterPoint, the ultimate parent company of
21 Vectren North. I have the same role with two other utility subsidiaries of Vectren –
22 Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana,
23 Inc. ("Vectren South") and Vectren Energy Delivery of Ohio, Inc. ("Vectren Ohio").

1

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

3 A. I have a Bachelor of Arts in Economics from the University of Virginia, a Master of Arts
4 in History from Old Dominion University, and a Master of Business Administration from
5 Indiana University's Kelley School of Business.

6

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

8 A. I have been employed by CenterPoint since 2012 and have held various positions
9 within the company. From 2011 to 2015, I was a lead analyst in the Corporate Strategic
10 Planning group responsible for assisting various business units and functions with the
11 creation of their strategic plans and capital project evaluation. Since 2015 I have
12 worked in the Treasury group, first as a Treasury Manager responsible for the
13 administration and operations of CenterPoint's various pension, savings and benefit
14 plans and Capital Markets activities. In 2020, I was promoted to Director, Assistant
15 Treasurer and have responsibilities for the Company's capital markets, debt
16 compliance, treasury operations and investments.

17

18 **Q. Provide some specific examples of activities you have undertaken during your**
19 **time in the Treasury department.**

20 A. I have managed the debt service and compliance of more than \$14 billion of external
21 debt, led 16 external bond offerings aggregating \$6.0 billion, led two (2) external
22 offerings aggregating \$1.7 billion of equity hybrid securities, among other things.

23

24 **Q. What are your present duties and responsibilities as Director, Assistant**
25 **Treasurer?**

1 A. I am responsible for the short-term and long-term financing activities of CenterPoint
2 and its subsidiaries, including Vectren North. This includes having responsibility for
3 cash management, bank relations, short-term borrowings, long-term capital financing,
4 credit rating agency relations and a variety of other finance-related activities. I am
5 responsible for arranging the corporate financings and bank credit facilities for
6 CenterPoint and its utility subsidiaries.

7

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

9 A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or "the
10 Commission") on behalf of Vectren North and Vectren South in its most recently filed
11 financing proceeding, Cause Nos. 45457 and 45458.

12

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

14 A. My testimony will provide an overview of the components of Vectren North's capital
15 structure and its weighted average cost of capital.

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17 **Q. Are you sponsoring any attachments in this proceeding?**

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

- 19 • The D Schedules of Petitioner's Exhibit No. 18, Capital Structure and Cost of
20 Capital

21

22 **Q. Were these schedules prepared by you or under your supervision?**

23 A. Yes, they were.

1 **II. CAPITAL STRUCTURE**

2

3 **Q. What topics do you discuss in this section of your testimony?**

4 A. In this part of my testimony I explain the importance of establishing a capital structure
5 that will help preserve the financial integrity of the Company, thereby allowing it to
6 maintain access to capital on reasonable terms in all market conditions. Next, I
7 describe the Company's projected capital structure for the test year and I explain why
8 that capital structure is reasonable.

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10 **Q. What does the phrase "capital structure" mean in the context of utility**
11 **ratemaking?**

12 A. "Capital structure" refers to the percentages of debt and equity used to finance the
13 assets and perform the operations necessary to provide service to customers. The
14 primary sources of capital to finance long-term assets of the Company are long-term
15 debt and common equity. Capital structure is typically expressed in terms of the ratio
16 of a particular type of capital to total capital. Thus, for example, a utility with a total
17 capitalization of \$1 billion, long-term debt of \$450 million, and common equity of \$550
18 million would have a capital structure composed of 45% long-term debt and 55%
19 common equity.

20

21 **Q. Are there other capital structure components other than investor provided debt**
22 **and equity used to determine Vectren North's requested capital structure?**

23 A. Yes. In addition to investor provided debt and equity, there are several additional
24 components included in the regulatory capital structure calculation such as customer
25 deposits, accumulated deferred income taxes, prepaid pension and investment tax

1 credits. Petitioner's Exhibit No. 18, Schedule D-1 details all of the components used
2 to calculate the Company's requested capital structure.

