



Control Number: 49421



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SOAH DOCKET NO. 473-19-3864
PUC DOCKET NO. 49421

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APPLICATION OF CENTERPOINT § BEFORE THE STATE OFFICE
ENERGY HOUSTON ELECTRIC, LLC § OF
FOR AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

May 13, 2019

Contact: Denise Hardcastle
CenterPoint Energy Houston Electric, LLC
1111 Louisiana Street
Houston, Texas 77002
Tel No: (713) 207-5767
Fax: (713) 207-9840
Denise.Hardcastle@CenterPointEnergy.com

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**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-01**

QUESTION:

Vectren Acquisition:

Please provide the docket numbers and order references for the cases that approved the acquisition of Vectren in Indiana, Ohio, and at the FERC.

ANSWER:

The docket numbers and orders relating to the Vectren transaction in the Indiana, Ohio and FERC merger proceedings are as follows:

- Indiana Utility Regulatory Commission – Cause No. 45109, Order of the Commission dated 1/16/2019
- Public Utilities Commission of Ohio – Case No. 18-1027-GA-UNC, Finding and Order dated 1/30/2019
- Federal Energy Regulatory Commission – EC18-104-000, Order Authorizing Disposition and Acquisition of Jurisdictional Facilities dated October 5, 2018, 165 FERC ¶ 62,020

It should be noted that the proceedings in Indiana and Ohio were initiated solely as informational proceedings.

SPONSOR (PREPARER):

Shane Kimzey (Shane Kimzey)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-02**

QUESTION:

Vectren Acquisition:

Please provide copies of the orders approving the acquisition of Vectren in Indiana, Ohio, and at the FERC.

ANSWER:

Please see the attached orders relating to the Vectren transaction.

SPONSOR (PREPARER):

Shane Kimzey

RESPONSIVE DOCUMENTS:

COH05-02 Attachment 1.pdf

COH05-02 Attachment 2.pdf

COH05-02 Attachment 3.pdf



[Handwritten signatures and initials]
Duo SJK

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA GAS)
COMPANY, INC., SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY AND)
CENTERPOINT ENERGY, INC., FOR) CAUSE NO. 45109
SUBMISSION OF INFORMATION TO)
THE COMMISSION REGARDING A)
HOLDING COMPANY MERGER, AND) APPROVED: JAN 16 2019
FUTURE PROVISION OF SERVICE TO)
CUSTOMERS PURSUANT TO IND.)
CODE §§ 8-1-2-48 AND 8-1-2-52)

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

David L. Ober, Commissioner

Carol Sparks Drake, Senior Administrative Law Judge

On June 15, 2018, Indiana Gas Company, Inc., Southern Indiana Gas and Electric Company (together, "Vectren Utilities"), and CenterPoint Energy, Inc. ("CenterPoint Energy") (collectively, "Joint Petitioners") filed a Joint Petition initiating the above-captioned Cause. Joint Petitioners concurrently prefiled their case-in-chief, consisting of the direct testimony and exhibits of the following witnesses:

- Scott E. Doyle, Senior Vice President, Natural Gas Distribution of CenterPoint Energy Service Company, LLC (a subsidiary of CenterPoint Energy); and
- M. Susan Hardwick, Executive Vice President and Chief Financial Officer of Vectren Corporation ("Vectren") and its subsidiaries, including Vectren Utilities.

On June 28, 2018, Joint Petitioners filed a Submission of Agreed Procedural Schedule in which Joint Petitioners and the Indiana Office of Utility Consumer Counselor ("OUCC") proposed an agreed schedule in lieu of conducting a prehearing conference. A Docket Entry was issued on July 3, 2018, establishing the procedural schedule.

Citizens Action Coalition of Indiana, Inc. ("CAC") petitioned to intervene in this matter on July 10, 2018. A Docket Entry was issued on July 20, 2018, granting CAC's intervention. Direct Energy Business Marketing, LLC and Direct Energy Services, LLC (together, "Direct Energy") filed a petition to intervene and an amended petition to intervene on August 14, 2018. Direct Energy's intervention was granted in a Docket Entry issued on September 4, 2018.

The OUCC prefiled its case-in-chief in this Cause on August 27, 2018, consisting of the direct testimony of Edward T. Rutter, Chief Technical Advisor in the OUCC's Natural Gas Division. The intervenors prefiled no testimony.

On September 12, 2018, CenterPoint Energy filed an updated attachment to Mr. Doyle's direct testimony to reflect a transaction that occurred subsequent to its original filing. On that same date, Joint Petitioners also prefiled rebuttal testimony for Mr. Doyle. Additional updates and corrections to Mr. Doyle's testimony were filed on October 10, 2018.

On October 11, 2018, CenterPoint Energy filed a motion for protection of confidential and proprietary information, supported by an affidavit of Stephen W. Bezecny, CenterPoint Energy's Vice President – Rates and RPMO. This motion was preliminarily granted on October 17, 2018, at the outset of the evidentiary hearing.

Pursuant to notice given as required by law, a public evidentiary hearing was held in this Cause commencing at 9:30 a.m. on October 17, 2018, in Hearing Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Joint Petitioners, the OUCC, CAC, and Direct Energy appeared by counsel and participated in the hearing.

Based upon the evidence presented and applicable law, the Commission finds:

1. **Commission Notice and Jurisdiction.** Notice of the evidentiary hearing in this matter was published as required by law. This proceeding was initiated to provide the Commission and other stakeholders with information about an agreed utility holding company transaction.¹ While the merger of two holding companies is not subject to the Commission's approval jurisdiction, the Commission has jurisdiction under Ind. Code §§ 8-1-2-48 and -52 to receive information upon Vectren Utilities' prospective management and operations. Ind. Code § 8-1-2-48 authorizes the Commission to inquire into the management of the business of all public utilities. Ind. Code § 8-1-2-52 authorizes public utilities to submit information to the Commission to effectuate the regulatory scheme. The Commission, therefore, has jurisdiction to receive the information submitted in this Cause.

2. **Joint Petitioners' Characteristics.** The entities comprising Vectren Utilities are each a public utility as defined in Ind. Code § 8-1-2-1 and, as such, each is subject to the jurisdiction of the Commission. Indiana Gas Company, Inc. provides gas distribution services to approximately 590,000 customers in central and southern Indiana. Southern Indiana Gas and Electric Company provides gas distribution services to approximately 110,000 customers and electric distribution services to approximately 140,000 customers in southwestern Indiana.

CenterPoint Energy is a public utility holding company headquartered in Houston, Texas, that owns and operates, among other businesses, regulated utilities in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas. CenterPoint Energy has entered into an agreement to purchase Vectren, the utility holding company owning Vectren Utilities (the "Transaction"). The Commission does not presently have jurisdiction over the activities of CenterPoint Energy, but the

¹ In the Joint Petition initiating this matter, Joint Petitioners affirmed that they seek no approvals or other relief in this Cause. "Petitioners are not seeking any substantive relief in this proceeding." Intervenor CAC's Ex. CX-16 at p. 6.

Commission has jurisdiction over the regulated utilities in Indiana, i.e., Vectren Utilities, that CenterPoint Energy will own after consummation of the Transaction and will, therefore, have jurisdiction over CenterPoint Energy's regulated utilities in Indiana.

3. Joint Petitioners' Case-in-Chief.

A. Direct Testimony of Scott E. Doyle. Scott E. Doyle, CenterPoint Energy's Senior Vice President, Natural Gas Distribution, provided an overview of CenterPoint Energy's regulated utility operations and the footprint in which CenterPoint Energy operates. Mr. Doyle generally described CenterPoint Energy's executive team and their energy industry experience. Mr. Doyle discussed CenterPoint Energy's financial profile, and he described the framework that guides CenterPoint Energy's business activities. He testified that CenterPoint Energy strives to create a culture of safety excellence and has strong track records in safety, reliability, and customer service. Mr. Doyle stated that CenterPoint Energy is committed to protecting its employees, contractors, systems, and the communities it serves, and its goal is to maintain a safe work environment and deliver electricity and natural gas safely. Mr. Doyle testified that to achieve this goal, CenterPoint Energy is guided by the following principles: (1) compliance with applicable safety laws and regulations; (2) understanding and incorporating safety responsibilities into daily work activities and being accountable for reporting incidents, injuries, and unsafe practices or conditions so these can be promptly corrected; (3) continuous improvement in its safety performance and culture; and (4) development and maintenance of effective safety programs that educate customers and the public in the communities where CenterPoint Energy operates.

Mr. Doyle also testified to CenterPoint Energy's corporate responsibility programs, diversity programs, commitment to economic development, and its environmental stewardship. He stated that in terms of customer satisfaction, CenterPoint Energy's residential customers ranked CenterPoint Energy the highest among large natural gas utilities in the south region in a 2017 study conducted by J.D. Power and Associates. Mr. Doyle stated that ethical conduct and good corporate governance are priorities for CenterPoint Energy's employees, leadership, and Board of Directors.

Mr. Doyle testified that CenterPoint Energy is committed to the communities it serves, supporting local charities, fostering employee volunteerism, and building partnerships with diverse area businesses. He testified that CenterPoint Energy also takes environmental stewardship seriously with a focus on reducing greenhouse gas emissions from its operations. He stated that CenterPoint Energy was a founding partner in the U.S. Environmental Protection Agency's Natural Gas Methane Challenge, and since joining this program, CenterPoint Energy has replaced more than 88.6 miles of its cast-iron natural gas pipe and anticipates achieving full replacement by the end of 2018. Mr. Doyle testified that, in addition, CenterPoint Energy expects to replace more than 227 miles of unprotected steel main by year-end 2018. He stated these efforts will reduce methane emissions which, in turn, lowers operational risk, increases efficiency, and improves air quality.

Mr. Doyle testified that CenterPoint Energy has also implemented the Picarro Surveyor™ methane detection technology and has the largest fleet in the world of this state-of-the-art leak survey technology. Mr. Doyle stated that through the increased leak sensitivity that Picarro provides, CenterPoint Energy has experienced leak detection rate improvements of over 200% relative to historical traditional leak detection methods. He testified that this improvement allows CenterPoint Energy to locate and respond to natural gas leaks faster and more efficiently than in the past and further mitigate methane emissions.

Mr. Doyle also testified concerning the Transaction. He sponsored the Agreement and Plan of Merger (the "Merger Agreement") dated April 21, 2018, and generally provided an overview of its key terms. In acquiring Vectren, Mr. Doyle testified CenterPoint Energy sees an opportunity to create a win-win combination of two strong companies that share a long-term commitment to their customers and the communities served. He testified the merger will allow CenterPoint Energy to pursue additional growth opportunities because the merged company will have more customers who can access a wider mix of products and services, with the resulting company approaching \$30 billion in combined enterprise value post-closing. Mr. Doyle stated the size and scale achieved by the Transaction will also support realizing operating efficiencies and the potential for more cost-effective financing through a lower cost of capital. From Mr. Doyle's perspective, the combination will support the long-term provision of safe, reliable, and affordable electric and natural gas service to Vectren Utilities' customers.

