



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

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

KEY DEADLINES

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



BUDGET ENTRY INSTRUCTIONS

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



LABOR INFORMATION

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

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

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

Key Labor Items Included in Each Cost Center Budget:

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

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

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

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

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

Step 1: (Review the Straight (Productive) Hours on the Headcount Form)

		<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Exempt:	John Doe	145	155	160	140
	Jane Doe	145	155	160	140
Cost Center XYZ - Exempt, Straight Hours		290	310	320	280

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



Step 2: (Review the Remaining Hours form)

		<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Exempt:	Straight Remaining	50	40	-30	0

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

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

Step 3: (Review the Budget Input form to determine the hours to adjust)

		<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Exempt, Regular Labor:	Project A, Task 1	60	40	70	70
	Project A, Task 2	50	50	60	50
	Project B, Task 1	40	70	70	50
	Project B, Task 2	50	70	60	60
	Project B, Task 3	40	40	90	50
	Cost Center XYZ Total	240	270	350	280

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

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

Step 4: (Adjust the Budget Input hours)

		<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Exempt, Regular Labor:	Project A, Task 1	60	70	60	70
	Project A, Task 2	60	50	50	50
	Project B, Task 1	50	70	70	50
	Project B, Task 2	70	70	60	60
	Project B, Task 3	50	50	80	50
	Cost Center XYZ Total	290	310	320	280



Example: Exempt, Regular Labor

	Step A: (Draft Budget Hours)			Step B: (Calculate Percentage)			Step D: (Budget Revised Hrs based on calc %)		
	<u>Budget Hours</u>			<u>Calculate Percentage</u>			<u>Budget Hours</u>		
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>
Project A, Task 1	10	15	10	25.0%	37.5%	25.0%	15	19	15
Project A, Task 2	5	5	5	12.5%	12.5%	12.5%	8	6	8
Project B, Task 1	10	5	10	25.0%	12.5%	25.0%	15	6	15
Project B, Task 2	10	10	10	25.0%	25.0%	25.0%	15	13	15
Project B, Task 3	5	5	5	12.5%	12.5%	12.5%	8	6	8
Cost Center XYZ Total	40	40	40	100.0%	100.0%	100.0%	60	50	60

Step C: (Hours to be budgeted from updated Headcount Form)

January Hours to Budget:	60
February Hours to Budget:	50
March Hours to Budget:	60

Step E: (Remaining Hours)

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>
Remaining Hours	20	10	20	0	0	0

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

Step 5: (Review the Remaining Hours form to confirm all hours are budgeted)

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Exempt: Straight Remaining:	0	0	0	0

Labor Increases

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

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

Labor Loadings

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



Labor Loading Rates

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

Vacation, Holiday, Sick and Inclement Weather Hours

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

Vacation:

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

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

Holidays:

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

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

Sick Hours:

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



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

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

Labor Hours Verification – “Remaining Hours Form”

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

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

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

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

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

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

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

SCBA Certification Pay:

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

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



NON-LABOR INFORMATION

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

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

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

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

New Employee Hiring Costs

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

Training Costs/Conference Expenses

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

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

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



Material Loadings (Stores Loading)

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

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

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

Contract Material Loadings (P.O. Loadings)

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

Departmental Moves

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

Budgeting for Company Vehicle Usage

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

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

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

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

Preliminary Vehicle Rates

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



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

Buildings, Furniture and Fixtures

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

Electric Generation Buildings

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

Regulator Stations and Substations

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

Technology Operations (including Hardware, Software and Telecommunications)

TO Client Services

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

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

Telecommunications

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

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

Mobile Data, Radios and SCADA Budgeting

Mobile Data

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



Two-way Radios

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

Items Centrally Budgeted:

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

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

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



Clothing Allowance

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

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

Mail Room/Postage

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

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

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

Fax and Copier Costs

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

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



CAPITAL AND COST OF REMOVAL (COR) BUDGET

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

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

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

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

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

Capital Loadings

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

OVERHEADS

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



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

AFUDC

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

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

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

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

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

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

Budgeting at a General Ledger Account

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

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



Costs Linked to Revenues / Regulatory Filings

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

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

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

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

SPECIAL NOTES:

Ohio – Distribution Replacement Rider (DRR)

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

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

Ohio – House Bill 95 Capital Expenditure Program (CEP)

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

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

Ohio – DARR Program/Integrity Management

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



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

Ohio – Base Rate Case Amortizations

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

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

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

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

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

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

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



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

Plan Update - Fall 2018

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

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

Plan Update - Fall 2018

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

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

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

Vectren North
Compliance Projects Summary - 7 Year Plan Update

Plan Update - Fall 2018

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

Vectren North
TDSIC Projects Summary - 7 Year Plan Update

Plan Update - Fall 2018

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



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

Plan Update - Fall 2018

Funding Category	2014 Actuals	2015 Actuals	2016 Actuals	2017 Actuals	2018 Plan	2019 Plan	2020 Plan	7-year Total
BS/CI Replacements	\$14,479,558	\$13,877,418	\$12,963,135	\$16,851,238	\$14,658,000	\$15,024,000	\$15,400,000	\$103,253,348
Distribution Modernization	\$3,634,893	\$3,532,769	\$3,990,432	\$4,342,171	\$6,350,000	\$7,540,000	\$8,956,000	\$36,346,265
Transmission Modernization	\$10,811,818	\$6,801,541	\$9,937,856	\$13,872,409	\$15,141,217	\$5,595,734	\$6,828,427	\$68,989,002
Storage Modernization	\$0	\$0	\$0	\$0	\$1,200,000	\$2,122,000	\$1,948,000	\$5,270,000
Total	\$28,926,269	\$24,211,727	\$26,891,423	\$35,065,818	\$37,349,217	\$30,281,734	\$31,132,427	\$213,858,615

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

Plan Update - Fall 2018

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

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

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

South-Electric - Environmental Cost Adjustment (ECA)

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

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

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

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



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

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

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

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

The annual caps approved within the plan are project specific.

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

South-Electric – Clean Energy Cost Adjustment (CECA)

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

Other Items of Note:

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

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

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



BUDGET REPORTS

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

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

The reports available are listed below:

Budget Input Cube

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

Budget Reporting Cube

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

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



BUDGET SUPPORT

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

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

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



FP&A responsibility assignments

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

BUDGET/FORECAST CALENDAR

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