3

4 **Q. Why does a utility finance its assets and operations with different types of**
5 **capital?**

6 A. A utility typically uses different types of capital because the various elements of capital
7 have different risks, and, hence, different costs. Debt is less risky than equity because
8 debt holders are senior to equity holders in terms of having a claim on the utility's
9 assets, and for that reason debt is generally cheaper than equity. Additionally, income
10 tax deductibility of interest expense, in contrast with the non-deductibility of most types
11 of cash dividends, further reduces the after-tax cost of debt capital. As a utility
12 increases the proportion of debt in its capital structure, however, lenders increasingly
13 demand higher returns to offset the risk of default. Utilities and other companies
14 therefore try to strike a balance that will provide dependable access to capital in a cost-
15 effective manner.

1 Q. What is the forecasted capital structure for this case?

2 A. Table BAJ-1 below details the Company's forecasted capital structure.

Table BAJ-1

Long-Term Debt	36.88%
Preferred Stock	0.00%
Common Equity	46.22%
Cost Free Capital	15.29%
Other Capital	1.61%
Total Capital	100.00%

4

5 Q. What investor provided capital structure is reflected in the Company's
6 forecasted capital structure?

7 A. As is detailed in workpapers to Petitioner's Exhibit No. 18, D Schedules, WPD-1.1, the
8 investor provided capital structure consists of 44.38% long-term debt and 55.62%
9 common equity. This reflects a projected capital structure and will be updated to actual
10 as of June 30, 2021 for Phase 1 rates, and actual as of December 31, 2021 for Phase
11 2 rates, as discussed by Petitioner's Witness Angie M. Bell.

12

13 **Q. Does the Company directly issue equity into the external capital markets?**

14 A. No, the sources of the equity on the Company's balance sheet are: (1) equity
15 contributions from Vectren Utility Holdings, Inc. ("VUHI"); and (2) retained earnings
16 from operations. The Company may make periodic dividend payments to VUHI to
17 ensure that the Company's equity ratio remains within a reasonable range, and VUHI
18 may make equity contributions to the Company for the same purpose. VUHI, in turn,
19 obtains equity financing ultimately from CenterPoint.

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2 A. In the past, the Company did issue debt in the public or private debt capital markets,
3 however today all of its debt capital is issued to VUHL.

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5 **Q. Are there any forecasted debt issuances included in Vectren North's investor**
6 **provided capital structure during the test year?**

7 A. There are two notes planned for issuance in 2021 aggregating \$80 million. The \$80
8 million will be used to term out short-term borrowing and invest in capital expenditures.

9

10 **Q. You testified earlier that the Company's investor provided capital structure**
11 **includes 55.62% common equity. Why is that percentage reasonable and**
12 **appropriate?**

13 A. The projected common equity ratio of 55.62% as of the end of the test year is
14 reasonable for several reasons. First, it is consistent with equity ratios found to be
15 reasonable for other utilities within Indiana in recent Commission orders. Second, it is
16 reasonable as compared to the equity ratios of the Company's proxy group, as
17 presented by Petitioner's Witness Ann E. Bulkley. Finally, this is consistent with
18 current financing authority as approved in Cause No. 45171 for Vectren North.

19

20 **Q. You testified that a 55.62% equity ratio is consistent with equity ratios found by**
21 **the Commission to be reasonable for other utilities. What findings are you**
22 **referring to?**

23 A. The IURC issued an order in the Duke Energy rate case (Cause No. 45253) on June
24 29, 2020 which included an investor provided equity ratio of 53%. Additionally, the
25 IURC issued an order approving a settlement in the NIPSCO electric rate case (Cause

1 No. 45159) on December 4, 2019 which included an investor provided equity ratio of
2 57% and an order approving a settlement in the NIPSCO gas rate case (Cause No.
3 44988) on September 19, 2018 which included an investor provided equity ratio of
4 56.02% at the end of the test year in that case. Given that the equity ratio being
5 requested in this case is within the range of these recent orders, the request is
6 reasonable.

7

8 **Q. Your second reason for testifying that a 55.62% equity ratio is reasonable is that**
9 **it is reasonably comparable to the equity ratios of the Company's proxy group.**
10 **Has the Company provided an analysis comparing its proposed equity ratio to**
11 **the equity ratios of the proxy group companies?**

12 A. Petitioner's Witness Bulkley's direct testimony demonstrates that equity ratios of the
13 proxy group range from 50.03% to 66.58% with an average of 58.88%. As Petitioner's
14 Witness Bulkley states, this demonstrates that "Vectren North's projected equity ratio
15 of 55.62% is near the average equity ratio for the utility operating subsidiaries of the
16 proxy groups."