Mr. Doyle highlighted commitments CenterPoint Energy made in the Merger Agreement. These include Vectren Utilities' employees who are terminated as a result of the Transaction receiving severance, plus salary and benefits, during the two years after the Transaction closes, a commitment to contribute \$3 million per year for a minimum of five years after closing to the Vectren Foundation, and a commitment to not seek to include Transaction costs in customers' rates.

Mr. Doyle testified that the Transaction will affirmatively benefit all stakeholders, including Vectren Utilities' customers, employees, investors, and the Indiana communities served. The benefits Mr. Doyle identified include: (1) the Transaction will result in a financially stronger and more diverse company; (2) the combined company will have the financial resources to provide sustainable and innovative energy solutions and is committed to making the long-term investments necessary to maintain affordable, reliable, and high-quality electric and gas service; (3) the Transaction ensures workforce continuity and provides the opportunity to share best practices for service, reliability, and technology across the combined company's footprint; (4) employees of the combined company will benefit from having more opportunities for varied positions and career growth within a larger, multi-faceted organization that values diversity and inclusion; (5) the Transaction offers the opportunity to realize potential cost savings by avoiding certain duplicative costs and streamlining operations, and (6) given the cultural fit of the two companies, the Transaction secures the continued support of Vectren's long-standing commitment to Indiana and the communities served. Mr. Doyle affirmed that CenterPoint Energy is "absolutely" committed to Indiana (Jt. Petitioner's Ex. 1 at p. 30) and Vectren Utilities' continued presence in Indiana, as exemplified by locating the headquarters of the combined company's natural gas utility operations, as well as that business' chief business officer, in Evansville. He stated that CenterPoint Energy will also retain key operational activities that support Vectren Utilities in Evansville. Mr. Doyle testified that after the Transaction closes, CenterPoint Energy will continue to abide by the Affiliate and Cost Allocation Guidelines contained in the Stipulation and Settlement Agreement the Commission approved on November 7, 2001, in Cause No. 41465.

Mr. Doyle testified concerning other terms of the Merger Agreement, including the conditions precedent to closing, and he provided a high level discussion of the integration planning efforts that are being undertaken. Mr. Doyle testified that CenterPoint Energy prefers to close the Transaction during the first quarter of 2019. Tr. B-8. He stated on redirect that significant integration planning remains to be done and that closing prior to the first quarter of 2019 could harm the combined company because these efforts will not have had time to be fully effective upon

closing. For example, Mr. Doyle testified that necessities like email and payroll will not yet be fully developed if closing occurs before 2019. On redirect, Mr. Doyle testified that CenterPoint Energy is required to close the Transaction no later than three business days after receipt of the later of the Commission's Order concluding this proceeding or an order from the Public Utilities Commission of Ohio concerning the Transaction.

B. Direct Testimony of M. Susan Hardwick. Ms. Hardwick testified that the Joint Petitioners initiated this proceeding in recognition of the importance of providing the Commission and interested parties with information concerning the Transaction and with assurances regarding the merger's impact upon Vectren Utilities' operations. She stated that Vectren and CenterPoint Energy believe it is important to proactively provide stakeholders with this information so they can begin to work cooperatively with CenterPoint Energy and understand why this merger makes sense.

Ms. Hardwick discussed the formation of Vectren and the benefits associated with that transaction. She testified that Vectren was formed in 2000 when Indiana Energy, Inc. and SIGCORP, the holding companies of Vectren North and Vectren South respectively, entered into a merger of equals. She stated both companies were identified then by the financial community as likely takeover targets because of their relatively small size in terms of market capitalization, so that merger created a larger company with greater scale. Ms. Hardwick testified that this provided the ability to have a larger financial base to attract and raise capital, the ability to spread costs over a larger customer base, and the ability to eliminate duplicative costs like investing in two billing systems. She stated the objective was to achieve these benefits and provide excellent service while being an Indiana and Ohio focused company. Ms. Hardwick explained that subsequent to 2000 the utility industry has continued to consolidate, and today, approximately 50 public utility holding companies remain in existence. Ms. Hardwick testified that of these 50, Vectren ranks about 30th, but the majority of those that are larger than Vectren are more than twice its size. Ms. Hardwick testified that Vectren is meeting the challenges it faces, but over time this could become increasingly difficult due to its scale and, potentially, more costly. She testified the greater scale the Transaction offers will allow Vectren Utilities to have greater access to the resources needed to respond to the shifting utility landscape.

Ms. Hardwick testified that the increased resources and expertise of the combined company should allow for enhanced planning and responsiveness. From a customer perspective, she stated the ability to avoid certain costs and to spread overhead costs over a broader customer base will benefit customers. According to Ms. Hardwick, this is an inherent benefit that will result from the planned integration process and from the synergies that will arise over time. Ms. Hardwick testified that the Transaction should provide long-term benefits for customer service quality and cost of service.

She testified that post-merger the headquarters of CenterPoint Energy's 8-state gas distribution business will be in Evansville, Indiana, and its lead officer will report directly to CenterPoint Energy's Chief Executive Officer. Ms. Hardwick further testified that with respect to the electric business, the head of the Indiana electric operation will also be located in Evansville and will report directly to CenterPoint Energy's Chief Executive Officer. She testified that from a community perspective, the Vectren Foundation will continue to support important community initiatives. Ms. Hardwick testified that CenterPoint Energy's positive reputation combined with the

Merger Agreement commitments provide assurance that customers, employees, and their communities will continue to be a priority for the combined entity.

Ms. Hardwick also discussed why Vectren initiated the process to find a merger partner. She testified the merger comes at a critical time when Vectren is preparing to transition its generation fleet in response to many factors and is faced with modernizing its electric grid and pipeline delivery systems. This places pressure on Vectren's finances, rates, and workforce. By proactively seeking a merger partner, Ms. Hardwick testified that Vectren controlled the process and has negotiated favorable merger terms. Ms. Hardwick testified that CenterPoint Energy is an excellent merger partner as demonstrated by its industry accolades and the agreed merger commitments. She testified the merger commitments undertaken by CenterPoint Energy are substantial, especially the commitments to employees and to the communities Vectren Utilities serve. Ms. Hardwick opined that these commitments in many ways represent terms that are rarely seen in the context of a merger, and she stated they demonstrate CenterPoint Energy's long-term approach to the Transaction. Ms. Hardwick testified there should be no concern that post-closing Indiana customers will be negatively impacted.

4. OUCC Case-in-Chief. Edward T. Rutter, Chief Technical Advisor in the OUCC's Natural Gas Division, provided a broad overview of the Transaction. Mr. Rutter testified that the OUCC's focus is on ensuring Indiana customers are not harmed by the merger, whether through increased rates or reduced levels of service.

Mr. Rutter testified that based on the Merger Agreement, the merger represents a holding company transaction between Vectren, Pacer Merger Sub, Inc. ("Merger Sub"), and CenterPoint Energy. He stated that Merger Sub is a direct wholly owned subsidiary of CenterPoint Energy formed to effectuate CenterPoint Energy's acquisition of Vectren and will merge with and into Vectren, with Vectren being the surviving company and a wholly owned subsidiary of CenterPoint Energy. Mr. Rutter testified that the Transaction is a merger of two holding companies, which will not change the existing responsibilities or requirements currently imposed on Vectren Utilities.

Mr. Rutter testified that after reviewing Joint Petitioners' case-in-chief and data responses he found no indication that Vectren Utilities will conduct business post-closing contrary to how it is being conducted prior to the merger, and there is no indication the Transaction, upon completion, will negatively impact the service being provided under the franchises, certificates, and various Commission orders currently in effect. Mr. Rutter acknowledged the merger may benefit Indiana ratepayers but not immediately. He stated the operations and responsibilities of Vectren Utilities should be unaffected by the merger since only ownership of the holding company, Vectren, changes. Mr. Rutter testified that the Vectren subsidiaries, i.e., Vectren Utilities, will continue to operate post-merger as independent utilities and will be responsible for complying with their franchises, certifications, and all applicable Commission orders. From Mr. Rutter's perspective, neither ratepayers nor regulators should experience any negative impact from the planned merger, and over time, the operating experience and financial stability CenterPoint Energy brings to the Vectren subsidiaries should benefit Indiana ratepayers. Mr. Rutter testified that there will be economies of scale, particularly with the gas operations, from all of CenterPoint Energy's gas operations being headquartered in Evansville. He also testified that the experience and lessons learned from CenterPoint Energy's operations in other jurisdictions should reduce Indiana costs as new technology or policies and procedures are initiated. When asked whether the OUCC has concerns with the merger, the Transaction, or the operations or policies brought to the Vectren

subsidiaries by CenterPoint Energy, Mr. Rutter stated no, that he found nothing suggesting the proposed merger will be contrary to the collective best interests of Indiana ratepayers. Public's Ex. 1 at p. 5.

While recognizing the Transaction is a merger of two holding companies, Mr. Rutter made four recommendations. First, he recommended the Commission take appropriate steps, within its jurisdiction, to ensure no costs related directly or indirectly to the merger are passed on to Indiana ratepayers. Second, Mr. Rutter recommended Joint Petitioners be required to identify and report any merger cost savings because those savings should be passed on to Indiana ratepayers. Third, Mr. Rutter recommended that CenterPoint Energy commit to maintaining all the books and records pertaining to the Indiana operations of Vectren Utilities in Indiana or make these available to the OUCC in Indiana. And fourth, Mr. Rutter recommended the Commission take appropriate steps, within its jurisdiction, to ensure there is no reduction in the current customer service functions and operations within Vectren Utilities' service territories.

5. **Joint Petitioners' Rebuttal Testimony.** In his rebuttal testimony, Mr. Doyle provided an update on the integration planning process and responded to the issues and Mr. Rutter's recommendations. Mr. Doyle testified that while CenterPoint Energy and the OUCC are not aligned on certain issues, Mr. Rutter's testimony provides a foundation for future collaboration. He noted that limited issues are implicated in this proceeding given its informational objective.² Mr. Doyle reiterated that this proceeding was filed to provide information regarding CenterPoint Energy, the Transaction, and the long-term benefits of the Transaction, so the Commission and other stakeholders may have confidence that the Transaction will not adversely impact customer service.

In providing an update on the integration planning process, Mr. Doyle testified that during June and July 2018, 12 functional integration teams and four cross-functional support teams were formed comprised of CenterPoint Energy and Vectren employees. He stated the teams began the analysis phase of integration planning and are analyzing department structures, work functions, existing processes, and the procedures of both companies. Mr. Doyle testified that the integration planning phase will lead into the design phase that will focus on developing recommendations for the future of the combined company from an organizational standpoint, as well as how the businesses will operate as one. The design phase will be followed by the implementation planning phase during which preparations will be made for the final phase, the implementation phase. Mr. Doyle testified that to progress effectively through this integration process, CenterPoint Energy hopes this proceeding concludes in the January/February 2019 timeframe.³

² Section 7.01 (b) of the Merger Agreement states that the obligation of each Party to that Agreement is subject to the satisfaction or waiver of certain conditions which include obtaining the Required State Approvals. Section 101 defines Required State Approvals as orders from the Commission and our Ohio counterpart, the Public Utilities Commission of Ohio, issued in response to an application relating to money pool agreements, corporate services agreement and related cost allocations, other affiliate agreements, affiliate guidelines and related matters, the maintenance of books and records outside the State of Indiana and other ancillary matters related to the merger. The Joint Petition does not request Commission review or approval of the foregoing in this informational proceeding.

³ The Commission notes that the parties proposed a lengthy post-hearing schedule for submission of proposed orders, with Joint Petitioners asking the Commission to not issue an Order in this Cause

In responding to the recommendations Mr. Rutter made on behalf of the OUCC, Mr. Doyle testified the OUCC did not identify any specific actions to implement these recommendations. With respect to the OUCC's recommendation that costs related indirectly or directly to the merger not be passed on to Indiana ratepayers, Mr. Doyle noted that CenterPoint Energy committed in the Merger Agreement to not recover transaction costs in rates. For purposes of this commitment, Mr. Doyle testified CenterPoint Energy means this to be the costs to structure, negotiate, and execute the Transaction, attendant professional service fees, including investment banker fees, counsel fees, audit fees, accounting fees, and the like, and direct internal labor and external services needed to evaluate the merger, negotiate its terms, obtain regulatory approvals, and execute transaction contracts. Mr. Doyle testified that the OUCC's direct or indirect relation test concerning merger costs presents difficulties, particularly in deciding today what costs are directly or indirectly related to the merger. He stated CenterPoint Energy disagrees with the notion that all direct and indirect costs associated with the merger should be disallowed. Mr. Doyle cited as an example Vectren Utilities' need for a new information technology platform, which is needed whether the Transaction closes or not. Mr. Doyle testified that if CenterPoint Energy closes the Transaction and implements its information technology platform within Vectren Utilities, it would be unfair for CenterPoint Energy to be denied recovery of those costs simply because the choice of information technology platform might be somehow related to the merger. According to Mr. Doyle, this example points out the problematic nature of making a sweeping statement that no direct or indirect merger costs are recoverable. Mr. Doyle testified that CenterPoint Energy believes a better approach involves reviewing costs in the context of a rate case, and he opined that rate cases are the forum in which to review the reasonableness and prudence of specific costs as opposed to deciding these issues in this proceeding.

Mr. Doyle similarly testified that the recommendation to share merger cost savings is also best left for a rate case, and he pushed back on identifying and reporting merger cost savings. Mr. Doyle testified that CenterPoint Energy believes all customers will benefit from the Transaction over the long run, and developing an identification and reporting system for merger cost savings would be inefficient and a suboptimal use of resources. In lieu of the recommended reporting, Mr. Doyle affirmed that CenterPoint Energy offers to meet and dialogue with the Commission, the OUCC, or other stakeholders to discuss the merger integration process as associated activities proceed. Mr. Doyle testified that CenterPoint Energy believes rate cases present the proper forum to review merger cost savings and flow appropriate reductions through to customers. On cross-examination, he reiterated that rate cases provide the opportunity for a more complete record to be developed on the issue of merger cost savings and are the proper forum in which to allow merger cost reductions to be passed through to customers.

Mr. Doyle testified that CenterPoint Energy does not view the OUCC's recommendation to maintain and/or make available the records of Vectren Utilities within Indiana as a contested issue. He affirmed that Joint Petitioners have not asked to keep these records out of state and stated that CenterPoint Energy understands it must maintain or make Vectren Utilities' records available in Indiana as required by Indiana law.

during 2018. They requested the Commission's Order be issued on or about January 30, 2019. Tr. B-64-65.

Finally, Mr. Doyle testified that CenterPoint Energy has committed to locate the headquarters of its combined 8-state natural gas utility operations in Evansville, Indiana, for a minimum of three years after the Transaction closes and to the chief business officer of the combined gas utility operations being a direct report to CenterPoint Energy's Chief Executive Officer. He testified the Indiana electric operations will also remain headquartered in Evansville, and the chief business officer of the electric utility will be a direct report to CenterPoint Energy's Chief Executive Officer. Mr. Doyle testified that these are not insignificant commitments and should provide adequate assurances that CenterPoint Energy will not reduce the current Indiana customer service functions and operations within Vectren Utilities' service territories. Mr. Doyle further testified that CenterPoint Energy takes a long-term view of integration, with the transition from Vectren to CenterPoint Energy to be as seamless as possible from an employee, regulatory, and customer standpoint. On cross-examination, Mr. Doyle recognized the Commission has authority to investigate service quality issues. He testified that CenterPoint Energy's long-term outlook, however, will ensure customer service will not degrade after the Transaction closes. *Jt. Petitioners' Ex. 3* at p. 12.

6. Cross-Examination Testimony. On cross-examination, Mr. Doyle was questioned about projected cost savings from the acquisition. *Tr. A-21, line 18 through A-22, line 1.* Mr. Doyle testified that CenterPoint Energy has publicly commented in its investor relations material upon projected synergies that will be realized by 2020, with these consisting of both expense and revenue synergies. *Tr. A-22, lines 7-14.* He recognized the implication of the acquisition for ratepayers is still to be determined. *Tr. A-25, lines 6-11.* Mr. Doyle declined to speculate upon the net benefit this acquisition may have upon Vectren Utilities' ratepayers, testifying the information is insufficient at this point to make that kind of determination. *Tr. A-22, lines 15-20.*

In terms of what allocation of net merger cost savings might accrue to Vectren Utilities, Mr. Doyle testified on cross-examination that the net merger cost savings will need to be allocated over CenterPoint Energy's enterprise which will include 14 utilities operating in eight states and other non-regulated entities, *Tr. A-51, lines 4-12*, so any net merger cost savings that might accrue to Vectren Utilities is not yet known. *Tr. A-50, line 17 through A-51, line 12.* He stated a formula has not yet been developed for passing along these savings. *Tr. A-51, lines 4-23.* Mr. Doyle testified this will be worked through after the closing. *Tr. A-52, lines 2-5.* Mr. Doyle stated that CenterPoint Energy believes a rate proceeding is the place to accurately define and identify the costs that are incurred and the benefits realized. *Tr. A-86, line 23 through A-87, line 1.* He testified the tariffs for Vectren Utilities will remain in effect until changed in a rate proceeding, *Tr. A-86, lines 19-25*, and he acknowledged that Vectren Utilities has been planning to file a gas rate case in two years and an electric rate case by 2023. *Tr. A-24, lines 6-10.*

Mr. Doyle was also cross-examined about Vectren's proxy statement related to the acquisition. Mr. Doyle testified that he understands goodwill to be the premium that may have been paid in a transaction, *Tr. A-16, line 23 through A-17, line 11*, as opposed to the costs that are directly related to the provision of service and recoverable from ratepayers. *Tr. A-41, line 8 through A-43, line 8.* Mr. Doyle stated that \$72.00 per share is the price CenterPoint Energy has agreed to pay, *Tr. A-17, lines 14-18*, and the reported net adjustment to goodwill is \$4.156 billion. *Tr. A-31, lines 15-21; Intervenor CAC Ex. CX-6 (Form 8-K 99.3, page 11).*

With regard to affiliate transactions, Mr. Doyle testified on cross-examination that Vectren Utilities and CenterPoint Energy are subject to affiliate transactions in the states where they operate

and post-closing will abide by the affiliate rules. Tr. A-20, lines 17-21. He testified he expects the merged-in entity will still be subject to the same affiliate guidelines that exist today. Tr. A-21, lines 2-4.

Mr. Doyle explained that CenterPoint Energy's electric system in Houston, Texas, is just the wires company. Tr. A-81, lines 8-15. He testified that CenterPoint Energy takes energy and transports it on its system from the substation at the generation plant or other points of entry and imports it into CenterPoint Energy's system and delivers it to its customers. Tr. A-81, lines 8-15. Mr. Doyle testified that CenterPoint Energy's current management team does not have a direct background in operating electric generation assets. Tr. B-25, lines 13-19. He testified that CenterPoint intends to fill that deficiency with the placement of an Indiana electric utility leader who will report directly to CenterPoint Energy's Chief Executive Officer to ensure understanding of the operation of not just Vectren Utilities but also their associated generation portfolio. Tr. B-25, line 20 through B-26, line 2. He testified that CenterPoint Energy also intends to retain employees with appropriate skill sets who are currently operating the electric plant and familiar with how it functions within Vectren Utilities' system and within Midcontinent Independent System Operator, Inc. He testified CenterPoint Energy is confident it will be able to retain the skill sets necessary to ensure continuity between its management team and Vectren Utilities' management team as it relates to these generation assets. Tr. B-26, lines 3-10. In response to questioning, he stated CenterPoint Energy also expects the Vectren Utilities' employees working on the 2019 Integrated Resource Plan will be available to help in the stakeholder process. Tr. B-26, lines 17-24. Mr. Doyle testified that it is his expectation there will be no degradation in the level of Vectren Utilities' customer service. Tr. B-4, lines 19-26.

Mr. Doyle testified that upon closing, Vectren Utilities will be a wholly-owned subsidiary of CenterPoint Energy and will be subject to and will honor the commitments currently in place for Vectren Utilities. Tr. A-14, lines 19-23. Mr. Doyle stated CenterPoint Energy pledges to honor Vectren Utilities' commitments and is open to working with the parties on other activities or interests. Tr. A-14, lines 19 through A-15, line 4. He testified that Joint Petitioners have come before the Commission in this proceeding to provide information related to the Transaction, recognizing that Vectren is being merged into CenterPoint Energy and as such, Joint Petitioners wanted to provide the Commission with information about how they expect to prospectively conduct business. Tr. A-18, line 25 through A-19, line 6.

On cross-examination, Ms. Hardwick testified that Joint Petitioners voluntarily filed this proceeding. Tr. B-41, lines 5-6. She stated Joint Petitioners are not asking for approval, denial, or the dismissal of matters arising from the acquisition of Vectren such as money pool agreements, corporate service agreements and related cost allocations, other affiliate agreements, affiliate guidelines and related matters, the maintenance of books and record outside the State or Indiana, or other ancillary matters related to the merger. Tr. B-40, line 7 through B-42, line 6. She acknowledged the Joint Petitioners filed no testimony seeking the Commission's direction on any of these topics. Tr. B-43, lines 9-12. Ms. Hardwick testified that as it relates to arrangements that are in place, including corporate services agreements, affiliate agreements, and affiliate guidelines, the expectation of CenterPoint Energy post-closing is to abide by all of the existing guidelines and rules that are in place today relating to Vectren and its subsidiary companies. She stated there is, therefore, no need in this proceeding to revise or seek alternatives to any of Vectren Utilities' existing arrangements. Tr. B-44, lines 4-11. Ms. Hardwick testified that an Order in this Cause will enable the Transaction to be closed, Tr. B-47, lines 1-3, but this proceeding will not foreclose the

Commission from looking in the future into any matters, including those delineated above. Tr. B-47, lines 21-24.