17

18 **Q. You testified earlier that the Company is requesting approval of a capital**
19 **structure containing 44.38% long-term debt. Is that debt ratio reasonable?**

20 A. Yes. That long-term debt ratio reflects projected long-term debt issuances during the
21 test year. See Petitioner's Exhibit No. 18, Schedule D-1. The determination of the cost
22 of debt associated with those projected issuances is discussed below.

23

24

1 **III. COST OF CAPITAL**

2

3 **Q. What topics do you discuss in this section of your testimony?**

4 A. I discuss the components of the Company's weighted average cost of capital.

5

6 **Q. What is the Company's requested weighted average cost of capital?**

7 A. The Company's requested weighted average cost of capital is 6.32%.

8

9 **Q. What is the weighted cost of the long-term debt portion of Vectren North's**
10 **capital structure?**

11 A. As shown in Petitioner's Exhibit No. 18, Schedule D-1, Vectren North's forecasted
12 weighted average cost of long-term debt as of the end of the test year is 4.36%. The
13 details used to calculate this cost of long-term debt are shown in Petitioner's Exhibit
14 No. 18, Schedule D-2. This cost rate reflects the carrying value of the long-term debt,
15 which reflects the unamortized issuance costs.

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18 **notes between VUHI and the Company. How are the interest rates for those**
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24 the borrowings it made in order to provide funds to Borrower hereunder." For example,
25 if VUHI borrows \$100 million at a rate of 4.0%, any intercompany notes put in place

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6 **issuances and what is the impact to the cost of long-term debt?**

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8 second issuance during the test year of \$30 million assumes a coupon of 2.87%. Both
9 of these low coupons are included in the proposed cost of long-term debt and have
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12 **Q. What was the cost of equity used to calculate the Company's proposed cost of**
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14 A. The cost of equity used in the determination of the overall cost of capital was 10.15%.
15 Details regarding the cost of equity estimate can be found in Petitioner's Witness
16 Bulkley's direct testimony.

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19 **Vectren North's cost of capital?**

20 A. Yes. As mentioned earlier, Petitioner's Exhibit No. 18, Schedule D-1 and the
21 supporting workpapers contain a listing of those components and their proposed
22 weighted average interest rates. That schedule includes customer deposits at a 1.50%
23 weighted average interest rate and investment tax credits at a rate of 7.58%.

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1 **Q. Are there any cost-free components included in Vectren North's proposed cost**
2 **of capital?**

3 A. Yes. Accumulated deferred income taxes, customer advances for construction, other
4 post-employment benefits ("OPEB"), and prepaid pension were included at zero cost.
5 Accumulated deferred income taxes are addressed by Petitioner's Witness Brenda L.
6 Musser. Customer advances for construction are discussed by Petitioner's Witness
7 Bell.

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9 **Q. What is the prepaid pension asset and why is it included in the capital structure?**

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13 pension expense. Once amounts are contributed to the fund, the Company no longer
14 has access to these amounts – they must remain in the fund. The prepaid pension
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17 have been two recognized methods for including the value of the prepaid pension
18 asset in ratemaking: some utilities have included the prepaid pension asset in rate
19 base, and other utilities have included the prepaid pension asset in the capital structure
20 as an offset to zero cost capital. Both methods have been accepted by this
21 Commission. We have elected to include the prepaid pension asset in the capital
22 structure.

23

24 **Q. You also mentioned OPEB. What is that and why is it in the capital structure?**

1 A. This results from the adoption of Financial Accounting Standards No. 106 nearly thirty
2 years ago, which requires that postretirement benefits other than pensions be reflected
3 on an accrual basis. The difference between the accrued expense under generally
4 accepted accounting principles and the amount that is paid out on a pay-as-you-go
5 basis is reflected either as a rate base offset or as a component of zero cost capital.
6 The Company has historically reflected it as zero cost capital. This treatment is the
7 mirror image of the treatment of the prepaid pension asset, and so the OPEB zero cost
8 capital is an offset to the prepaid pension asset in the capital structure.