7. **Commission Findings.** As noted above, the Commission has no jurisdiction to review or approve stock transactions at the holding company level. But, the Commission has jurisdiction to review the merger's impact on Vectren Utilities' retail customers. *Indiana Bell Tel. Co. v. Indiana Util. Reg. Comm'n*, 715 N.E.2d 351 (Ind. 1999); *In re the Commission's Investigation under IC §§ 8-1-2-58 and 59, into the Proposed Termination of the 1951 Operating Agreement Between American Electric Power, Inc. and Indiana Michigan Power Co.*, Cause No. 42045-S1 (Opinion and Order) (Ind. Util. Reg. Comm'n, April 28, 2004).

This matter was initiated solely as an informational proceeding. Joint Petitioners have requested no substantive review, relief, or approvals. The Commission appreciates the information Joint Petitioners shared to advance the Commission's understanding of the Transaction and of CenterPoint Energy, the prospective owner of Vectren Utilities, but many unknowns remain, including the ultimate impact of the Transaction upon Indiana ratepayers. Thus, while the information Joint Petitioners provided and the other parties elicited on cross-examination is appreciated, our receipt of this information does not impact the Commission's authority to investigate and/or prospectively look into matters related to the Transaction, including its impact upon rates and customer service, issues related to affiliate transactions, the ongoing maintenance of Vectren Utilities' books and records within Indiana, and other related matters. Although the Commission does not have approval jurisdiction over the Transaction, Joint Petitioners' submissions in this Cause concerning the Transaction, the commitments CenterPoint Energy made in the Merger Agreement and during this proceeding, and the anticipated post-closing management and utility services by Vectren Utilities are certainly informative to the Commission's exercise of regulatory authority over Vectren Utilities. Having concluded the presentation of this information, and given Mr. Rutter's testimony that the OUCC has no concerns with the merger or the Transaction (Public's Ex. 1 at p. 5), the Commission finds this matter should conclude with the issuance of this Order.

On specific issues raised within the context of this proceeding, we reiterate that Joint Petitioners have not requested deferred recovery of merger costs or other affirmative relief pertaining to ratemaking. CenterPoint Energy has committed that Vectren Utilities will continue to comply with the existing Affiliate and Cost Allocation Guidelines following closing, and we find such adherence is appropriate, reserving our authority to further investigate these matters in the context of a proceeding over which our jurisdiction is not limited. Related to the anticipated synergies resulting from the Transaction, the Cost Allocation Guidelines are anticipated to be important when determining the cost savings provided to customers. And concerning the non-recovery of direct or indirect merger costs, CenterPoint Energy has agreed in the Merger Agreement that transaction costs will not be recovered in rates. To the extent there are issues concerning recovery of direct or indirect merger costs and what costs are encompassed within the transaction costs, we find a rate proceeding is a more appropriate forum to develop a record and adjudicate what costs, related directly or indirectly to the merger, are recoverable and whether a cost is reasonable and was prudently incurred.

On the issue of sharing any merger cost savings, we are persuaded that a rate case is also a more appropriate context to examine merger cost savings. Joint Petitioners are not proposing to defer and subsequently recover merger costs, and given the limited record before us, merger cost

savings and related matters are best reviewed after development of a more robust record. As Mr. Doyle testified on cross-examination, the implications of this acquisition remain to be determined. Tr. A-25. Our receipt of information in this matter is not acquiescence in or approval of positions espoused or waiver of our authority to fully investigate merger related matters over which the Commission has jurisdiction.

Concerning access to books and records, CenterPoint Energy acknowledges it must adhere to Indiana law concerning access to Vectren Utilities' books and records. *See* Ind. Code § 8-1-2-15. We find that CenterPoint Energy's acknowledgement that these future subsidiaries shall comply with Indiana law is sufficient in the context of this proceeding. Certainly, if access to these records in Indiana becomes problematic for the OUCC or other stakeholders, appropriate relief may be sought.

Finally, the OUCC recommended the Commission take appropriate steps, within our jurisdiction, to ensure customer service functions are not reduced by Vectren Utilities post-closing. The OUCC presented no specific recommendations, however, and the record does not show customer service quality is at risk or will degrade. Indeed, Mr. Doyle testified otherwise, stating in his rebuttal that CenterPoint Energy prides itself on providing safe and reliable service and that a benefit of CenterPoint Energy's employee commitments in the Merger Agreement will be continuity of customer service quality. *Jt. Petitioners' Ex. 3* at p. The evidence does not show there are service quality issues currently or on the horizon; consequently, the Commission declines to order specific actions at this juncture to implement the OUCC's recommendation. But, Joint Petitioners are strongly encouraged to ensure Mr. Doyle's assurances of safe and reliable service prove to be accurate and that customer service is prioritized and does not degrade. Otherwise, the Commission may choose to exercise its regulatory authority to investigate and address customer service concerns in Vectren Utilities' next rate case or earlier. It is paramount that quality customer service be perpetuated post-merger and that employees with the necessary skills are retained by Vectren Utilities to ensure Indiana's ratepayers consistently experience safe and reliable service, system reliability and resiliency, customer satisfaction, asset management, technological upgrades, and innovations.

Further, we encourage Joint Petitioners to consider engaging interested stakeholders in a collaborative process to develop an opportunity for open and transparent dialogue on Vectren Utilities' operational efficiency. Several of the Vectren Utilities peers in Indiana have undertaken such efforts,⁴ and we anticipate the transparency and collaborative gains seen by others will accrue if such an endeavor is developed.

Based on the discussion above, the Commission finds it is appropriate for this proceeding to conclude by entry of this Order. Joint Petitioners have submitted the merger-related information for which this proceeding was initiated to share with the Commission, the OUCC, and other interested stakeholders. The Commission is aware of no additional information Joint Petitioners want to present. We reiterate that the receipt of information in this Cause shall not foreclose the

⁴ The Commission's Order concerning Indianapolis Power and Light Company issued on March 16, 2016, in Cause Nos. 44576 and 44602 and the Commission's more recent Order issued in Cause No. 44967 on May 30, 2018, in Indiana Michigan Power Company's rate case provide a blueprint for implementing the collaborative process.

Commission in the future from exercising our jurisdiction, oversight, and investigatory authority on matters related to this information as the Commission deems appropriate.

8. **Confidential Information.** On October 11, 2018, CenterPoint Energy filed a motion for protection of confidential and proprietary information ("Motion"). The Motion was supported by the affidavit of Stephen W. Bezecny averring that certain documents produced in discovery pursuant to confidentiality agreements (the "Confidential Information") contain trade secret information within the scope of Ind. Code §§ 5-14-3-4(a)(4) and 24-2-3-2. The Motion indicated that CAC informed CenterPoint Energy that CAC intended to offer the Confidential Information into the record during the evidentiary hearing. At the hearing on October 17, 2018, after no party objected to the Motion, confidential treatment was granted on a preliminary basis. After reviewing the Confidential Information tendered at the evidentiary hearing, identified as Intervenor CAC Exhibits CX-8-C, 10-C, 12-C and 13-C, the Commission finds the Confidential Information qualifies as confidential trade secret information under Ind. Code §§ 5-14-3-4 and 24-2-3-2; therefore, the Commission affirms the preliminary ruling and finds the Confidential Information is excepted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29 and will continue to be held by the Commission as confidential and protected from public disclosure.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Commission acknowledges receiving information in this Cause, as discussed above, concerning a Merger Agreement involving CenterPoint Energy acquiring Vectren and related matters, including the anticipated impact on the management and utility operations of Vectren Utilities.
2. Upon issuance of this Order, this proceeding shall be deemed concluded.
3. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: **JAN 16 2019**

**I hereby certify that the above is a true
and correct copy of the Order as approved.**



Mary M. Becerra
Secretary of the Commission

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE NOTICE OF A
MERGER INVOLVING THE PARENT
COMPANY OF VECTREN ENERGY
DELIVERY OF OHIO, INC.**

CASE NO. 18-1027-GA-UNC

FINDING AND ORDER

Entered in the Journal on January 30, 2019

I. SUMMARY

{¶ 1} The Commission approves, subject to certain conditions, the Notice of Parent Company Merger filed by Vectren Energy Delivery of Ohio, Inc. and finds that the merger is reasonable and should not adversely impact Ohio customers.

II. DISCUSSION

{¶ 2} Pursuant to R.C. 4905.04, 4905.05, and 4905.06, the Commission is vested with the power and jurisdiction to supervise and regulate public utilities.

{¶ 3} Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company) is a natural gas company and a public utility as defined in R.C. 4905.03 and R.C. 4905.02, respectively. As such, VEDO is subject to the jurisdiction of this Commission. VEDO's stock is owned by Vectren Utility Holdings, Inc. (VUHI), which is a wholly owned subsidiary of Vectren Corporation (Vectren). Vectren is a holding company that is not engaged in the business of supplying natural gas for lighting, power, or heating purposes to consumers within Ohio; therefore, it is not a public utility as defined in R.C. 4905.02.

{¶ 4} CenterPoint Energy, Inc. (CenterPoint Energy)—a public utility holding company headquartered in Houston, Texas—is a domestic energy delivery company that includes electric transmission and distribution, natural gas distribution, and energy services operations. CenterPoint Energy's natural gas distribution operations engage in natural gas sales to, and transportation for, approximately 3.5 million residential, commercial, and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas.

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{¶ 5} On June 15, 2018, VEDO filed a Notice of Parent Company Merger (Notice) regarding the execution of a merger agreement between Vectren and CenterPoint Energy. According to the Notice, Vectren and CenterPoint Energy entered into an Agreement and Plan of Merger (Merger Agreement) on April 21, 2018, with the approval and authorization of the board of directors of each company. Under the Merger Agreement, upon closing of the merger, Vectren will continue to exist, but as a wholly owned subsidiary of CenterPoint Energy. Similarly, VEDO and its affiliates will continue to be subsidiaries of VUHL, which will remain as a subsidiary of Vectren. With the Notice, VEDO seeks a finding from the Commission that the merger will not adversely impact the Company's customers.

{¶ 6} On June 28, 2018, the City of Dayton (Dayton or the City) filed a motion to intervene. Dayton asserts that it is entitled to intervene under R.C. 4903.221 and Ohio Adm.Code 4901-1-11. The motion is unopposed.

{¶ 7} On October 5, 2018, the Federal Energy Regulatory Commission issued an order finding that the merger is consistent with the public interest.

{¶ 8} On January 17, 2019, Staff filed comments regarding the Company's Notice. Based on its review, and citing the lack of impact on the rates, terms or conditions of service to VEDO customers resulting from the merger, Staff does not believe the proposed merger is unreasonable. Staff does, however, temper its approval. Specifically, Staff recommends that approval of the merger be subject to the following conditions:

- VEDO should not seek recovery of any Transaction Costs from Ohio customers.
 - Transaction Costs should include the costs incurred to structure, negotiate, and execute the transaction; professional services fees, including investment banker fees, counsel fees, audit fees, accounting fees, and the like; and direct internal labor and external services needed to evaluate the merger, negotiate its terms, obtain

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regulatory approvals, obtain shareholder approvals, and execute transaction contracts.

- In the next general rate case, VEDO should provide testimony and schedules, as necessary, to demonstrate that any Transaction Costs have been removed from the test period in that case.
- VEDO should provide testimony and schedules, as necessary, to identify any Transition Costs for which recovery is sought.
 - Transition Costs should include costs that are related to or incurred as a result of the merger, such as costs to combine, integrate or align Vectren and CenterPoint following the merger. VEDO should also include in its requests for recovery how it determined what costs should be considered Transition Costs.
 - VEDO should demonstrate that the Transition Costs sought for recovery from Ohio customers do not exceed the benefits received or to be received by Ohio customers. VEDO should also demonstrate that the Transition Costs were reasonable, were prudently incurred, and were necessary.
 - VEDO should provide testimony regarding its efforts to achieve net cost savings and demonstrate that any net cost savings achieved have been reflected in proposed rates.
- VEDO should continue to maintain its level of investment in its Ohio infrastructure and also continue the capital investment plans as outlined in its Distribution Replacement Rider.
- VEDO shareholders should make charitable contributions to the VEDO service territory in the amount of \$6.95 million over the next five years.

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Such commitment reflects a \$1.95 million increment to the annual \$1 million charitable contributions made to Ohio. Specifically, the additional \$1.95 million reflects a share of CenterPoint Energy's \$15 million overall charitable pledge to Vectren customers, which is based upon VEDO's contribution to Vectren's total net operating income.

- VEDO should notify the Commission of any material changes in current accounting practices.
- VEDO should meet with Staff every six months after the merger until it files its next rate case to update Staff on capital plans, financing, and the process of integrating Vectren into CenterPoint Energy.

Subject to the adoption of these conditions, Staff concludes that the merger will promote public convenience and result in the provision of adequate natural gas service by VEDO in Ohio.

{¶ 9} On January 18, 2019, VEDO filed reply comments. Therein, the Company indicates that it has reached a general consensus with Staff on several of the conditions reflected in Staff's comments, to which VEDO will adhere when it files its next base rate case. The Company does, however, object to Staff's proposed condition that VEDO demonstrate Transition Costs sought for recovery from Ohio customers do not exceed the benefits received by those customers (Cost/Benefit Condition).

{¶ 10} VEDO asserts that the Cost/Benefit Condition raises a number of legal and practical concerns, as well as issues not ripe for Commission review at this time. The Company contends that the imposition of any standards under which costs related to or resulting from a merger may be recovered—outside of the Commission's existing ratemaking authority—exceeds the Commission's statutory powers. The Company further contends that applying the Cost/Benefit Condition would be problematic, as monetizing certain benefits resulting from the merger is not a straightforward endeavor. Finally, VEDO

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argues that the Cost/Benefit Condition is simply outside the scope of the matter at hand—the Notice—and is better addressed in a case in which the Company actually seeks to defer or recover costs.

{¶ 11} The Cost/Benefit Condition aside, VEDO expresses general consensus with Staff's position. To that end, VEDO requests that the Commission conclude its investigation, disregard as unripe the Cost/Benefit Condition, determine that no hearing is necessary, and find that the merger is not expected to adversely impact the Company or its customers. Finally, VEDO requests that a final order concluding this matter be issued no later than January 31, 2019.

{¶ 12} On January 25, 2019, Dayton filed a letter to clarify its June 28, 2018 motion to intervene. In the letter, Dayton explains that it sought intervention in this matter to ensure that the merger does not impair or adversely affect the rates and charges paid by the City and its residents; to ensure that merger-related costs are not imposed on customers; and to ensure that the merger will promote public convenience and the provision of adequate natural gas service to Dayton and its residents. Dayton also expresses its satisfaction with the progress of this case in the period between its original motion and its clarifying letter. Dayton represents that it will not make any substantive response to the comments filed by Staff or VEDO. Upon consideration of the motion and clarifying letter, Dayton's request to intervene in this matter is reasonable and should be granted.

{¶ 13} As to the Notice, the Commission finds merit in both Staff's comments and VEDO's comments in reply. The Notice should be scrutinized with a broad lens that takes into consideration all of the issues raised in Staff's comments. Nevertheless, we agree that the Cost/Benefit Condition presents issues that are inherent to and better examined in the context of a base rate proceeding. As such, we will not condition our approval of the Notice or the merger it represents on the implementation of the Cost/Benefit Condition. Instead, the Commission directs Staff to look at the complex matters encompassed within the Cost/Benefit Condition and make recommendations regarding the same during VEDO's

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next base rate proceeding.¹ Further, in undertaking that review, Staff should look at both the quantitative and qualitative benefits to VEDO's customers. Similarly, though not directly challenged in the reply comments, the Commission has concerns about conditioning, and declines to condition, our approval of the Notice upon required charitable contributions. To the extent VEDO's shareholders have made any pledge to the communities VEDO serves within Ohio, that pledge should be honored. Certainly, the Commission would not look unfavorably upon VEDO's shareholders surpassing existing philanthropic obligations. Charity, however, loses its purpose when forced.

{¶ 14} Upon review of the Notice and filed comments, and in light of the general supervisory and regulatory powers granted by R.C. 4905.04, 4905.05, and 4905.06, the Commission approves the Notice filed by VEDO, subject to Staff's conditions except as discussed herein. In this, the Commission finds that the merger identified within the Notice is reasonable and should not adversely impact Ohio customers. Finally, the Commission finds that it is not necessary to hold a hearing in this matter.

III. ORDER

{¶ 15} It is, therefore,

{¶ 16} ORDERED, That the Notice filed by VEDO be approved, subject to Staff's conditions except as discussed in Paragraph 13. It is, further,

{¶ 17} ORDERED, That Dayton's motion to intervene be granted. It is, further,

{¶ 18} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

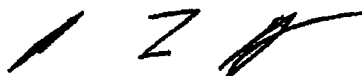
¹ In a Stipulation and Recommendation filed on January 4, 2019, in Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT, VEDO committed to filing its next application to increase base rates such that the date certain is no later than December 31, 2024.

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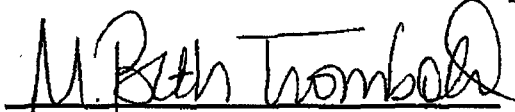
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{¶ 19} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

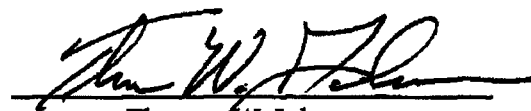
THE PUBLIC UTILITIES COMMISSION OF OHIO



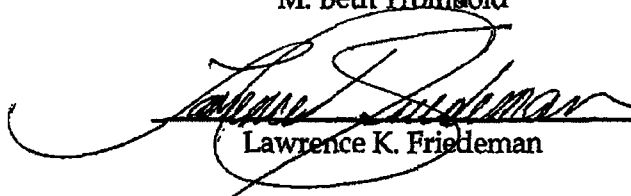
Asim Z. Haque, Chairman



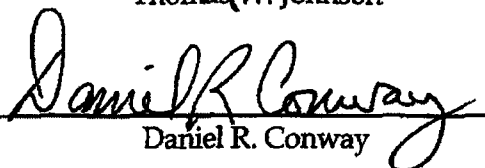
M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman



Daniel R. Conway

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Entered in the Journal
JAN 30 2019



Tanowa M. Troupe
Secretary

165 FERC ¶ 62,020

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Vectren Corporation
CenterPoint Energy, Inc.

Docket No. EC18-104-000

ORDER AUTHORIZING DISPOSITION AND ACQUISITION OF
JURISDICTIONAL FACILITIES

(Issued October 5, 2018)

On June 15, 2018, Vectren Corporation (Vectren) and CenterPoint Energy, Inc. (CenterPoint) (together, Applicants) filed an application pursuant to sections 203(a)(1)(A) and (B), and 203(a)(2) of the Federal Power Act (FPA)¹ requesting authorization for CenterPoint to acquire all of the outstanding stock in Vectren and, in turn, Vectren will become a wholly owned subsidiary of CenterPoint (Proposed Transaction). The jurisdictional facilities involved in the Proposed Transaction consist of tariff and transmission facilities.

Applicants state that Vectren is a publicly traded company located in Evansville, Indiana. One of Vectren's subsidiaries, Southern Indiana Gas and Electric Company (SIGECO), is a vertically integrated electric utility that owns and operates 1,268 megawatts (MW) of generation capacity and 1,028 circuit-miles of electric transmission facilities. SIGECO's transmission facilities have been turned over to the functional control of Midcontinent Independent System Operator, Inc. (MISO) and transmission service is provided pursuant to MISO's tariff. Vectren's subsidiaries also own and operate natural gas storage fields, hold interstate natural gas pipeline storage capacity, and own interstate and intrastate natural gas pipelines.

Applicants assert that CenterPoint is a publicly traded company located in Houston, Texas. One of CenterPoint's subsidiaries, CenterPoint Energy Houston Electric, LLC, owns electric transmission facilities that are part of Electric Reliability Council of Texas. CenterPoint's subsidiaries also own and operate intrastate gas pipelines and interstate natural gas pipeline transportation and storage services.

According to Applicants, upon closing of the Proposed Transaction, a direct, wholly owned subsidiary of CenterPoint will merge with and into Vectren, such that Vectren will become a subsidiary of CenterPoint.

¹ 16 U.S.C. § 824b (2012).

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Applicants state that the Proposed Transaction raise no horizontal market power concerns because CenterPoint does not own any generation. Neither Vectren nor its affiliates make any wholesale electricity sales in ERCOT and neither CenterPoint nor its affiliates make any wholesale electricity sales in MISO. Because there are no common markets with respect to generation ownership, there is no geographic overlap between Applicants in any relevant market.

Applicants assert that the Proposed Transaction raises no vertical market power concerns. Applicants explain that the MISO market is not highly concentrated, and that Vectren's and CenterPoint's affiliates do not serve a significant amount of gas-fired generation in MISO, and that their storage facilities represent a small share of storage fields in MISO. Applicants state that there are no other barriers to market entry that raise concerns regarding the Proposed Transaction.

Applicants state that the Proposed Transaction will not have an adverse effect on rates charged to wholesale ratepayers or transmission customers. SIGECO is the only entity involved in the Proposed Transaction that makes Commission jurisdictional wholesale power sales, which are made pursuant to its market-based rate authorization and will not be affected by the Proposed Transaction. Nevertheless, SIGECO commits not to seek recovery of any Transaction-related costs in its jurisdictional transmission rates, except to the extent that it can demonstrate that such costs are offset by Transaction-related savings in subsequent filings, for a period of five years following after consummation of the Transaction

We accept Applicants' commitment to hold customers harmless from costs related to the Proposed Transaction. We interpret Applicants' hold harmless commitment to apply to all transaction-related costs, including costs related to consummating the Proposed Transaction, incurred prior to the consummation of the Proposed Transaction, or in the five years after the Proposed Transaction's consummation.²

The Commission has established that, where applicants make hold harmless commitments in the context of FPA section 203 transactions, in order to recover transaction-related costs, applicants must demonstrate offsetting benefits at the time they apply to recover those costs. The Commission has clarified its procedures for recovery of

² *Policy Statement on Hold Harmless Commitments*, 155 FERC ¶ 61,189 (2016) (Hold Harmless Policy Statement).