9

10

11 **IV. CONCLUSION**

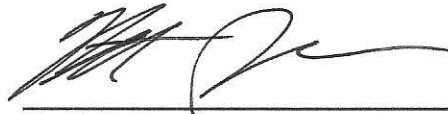
12

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

14 A. Yes, it does.

VERIFICATION

I, Brett A. Jerasa, 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.

A handwritten signature in black ink, appearing to read 'Brett A. Jerasa', is written over a horizontal line.

Brett A. Jerasa

Dated: February 10, 2021

VECTREN NORTH
CAUSE NO. 45468
RATE OF RETURN SUMMARY
AS OF DECEMBER 31, 2021

SCHEDULE D-1
PAGE 1 OF 1
WITNESS RESPONSIBLE:
B.A. JERASA

Line	Class of Capital	Reference	Amount (\$000)	Percent	Cost	Weighted Cost
1	Long-Term Debt	SCH D-2	\$ 614,876	36.88%	4.36%	1.61%
2	Preferred Stock	SCH D-3	\$ -	0.00%	0.00%	0.00%
3	Common Equity	SCH D-4	\$ 770,688	46.22%	10.15%	4.69%
4	Cost Free Capital	SCH D-5	\$ 254,974	15.29%	0.00%	0.00%
5	Other Capital	SCH D-5	<u>\$ 26,811</u>	<u>1.61%</u>	1.50%	<u>0.02%</u>
6	Total Capital	Sum of Lines 1 - 5	<u><u>\$ 1,667,350</u></u>	<u><u>100.00%</u></u>		<u><u>6.32%</u></u>
Interest Synchronization						
7	Long-term Debt	Line 1		36.88%	4.36%	1.61%
8	Customer Deposits	WPD-1.1, WPD-5.7		1.61%	1.50%	0.02%
9	Interest Component of ITC	WPD-1.1		0.00%	4.36%	<u>0.00%</u>
10	Total	Sum of Lines 7 - 9				1.63%
11	Original Cost Rate Base	SCH B-1				<u>\$ 1,610,799,000</u>
12	Synchronized Interest Expense	Line 10 x Line 11				<u><u>\$ 26,256,024</u></u>

VECTREN NORTH
CAUSE NO. 45468
LONG-TERM DEBT
AS OF DECEMBER 31, 2021

SCHEDULE D-2
PAGE 1 OF 1
WITNESS RESPONSIBLE:
B.A. JERASA

Line	Long-Term Notes	Issue Date	Maturity Date	Principal Amount Outstanding	Total Discount and Expense, Net of Premium	Net Proceeds	Effective Cost Rate	Annual Interest Expense
1	<u>Third Party Long-Term Debt:</u>							
2	6.53% Series E	06/27/95	06/27/25	10,000,000	588,119	9,411,881	7.18%	653,000
3	6.42% Series E	07/07/97	07/07/27	5,000,000	200,000	4,800,000	6.86%	321,000
4	6.68% Series E	07/07/97	07/07/27	1,000,000	-	1,000,000	6.68%	66,800
5	6.34% Series F	12/09/97	12/10/27	20,000,000	651,007	19,348,993	6.69%	1,268,000
6	6.36% Series F	05/04/98	05/01/28	10,000,000	325,503	9,674,497	6.71%	636,000
7	6.55% Series F	06/30/98	06/30/28	20,000,000	651,007	19,348,993	6.91%	1,310,000
8	7.08% Series G	10/05/99	10/05/29	30,000,000	2,506,640	27,493,360	8.06%	2,124,000
9	Subtotal Third Party Long-Term Debt:			<u>\$ 96,000,000</u>				<u>\$ 6,378,800</u>
10	<u>VUHI Long-Term Debt:</u>							
11	3.72% Series	12/05/13	12/05/23	99,386,727	-	99,386,727	3.80%	3,781,278
12	3.20% Series	06/05/13	06/05/28	8,952,105	-	8,952,105	3.87%	346,587
13	3.26% Series	08/28/17	08/28/32	24,862,171	-	24,862,171	3.32%	824,189
14	6.10% Series	11/21/05	12/01/35	50,568,961	3,456,722	47,112,239	6.52%	3,031,035
15	3.90% Series	12/15/15	12/15/35	8,290,114	-	8,290,114	3.95%	327,159
16	4.25% Series	06/05/13	06/05/43	15,914,853	-	15,914,853	4.60%	732,077
17	4.36% Series	12/15/15	12/15/45	15,751,041	-	15,751,041	4.40%	693,075
18	4.36% Series	12/15/15	12/15/45	39,792,104	-	39,792,104	4.40%	1,750,927
19	3.93% Series	11/29/17	11/29/47	69,607,078	-	69,607,078	3.97%	2,764,097
20	3.42% Series	09/10/19	09/10/49	20,000,000	-	20,000,000	3.42%	684,000
21	4.51% Series	12/15/15	12/15/55	15,751,217	-	15,751,217	4.55%	716,136
22	1.21% Series	06/30/20	07/01/25	10,000,000	-	10,000,000	1.21%	121,000
23	3.92% Series	11/30/20	05/01/50	60,000,000	-	60,000,000	3.92%	2,352,000
24	1.21% Series (2nd Push Down)	06/30/21	07/01/25	50,000,000	-	50,000,000	1.21%	605,000
25	2.87% Series (1st Push Down)	06/30/21	07/01/51	30,000,000	-	30,000,000	2.87%	861,000
26	Subtotal VUHI Long-Term Debt			<u>\$ 518,876,372</u>				<u>\$ 19,589,560</u>
27	Total Long-Term Debt			<u><u>\$ 614,876,372</u></u>			<u>4.36%</u>	<u>\$ 25,968,360</u>