(continued ...)

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such costs under sections 203 and 205³ of the FPA.⁴ Consistent with those clarifications, and given the commitment by Applicants to hold transmission customers harmless from transaction-related costs, if Applicants seeks to recover transaction-related costs incurred prior to the consummation of the Proposed Transaction or in the five years after the consummation of the Proposed Transaction, then Applicants must make that filing in a new FPA section 205 docket⁵ and submit that same filing as a concurrent information filing in this FPA section 203 docket.⁶ The Commission will notice the new FPA section 205 filing for public comment.

In the FPA section 205 proceeding, the Commission will determine first, whether Applicants have demonstrated offsetting savings, supported by sufficient evidence, to customers served under Commission jurisdictional rate schedules such that recovery of transaction-related costs is consistent with the hold harmless commitment and, second, whether the resulting new rate is just and reasonable in light of all the other factors underlying the proposed new rate. In the FPA section 205 filing, Applicants must: (1) specifically identify the transaction-related costs they are seeking to recover, and (2) demonstrate that those costs are exceeded by the savings produced by the Proposed Transaction. Applicants must show that the proposed rate is just and reasonable in addition to providing appropriate evidentiary support, such as reasonable documentation and estimates of the costs avoided, demonstrating that transaction-related costs have been offset by transaction-related savings in order to recover those transaction-related costs and comply with its hold harmless commitment. Those savings must be realized prior to, or concurrent with, any authorized recovery of transaction-related costs, and cannot be based on estimates or projections of future savings, but must be based on a demonstration of actual transaction-related savings realized by jurisdictional customers.⁷ The

³ 16 U.S.C. § 824d (2012).

⁴ *Exelon Corp.*, 149 FERC ¶ 61,148, at PP 106-09 (2014).

⁵ The Commission will not authorize the recovery of transaction-related costs in an annual informational filing under existing formula rates.

⁶ Upon receipt, the Commission will not act on or notice the concurrent informational filing.

⁷ See *Exelon Corp.*, 149 FERC ¶ 61,148 at P 107 (citing *Audit Report of National Grid, USA*, Docket No. FA09-10-000, at 55 (Feb. 11, 2011)); see also *Ameren Corp.*, 140 FERC ¶ 61,034, at PP 36-37 (2012).

(continued ...)

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Commission will consider rates not to be “just and reasonable” if they include recovery of costs subject to a hold harmless commitment made in connection with an FPA section 203 application and if applicants fail to show offsetting savings due to the transaction.⁸

Applicants state that the Proposed Transaction will not reduce the ability of the Commission, or any state or any other federal agency with jurisdiction to regulate them. No facilities will be removed from Commission jurisdiction as a result of the Proposed Transaction.

Applicants verify that, based on facts and circumstances known to them or that are reasonably foreseeable, the Proposed Transaction will not result in, at the time of the Proposed Transaction or in the future, any cross-subsidization of a non-utility associate company or pledge or encumbrance of utility assets for the benefit of an associate company, including: (1) any transfer of facilities between a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, and an associate company; (2) any new issuance of securities by a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; (3) any new pledge or encumbrance of assets of a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; or (4) any new affiliate contract between a non-utility associate company and a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, other than non-power goods and service agreements subject to review under sections 205 and 206 of the FPA.

The filing was noticed on June 18, 2018, with comments, protests, or interventions due on or before July 6, 2018. None were filed.

Information and/or systems connected to the bulk system involved in these transactions may be subject to reliability and cybersecurity standards approved by the Commission pursuant to FPA section 215. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information database, and operating systems. If affiliates, personnel or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software,

⁸ *Exelon Corp.*, 149 FERC ¶ 61,148 at P 107.

Docket No. EC18-104-000

equipment, etc., must comply with all applicable reliability and cybersecurity standards. The Commission, North American Electric Reliability Corporation or the relevant regional entity may audit compliance with reliability and cybersecurity standards.

When a controlling interest in a public utility is acquired by another company, whether a domestic company or a foreign company, the Commission's ability to adequately protect public utility customers against inappropriate cross-subsidization may be impaired absent access to the parent company's books and records. Section 301(c) of the FPA gives the Commission authority to examine the books and records of any person who controls, directly or indirectly, a jurisdictional public utility insofar as the books and records relate to transactions with or the business of such public utility. The approval of the Proposed Transaction is based on such examination ability.

Order No. 652 requires that sellers with market-based rate authority timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.⁹ To the extent that a transaction authorized under FPA section 203 results in a change in status, sellers that have market-based rates are advised that they must comply with the requirements of Order No. 652.

After consideration, it is concluded that the Proposed Transaction is consistent with the public interest and is authorized, subject to the following conditions:

- (1) The Proposed Transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) Applicants must inform the Commission of any material change in circumstances that departs from the facts or representations that the Commission relied upon in authorizing the Proposed Transaction within 30 days from the date of the material change in circumstances;
- (3) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission;
- (4) Nothing in this order shall be construed to imply acquiescence in any estimate

⁹ *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, FERC Stats. & Regs. ¶ 31,175, order on reh'g, 111 FERC ¶ 61,413 (2005).

Docket No. EC18-104-000

- or determination of cost or any valuation of property claimed or asserted;
- (5) If the Proposed Transaction results in changes in the status or upstream ownership of Applicants' affiliated qualifying facilities, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 (2018) shall be made;
 - (6) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
 - (7) Applicants shall make any appropriate filings under section 205 of the FPA, as necessary, to implement the Proposed Transaction;
 - (8) Applicants shall notify the Commission within 10 days of the date that the disposition and acquisition of jurisdictional facilities has been consummated; and
 - (9) Applicants' request for waiver of accounting requirements is granted. However, to the extent the Proposed Transaction results in any adjustment to the books of a jurisdictional entity that is required to keep its books in accordance with the Commission's Uniform System of Accounts, such jurisdictional entity shall submit its proposed accounting entries within six months of the date that the Proposed Transaction is consummated. The accounting submission shall provide all accounting entries made to the books and records of the applicable jurisdictional entity, along with the appropriate narrative explanations describing the basis for the entries.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2018). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2018).

Steve P. Rodgers, Director
Division of Electric Power
Regulation - West

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-03**

QUESTION:

Vectren Acquisition:

Please provide copies of stipulations or settlement agreements related to the approval of the acquisition of Vectren in Indiana, Ohio, and at the FERC.

ANSWER:

There were no stipulations or settlement agreements relating to the Vectren transaction in Indiana, Ohio, or at the FERC.

SPONSOR (PREPARER):

Shane Kimzey (Shane Kimzey)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-04**

QUESTION:

Vectren Acquisition:

Please provide copies of testimony offered in Indiana, Ohio, and at the FERC by CenterPoint or Vectren related to merger savings that might result from the acquisition of Vectren by CenterPoint.

ANSWER:

The Indiana proceeding was the only one of these proceedings that included filed testimony by CenterPoint Energy or Vectren.

The requested information is voluminous and will be provided to the propounding only on CD. Please contact Alice Hart at (713) 207-5322 to request a copy of the CD. Please see the index of voluminous materials below.

DATE	TITLE	PREPARER	PAGE	NUMBER OF PAGES
06/15/18	COH05-04 Attachment 1 -- 45109 CenterPoint Energy Verified Direct Testimony of Scott E Doyle (2018.06.15).pdf	Shane Kimzey	1-35	35
06/15/18	COH05-04 Attachment 2 -- 45109 CenterPoint Energy Attachment SED-1 (2018.06.15).pdf	Shane Kimzey	1-94	94
06/15/18	COH05-04 Attachment 3 -- 45109 CenterPoint Energy Attachment SED-2 (2018.06.15).pdf	Shane Kimzey	1	1
06/15/18	COH05-04 Attachment 4 -- 45109 CenterPoint Energy Attachment SED-3 (2018.06.15).pdf	Shane Kimzey	1	1
06/15/18	COH05-04 Attachment 5 -- 45109 Vectren Verified Direct Testimony of M Susan Hardwick (2018.06.15).pdf	Shane Kimzey	1-13	13
09/12/18	COH05-04 Attachment 6 -- 45109 Joint Petitioners' Exhibit 3 - Doyle Rebuttal Testimony (2018.09.12).pdf	Shane Kimzey	1-15	15
	COH05-04 Attachment 7 -- 45109			

10/10/18	CenterPoint Energy Attachment 1 Clean Corrected and Repaginated Pages of Doyle Direct Testimony (2018.10.10).pdf	Shane Kimzey	1-11	11
10/10/18	COH05-04 Attachment 8 -- 45109 CenterPoint Energy Attachment 2 Redlined Corrections to Doyle Direct Testimony (2018.10.10).pdf	Shane Kimzey	1-5	5

SPONSOR (PREPARER):

Shane Kimzey (Shane Kimzey)

RESPONSIVE DOCUMENTS:

COH05-04 Attachment 1 -- 45109 CenterPoint Energy Verified Direct Testimony of Scott E Doyle (2018.06.15).pdf

COH05-04 Attachment 2 -- 45109 CenterPoint Energy Attachment SED-1 (2018.06.15).pdf

COH05-04 Attachment 3 -- 45109 CenterPoint Energy Attachment SED-2 (2018.06.15).pdf

COH05-04 Attachment 4 -- 45109 CenterPoint Energy Attachment SED-3 (2018.06.15).pdf

COH05-04 Attachment 5 -- 45109 Vectren Verified Direct Testimony of M Susan Hardwick (2018.06.15).pdf

COH05-04 Attachment 6 -- 45109 Joint Petitioners' Exhibit 3 - Doyle Rebuttal Testimony (2018.09.12).pdf

COH05-04 Attachment 7 -- 45109 CenterPoint Energy Attachment 1 Clean Corrected and Repaginated Pages of Doyle(2018.10.10).pdf

COH05-04 Attachment 8 -- 45109 CenterPoint Energy Attachment 2 Redlined Corrections to Doyle Direct Testimony (2018.10.10).pdf

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-05**

QUESTION:

Vectren Acquisition:

Please provide copies of testimony offered in Indiana, Ohio, and at the FERC by parties other than CenterPoint or Vectren related to merger savings that might result from the acquisition of Vectren by CenterPoint.

ANSWER:

The Indiana proceeding was the only one of these proceedings that included filed testimony. Please see the attached intervenor testimony that discusses potential savings associated with the Vectren transaction.

SPONSOR (PREPARER):

Shane Kimzey (Shane Kimzey)

RESPONSIVE DOCUMENTS:

COH05-05 Attachment 1.pdf -- 45109 OUCC Exhibit 1 - Rutter Direct Testimony (2018.08.27).pdf

FILED
August 27, 2018
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA GAS COMPANY,)
INC., SOUTHERN INDIANA GAS AND ELECTRIC)
COMPANY AND CENTERPOINT ENERGY, INC.,)
FOR SUBMISSION OF INFORMATION TO THE) **CAUSE NO. 45109**
COMMISSION REGARDING A HOLDING)
COMPANY MERGER, AND FUTURE PROVISION OF)
SERVICE TO CUSTOMERS PURSUANT TO IND.)
CODE §§ 8-1-2-48 and 8-1-2-52)

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

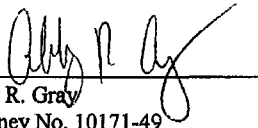
PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS

EDWARD T. RUTTER

AUGUST 27, 2018

Respectfully submitted,


Abby R. Gray
Attorney No. 10171-49
Legal Counsel

Randall C. Helmen
Attorney No. 8275-49
Chief Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER
CAUSE NO. 45109
JOINT PETITION OF INDIANA GAS COMPANY, INC.,
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
AND CENTERPOINT ENERGY, INC.**

I. INTRODUCTION

1 **Q: Please state your name, employer, current position and business address.**

2 A: My name is Edward T. Rutter. I am employed by the Indiana Office of Utility
3 Consumer Counselor ("OUCC") as a Chief Technical Advisor in the Natural Gas
4 Division. My business address is 115 West Washington St., Suite 1500 South
5 Tower, Indianapolis, Indiana 46204. My educational background and professional
6 experience are detailed in Appendix ETR-1 attached to this testimony.

7 **Q: What is the purpose of your direct testimony?**

8 A: The purpose of my testimony is to discuss the OUCC's review of the joint petition
9 of Indiana Gas Company, Inc., Southern Indiana Gas and Electric Company and
10 CenterPoint Energy (collectively "Petitioners"). The OUCC recognizes that based
11 on the Agreement and Plan of Merger ("Merger Agreement"), Indiana Gas
12 Company, Inc. and Southern Indiana Gas and Electric Company (collectively
13 "Vectren subsidiaries") will post-merger maintain the current operating status of
14 distinct operating public utilities, subject to Commission jurisdiction. As with any
15 merger involving Indiana utilities, the OUCC's concerns focus on ensuring that
16 Indiana customers are not harmed by the merger, whether through increased rates
17 or reduced levels of service.

18 The Petitioners have filed direct testimony and supporting exhibits

1 addressing the merger's impact on customers, management and operations, as well
2 as the Merger Agreement, which highlights the terms and conditions of the merger,
3 the responsibilities of each party to the merger, and the compensation to existing
4 shareholders. My testimony reviews Petitioners' commitment to continue to
5 provide safe and reliable service at reasonable costs to ratepayers. I also discuss
6 that Indiana ratepayers will not be asked to pay for any direct or indirect costs
7 associated with the proposed merger, and that any merger savings that enure to the
8 benefit of Vectren or its subsidiaries will be passed on to Indiana ratepayers.

9 Finally, I discuss the OUCC's recommendation that if the Petitioners fail to
10 secure all necessary and required approvals, and the merger does not occur, any
11 costs incurred by Vectren in pursuing the merger be denied in any proceeding for
12 recovery from Indiana ratepayers.

II. THE TRANSACTION

13 **Q: Have you reviewed the Merger Agreement?**

14 **A:** Yes. The merger represents a holding company transaction between Vectren
15 Corporation, Pacer Merger Sub, Inc. ("Merger Sub") and CenterPoint Energy, Inc.
16 ("CenterPoint). Merger Sub is a direct wholly owned subsidiary of CenterPoint
17 Energy formed to effectuate CenterPoint's acquisition of Vectren. Merger Sub will
18 merge with and into Vectren, and Vectren will be the surviving company and a
19 wholly owned subsidiary of CenterPoint Energy.

1 **Q: Will the Vectren subsidiaries remain as separate public utilities owned by**
2 **Vectren and operated under the existing franchises and certificates; and will**
3 **they continue to own and operate their respective systems and assets as they**
4 **did prior to the merger?**

5 **A: Yes. The transaction is a merger of two holding companies, which does not change**
6 **the existing responsibilities or requirements currently imposed on the Vectren**
7 **subsidiaries.**

8 At the time of the merger, Vectren Corporation's existing shares will be
9 cancelled, and automatically converted into the right to receive cash in the amount
10 of \$72.00 per share. Those shares will be owned by CenterPoint Energy once the
11 merger is complete.

12 **Q: Will CenterPont continue to abide by the Affiliate and Cost Allocation**
13 **Guidelines currently in effect and approved by the Commission?**

14 **A: Yes Mr. Scott Doyle, CenterPoint Senior Vice President, Natural Gas Distribution**
15 **testified¹ that CenterPoint will continue to abide by the Affiliate and Cost**
16 **Allocation Guidelines currently in effect. These are the guidelines contained in the**
17 **Stipulation and Settlement Agreement between Vectren, the Vectren subsidiaries**
18 **and the OUCC entered into and approved by the Commission in Commission Order**
19 **approved November 7, 2001 in Cause No. 41465.**

III. IMPACT TO INDIANA RATEPAYERS

20 **Q. In your review of the joint petition, the pre-filed direct testimony filed in**
21 **support of the joint petition, and the response to the OUCC data requests, did**
22 **you find anything to suggest the operations of Vectren subsidiaries, and their**
23 **ability to provide safe and reliable service, will be negatively impacted as a**
24 **result of the merger?**

¹ Doyle Direct, page 25, lines 16-21

1 A. No. My review of those documents and information provided no indication that the
2 Vectren subsidiaries will conduct their business contrary to how it is being
3 conducted prior to the merger.

4 There is no indication that the transaction when complete should have a
5 negative impact on the service being provided by the Vectren subsidiaries under
6 the individual franchises, certificates and various orders issued by the Commission
7 and currently in effect.

8 **Q: Does the OUCC believe the merger will benefit Indiana ratepayers?**

9 A: Perhaps, but not immediately. The operations and responsibilities of the Vectren
10 subsidiaries should be unaffected by the merger since only the ownership of the
11 holding company, Vectren Corporation, will change with the merger. The Vectren
12 subsidiaries will continue to operate post-merger as independent utilities and be
13 responsible for complying with their respective franchises, certifications and all
14 applicable Commission orders. Neither the ratepayers nor regulators *should*
15 experience any negative impact from the merger. Over time, the operating
16 experience and financial stability that CenterPoint brings to the Vectren
17 subsidiaries *should* benefit Indiana ratepayers.

18 There will be economies of scale, particularly with the location of the gas
19 operations for all of CenterPoint gas operations in Evansville. The ability to allocate
20 costs over a broader range of operations should provide a benefit to Indiana
21 ratepayers. The experience and lessons learned from CenterPoint's electric and gas
22 operations in other jurisdictions should serve to reduce Indiana costs as new
23 technology or policies and procedures are initiated.

1 Any benefits to Indiana ratepayers are more indirect initially, than direct,
2 but the merger provides, and Petitioners' testimony acknowledges, the opportunity
3 for economies of scale, greater financial stability, leverage, and combined talent,
4 skills and resources.

5 Mr. Doyle discussed various opportunities resulting from the merger. He
6 testified that the integration teams are just getting started and have not yet identified
7 specific opportunities to avoid costs and obtain synergies.² Mr. Doyle also stated
8 the merger will allow the company to pursue additional growth opportunities and
9 that the size and scale of the resulting company supports realizing operating
10 efficiencies and the potential for more cost-effective financing through a lower cost
11 of capital.³ That testimony was submitted on June 15, 2018. The OUCC
12 recommends Joint Petitioners update and report these avoided costs and synergies
13 as they are identified. Any cost savings as a result of the merger should be passed
14 on to Indiana ratepayers.

15 **Q: Does the OUCC have any concerns with the merger, the transaction or the**
16 **operations or policies and procedures brought to the Vectren subsidiaries by**
17 **CenterPoint?**

18 **A:** No. As previously mentioned, I reviewed the petition, pre-filed direct testimony,
19 the Merger Agreement, and the joint parties' response to the OUCC's data request.
20 I also reviewed publicly available financial reports, each of the most recent electric
21 and gas rate proceedings orders, recent publicly available press releases, and

² Doyle Direct, page 6, lines 21-22.

³ *Id.* page 7, lines 4-9.

1 publication and independent third party comments and analyses relative to
2 CenterPoint utility operations. I found nothing to suggest the proposed merger and
3 resultant transaction would be contrary to the collective best interests of Indiana
4 ratepayers.

5 **Q: Does the OUCC have any concerns relative to the continued operations of the**
6 **Vectren subsidiaries operations in Indiana post merger?**

7 A: The OUCC has reservations regarding the continuation of current recordkeeping
8 and customer service functions post-merger. During our review of the many
9 tracker filings before the Commission we conduct audits, reviews and analysis of
10 necessary records of Vectren Corporation, and its subsidiary companys'
11 transactions that impact Indiana ratepayers. To that extent, it is important that all
12 books and records supporting those transaction are either maintained in Indiana or
13 made available in Indiana to OUCC analysts and attorneys.

14 The OUCC wants assurances that post merger all ratepayers will have the
15 same, if not better, access within the Vectren subsidiaries' service territory to the
16 current level of customer service functions and options employed by the Vectren
17 subsidiaries.

18 **Q: Does the OUCC have any concerns relative to CenterPoint's ability to fund the**
19 **merger?**

20 A: No. A review of the numerous SEC filings, annual reports and earnings reports
21 suggests no reason to believe CenterPoint will not be able to fund the merger.

IV. RECOMMENDATIONS

1 **Q. What are you recommending to the Commission in this proceeding?**

2 **A. I recommend the Commission take the appropriate steps within its jurisdiction to**
3 **ensure that no costs related directly or indirectly to the merger be passed on to**
4 **Indiana ratepayers whether or not the merger is approved by the responsible**
5 **jurisdictions.**

6 I also recommend that Joint Petitioners be required to identify and report
7 any merger cost savings as those savings should be passed on to Indiana ratepayers.

8 I also recommend CenterPoint commit to maintaining all books and records
9 pertaining to the Indiana operations of the Vectren subsidiaries be maintained in
10 Indiana or made available in Indiana to the OUCC. Finally, I recommend the
11 Commission take appropriate steps within its jurisdiction to ensure there will not
12 be a reduction in the current Indiana customer service functions and operations
13 within the current service territories.

14 **Q. Does this conclude your testimony?**

15 **A. Yes**

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

A handwritten signature in black ink, appearing to read "Ed T Rutter", is written over a horizontal line.

Edward T. Rutter
Chief Technical Advisor
Indiana Office of Utility Consumer Counsel
Cause No. 45109
Joint Petition

8/27/2018
Date

APPENDIX TO TESTIMONY OF
OUCC WITNESS EDWARD T. RUTTER

1 **Q: Please describe your educational background and experience.**

2 **A:** I am a graduate of Drexel University in Philadelphia, PA, with a Bachelor of
3 Science degree in Business Administration. I was employed by South Jersey Gas
4 Company as an accountant responsible for coordinating annual budgets, preparing
5 preliminary monthly, quarterly, annual and historical financial statements,
6 assisting in preparation of annual reports to shareholders, all SEC filings, state
7 and local tax filings, all FPC/FERC reporting, plant accounting, accounts payable,
8 depreciation schedules and payroll. Once the public utility holding company was
9 formed, South Jersey Industries, Inc., I continued to be responsible for accounting
10 as well as for developing the consolidated financial statements and those of the
11 various subsidiary companies including South Jersey Gas Company, Southern
12 Counties Land Company, Jessie S. Morie Industrial Sand Company, and SJI LNG
13 Company.