VECTREN NORTH
CAUSE NO. 45468
PREFERRED STOCK
AS OF DECEMBER 31, 2021

SCHEDULE D-3
PAGE 1 OF 1
WITNESS RESPONSIBLE:
B.A. JERASA

Line	Class of Capital	Reference	Amount (\$000)		
1	Preferred Stock	N/A	\$	-	To SCH D-1

VECTREN NORTH
CAUSE NO. 45468
COMMON EQUITY
AS OF DECEMBER 31, 2021

SCHEDULE D-4
PAGE 1 OF 1
WITNESS RESPONSIBLE:
B.A. JERASA

Line	Class of Capital	Reference	Amount (\$000)	
1	<u>Common Shareholders' Equity:</u>			
2	Common Stock	WPD-4	\$ 399,536	
3	Retained Earnings - First of Year	WPD-4	\$ 352,759	
4	Plus: Net Income	WPD-4	<u>\$ 73,394</u>	
5	Subtotal Retained Earnings	Line 3 + Line 4	\$ 426,153	
6	Less: Dividends	WPD-4	<u>\$ 55,000</u>	
7	Retained Earnings - End of Year	Line 5 - Line 6	<u>\$ 371,153</u>	
8	Total Common Shareholders' Equity	Line 2 + Line 7	<u><u>\$ 770,688</u></u>	To SCH D-1

VECTREN NORTH
CAUSE NO. 45468
COST-FREE CAPITAL AND OTHER
AS OF DECEMBER 31, 2021

SCHEDULE D-5
PAGE 1 OF 1
WITNESS RESPONSIBLE:
B.A. JERASA

Line	Class of Capital	Reference	Amount (\$000)	
1	<u>Cost-Free Capital:</u>			
2	Deferred Income Taxes	WPD-5.1	\$ 187,236	
3	Tax Regulatory Assets (FAS 109)	WPD-5.1	<u>\$ 84,383</u>	
4	Subtotal Deferred Income Taxes	Sum of Lines 2 - 3	\$ 271,619	
5	Customer Advances for Construction	WPD-5.1	\$ 4,815	
6	OPEB	WPD-5.1	\$ 7,941	
7	Prepaid Pension	WPD-5.1	<u>\$ (29,401)</u>	
8	Total Cost-Free Capital	Sum of Lines 4 - 7	<u><u>\$ 254,974</u></u>	To SCH D-1
9	<u>Other:</u>			
10	Customer Deposits	WPD-5.1	\$ 26,811	
11	Investment Tax Credit	WPD-5.1	<u>\$ 1</u>	
12	Total Other Capital	Sum of Lines 10 - 11	<u><u>\$ 26,811</u></u>	To SCH D-1