14 I left South Jersey Industries, Inc. and took a position with Associated
15 Utility Services Inc. (AUS), a consulting firm specializing in utility rate
16 regulation including rate of return, revenue requirement, purchased gas
17 adjustment clauses, fuel adjustment clauses, revenue requirement development
18 and valuation of regulated entities.

19 On leaving AUS, I worked as an independent consultant in the public
20 utility area as well as telecommunications including cable television (CATV). I
21 joined the OUCC in December 2012 as a utility analyst.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**
2 **Commission?**

3 **A: I have previously testified before the Indiana Utility Regulatory Commission**
4 **(Commission) in numerous Causes filed before the Commission. I have also**
5 **testified before the regulatory commissions in the states of New Jersey, Delaware,**
6 **Maryland, Pennsylvania, New York, Connecticut, Georgia, Florida, North**
7 **Carolina, Ohio, Oklahoma, Virginia and Wisconsin. In addition to the states**
8 **mentioned, I submitted testimony before the utility regulatory commissions in the**
9 **Commonwealth of Puerto Rico and the U.S. Virgin Islands. I have also testified as**
10 **an independent consultant on behalf of the U.S. Internal Revenue Service in**
11 **Federal Tax Court, New York jurisdiction.**

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1_Testimony of OUCC Witness Edward T. Rutter* has been served upon the following counsel of record in the captioned proceeding by electronic service on August 27, 2018.

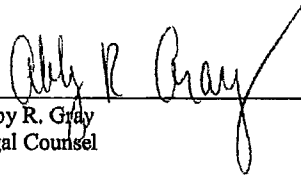
Robert Heidorn
P. Jason Stephenson
VECTREN UTILITIES
Email: rheidorn@vectren.com
jstephenson@vectren.com

David T. McGimpsey, Esq.
Michael T. Griffiths, Esq.
BINGHAM GREENEBAUM DOLL LLP
Email: dmcgimpsey@bgdlegal.com
mgriffiths@bgdlegal.com

Jason M. Ryan
CENTERPOINT ENERGY, INC.
Email: jason.ryan@centerpointenergy.com

Nikki G. Shultz
Kristina Kern Wheeler
BOSE MCKINNEY & EVANS LLP
Email: nshultz@boselaw.com
kwheeler@boselaw.com

Jennifer A. Washburn
Margo Tucker
CITIZENS ACTION COALITION
Email: jwashburn@citact.org
mtucker@citact.org



Abby R. Gray
Legal Counsel

Randall C. Helmen
Chief Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
info@oucc.in.gov
317/232-2494 -- Phone
317/232-5923 -- Facsimile

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-06**

QUESTION:

Vectren Acquisition:

Please explain if CenterPoint has quantified the expected merger savings from the acquisition of Vectren and included those savings in the current rate case. If so, please provide the amount of those savings included as a reduction to the revenue requirement. If not, please provide the amount of those savings.

ANSWER:

As discussed in the Direct Testimony of M. Shane Kimzey, the transaction between CenterPoint Energy, Inc. (CNP) and Vectren Corporation closed on February 1, 2019, after the test year for this rate filing. Accordingly, no savings existed for CenterPoint Houston during the test year. Further, as noted in the Direct Testimony of Kenny M. Mercado, the day-to-day operations of CenterPoint Houston were not impacted by the transaction during the test year and the acquisition is not expected to affect the day-to-day operations of CenterPoint Houston moving forward. The Company's rate filing package did include approximately \$1,075,000 in executive-related severance costs, which occurred in connection with the transaction, that were properly booked to CenterPoint Houston in December 2018. Further, the Company made an adjustment to remove these executive-related salaries and short-term incentive from the wage adjustment resulting in approximately \$677,000 in labor savings. Severance costs are an example of costs to achieve the integration of CNP and Vectren. Integration efforts are ongoing and the ultimate and actual impact of integration on CNP will not be known for some time – both in terms of costs to achieve the integration and savings.

The currently estimated savings expected to be achieved by CNP in 2019 as a result of this merger are more than \$50 million, and CNP has incurred costs to achieve those savings of approximately \$150 million through March 31, 2019. The currently estimated savings expected to be achieved by CNP in future years as a result of this merger are \$75-100 million annually, excluding costs to achieve. The total attribution of expected savings to CNP's various business units, including CenterPoint Houston, has not been determined at this time, but through March 31, 2019 approximately \$2 million in currently estimated annual direct labor savings have been attributed to CenterPoint Houston. In addition, approximately \$11 million in costs to achieve those savings have been attributed to CenterPoint Houston through March 31, 2019. These expectations of savings and costs to achieve those savings reflect information currently available to CNP and are subject to change based on numerous factors.

SPONSOR (PREPARER):

Jeff Myerson/Michelle Townsend (Jeff Myerson/Michelle Townsend)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-07**

QUESTION:

Vectren Acquisition:

Please explain and quantify the economic benefits CenterPoint expects to receive as a result of the acquisition of Vectren.

ANSWER:

Economic benefits that may accrue to CenterPoint Houston, as well as potential costs to achieve those benefits, are described in COH05-06. Additional economic benefits may also be achieved in CNP's competitive energy businesses, but the costs, savings, and/or other economic benefits related to the competitive energy businesses will not accrue to CenterPoint Houston. Also, see response to GCCC01-14 for additional information related to the integration of Vectren.

SPONSOR (PREPARER):

Jeff Myerson (Jeff Myerson)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-08**

QUESTION:

Vectren Acquisition:

Please provide the impact of the Vectren acquisition on expenses allocable to CenterPoint Energy Houston Electric.

ANSWER:

Please see the response to GCCC01-12.

Please note, if viewed in isolation without regard to other changes in the Company's cost of service, the addition of Vectren companies to the allocation schedule caused, where applicable, an increase to the Vectren companies and a decrease to other business units, including CenterPoint Houston. An analysis to identify the Service Company functions and departments that support Vectren business units is ongoing, and only those functions and departments identified as supporting Vectren business units allocate costs to Vectren.

SPONSOR (PREPARER):

Michelle Townsend (Michelle Townsend)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-09**

QUESTION:

Ad Valorem Tax:

Please provide the ad valorem taxes accrued each month for January through March of 2019.

ANSWER:

See attachment COH05-09 ATTACHMENT.xlsx

SPONSOR (PREPARER):

Justin Hyland (Justin Hyland)

RESPONSIVE DOCUMENTS:

COH05-09 ATTACHMENT.xlsx

SOAH DOCKET 473-19-3864

PUC DOCKET No. 49421

COH05-09

Ad Valorem Taxes Accrued by Month 2019 (January to March)		
January	February	March
8,083,333	8,083,333	8,083,333

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-10**

QUESTION:

Ad Valorem Tax:

Please refer to CEHE RFP Schedules (redacted).xlsx, tab II-E-2.1. The taxable value ratios, calculated as the taxable value of plant divided by the beginning book balance of plant has declined in each of the four years presented. Please explain all the factors that caused the decline and provide those causative factors and the calculations showing the derivation of the taxable value from each year's beginning balance of plant in service through the application of the causative factors.

ANSWER:

The factors that have caused the decline in the taxable value ratio for the Company are not readily quantifiable, and the Company has not undertaken such an analysis. The following factors and their year-to-year change (or in certain cases, multi-year averages) may have an impact on the ratios:

- Historical net utility operating income (NUOI) figures from the FERC Form 1 and the appraiser projection of future NUOI
- Transition Bond Equity Returns recognized within the annual reported NUOI
- Miscellaneous income (ex. Right-of-way fees) recognized within the annual reported NUOI
- Ratio of return of NUOI to net plant in service (NPIS)
- Overall gross and net plant in service (including materials & supplies)
- Rate of growth in net plant in service
- Annual capitalization rate used in appraisal (cost of equity and cost of debt components within calculation)
- Changes in annual year-ending balances for intangible plant, cash, and regulatory assets

SPONSOR (PREPARER):

Justin Hyland (Justin Hyland)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-11**

QUESTION:

Ad Valorem Tax:

Please refer to CEHE RFP Schedules (redacted) .xlsx, tab II-E-2.1 and the Company's response to the previous question. If the factors causing the decline in ratio of the taxable value of plant divided by the beginning of the year's plant balance is not readily quantifiable, please provide an explanation of the yearly decline in the ratios to the extent practicable.

ANSWER:

The factors that have caused the decline in the taxable value ratio for the Company are not readily quantifiable, and the Company has not undertaken such an analysis. The following factors and their year-to-year change (or in certain cases, multi-year averages) may have an impact on the ratios:

- Historical net utility operating income (NUOI) figures from the FERC Form 1 and the appraiser projection of future NUOI
- Transition Bond Equity Returns recognized within the annual reported NUOI
- Miscellaneous income (ex. Right-of-way fees) recognized within the annual reported NUOI
- Ratio of return of NUOI to net plant in service (NPIS)
- Overall gross and net plant in service (including materials & supplies)
- Rate of growth in net plant in service
- Annual capitalization rate used in appraisal (cost of equity and cost of debt components within calculation)
- Changes in annual year-ending balances for intangible plant, cash, and regulatory assets

SPONSOR (PREPARER):

Justin Hyland (Justin Hyland)

RESPONSIVE DOCUMENTS:

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
2019 CEHE RATE CASE
DOCKET 49421-SOAH DOCKET NO. 473-19-3864**

**CITY OF HOUSTON
REQUEST NO.: COH05-12**

QUESTION:

Ad Valorem Tax:

Please refer to CEHE RFP Schedules (redacted) .xlsx, tab II-E-2.1. Please explain all factors that are taken into account by taxing authorities in the determination of CEHE's taxable value subject to ad valorem tax.

ANSWER:

The following factors are taken into account by taxing authorities in the determination of the Company's taxable value (for non-land components):

- Historical net utility operating income (NUOI) figures from the FERC Form 1 and the appraiser projection of future NUOI
- Transition Bond Equity Returns recognized within the annual reported NUOI
- Miscellaneous income (ex. Right-of-way fees) recognized within the annual reported NUOI
- Ratio of return of NUOI to net plant in service (NPIS)
- Overall gross and net plant in service (including materials & supplies)
- Rate of growth in net plant in service
- Annual capitalization rate used in appraisal (cost of equity and cost of debt components within calculation)
- Changes in annual year-ending balances for intangible plant, cash, and regulatory assets

For land assets, factors such as current property use, property shape, and suitability to alternate uses is considered in the determination of the Company's taxable value. Land is valued at its fair market value less applicable adjustments, not at its original cost basis.

SPONSOR (PREPARER):

Justin Hyland (Justin Hyland)

RESPONSIVE DOCUMENTS:

None

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of May 2019, a true and correct copy of the foregoing document was served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.