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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **March 16, 2022**

**CENTERPOINT ENERGY, INC.**

(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction  
of incorporation)

**1-31447**  
(Commission File Number)

**74-0694415**  
(IRS Employer  
Identification No.)

**1111 Louisiana  
Houston Texas**  
(Address of principal executive offices)

**77002**  
(Zip Code)

Registrant's telephone number, including area code: **(713) 207-1111**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class            | Trading Symbol(s) | Name of each exchange on which registered                   |
|--------------------------------|-------------------|---|
| Common Stock, \$0.01 par value | CNP               | The New York Stock Exchange<br>Chicago Stock Exchange, Inc. |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01. Regulation FD Disclosure.**

Included herein is financial information related to Vectren Utility Holdings, Inc. (“VUHI”) and Southern Indiana Gas & Electric Company (“CEI South”). CEI South is a wholly-owned subsidiary of VUHI. VUHI is a wholly-owned subsidiary of Vectren Corporation (“Vectren”), which in turn, is a wholly-owned subsidiary of CenterPoint Energy, Inc. (“CenterPoint Energy”).

Exhibit 99.1 to this Current Report on Form 8-K includes audited financial statements for the years ended December 31, 2021, 2020 and 2019, for VUHI. Exhibit 99.2 to this Current Report on Form 8-K includes audited financial statements for the years ended December 31, 2021 and 2020, for CEI South. These financial statements are not intended to comply with Regulation S-X or Regulation S-K. Exhibit 99.3 includes certain supplementary financial and operational data of CEI South for the years ended December 31, 2021 and 2020.

Each of Exhibits 99.1, 99.2 and 99.3 is furnished, not filed, pursuant to Item 7.01. Accordingly, none of the information will be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, as amended, and the information in Exhibits 99.1, 99.2 and 99.3 will not be incorporated by reference into any registration statement filed by CenterPoint Energy under the Securities Act of 1933, as amended, unless specifically identified as being incorporated by reference.

**Item 9.01. Financial Statements and Exhibits.**

Each of Exhibits 99.1, 99.2 and 99.3 is furnished, not filed, pursuant to Item 7.01. Accordingly, none of the information will be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, as amended, and the information in Exhibits 99.1, 99.2 and 99.3 will not be incorporated by reference into any registration statement filed by CenterPoint Energy under the Securities Act of 1933, as amended, unless specifically identified as being incorporated by reference.

(d) Exhibits.

| <b><u>EXHIBIT<br/>NUMBER</u></b> | <b><u>EXHIBIT DESCRIPTION</u></b>  |
|----------------------------------|--|
| 99.1                             | <a href="#">Reporting Package of Vectren Utility Holdings, Inc.</a>                                      |
| 99.2                             | <a href="#">Reporting Package of Southern Indiana Gas &amp; Electric Company</a>                         |
| 99.3                             | <a href="#">Financial and Operational Data of Southern Indiana Gas &amp; Electric Company</a>            |
| 104                              | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**CENTERPOINT ENERGY, INC.**

Date: March 16, 2022

By: /s/ Stacey L. Peterson

Stacey L. Peterson

Senior Vice President and Chief Accounting Officer

# VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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## DEFINITIONS

|                                  |  |
|----------------------------------|--|
| ACE                              | Affordable Clean Energy  |
| AFUDC                            | Allowance for funds used during construction   |
| AMA                              | Asset Management Agreement   |
| ARO                              | Asset Retirement Obligation  |
| ARP                              | Alternative Revenue Program  |
| ASC                              | Accounting Standards Codification  |
| ASU                              | Accounting Standard Update   |
| BTA                              | Build Transfer Agreement   |
| Capital Dynamics                 | Capital Dynamics, Inc., a Delaware corporation   |
| CCR                              | Coal Combustion Residuals  |
| CECA                             | Clean Energy Cost Adjustment   |
| CERC                             | CERC Corp., together with its subsidiaries   |
| COVID-19                         | Novel coronavirus disease 2019, and any mutations or variants thereof, and related global outbreak that was subsequently declared a pandemic by the World Health Organization  |
| CODM                             | Chief Operating Decision Maker who is the Company's President  |
| CPCN                             | Certificate of Public Convenience and Necessity  |
| CPP                              | Clean Power Plan   |
| CSIA                             | Compliance and System Improvement Adjustment   |
| DRR                              | Distribution Replacement Rider   |
| DSMA                             | Demand Side Management Adjustment  |
| ECA                              | Environmental Cost Adjustment  |
| EEFC                             | Energy Efficiency Funding Component  |
| EEFR                             | Energy Efficiency Funding Rider  |
| EPA                              | Environmental Protection Agency  |
| FASB                             | Financial Accounting Standards Board   |
| February 2021 Winter Storm Event | The extreme and unprecedented winter weather event in February 2021 resulting in electricity generation supply shortages, including in Texas, and natural gas supply shortages and increased wholesale prices of natural gas in the United States, primarily due to prolonged freezing temperatures.                       |
| FERC                             | Federal Energy Regulation Commission   |
| GAAP                             | Generally Accepted Accounting Principles   |
| GHG                              | Greenhouse gases   |
| IDEM                             | Indiana Department of Environmental Management   |
| Infrastructure Services          | Provided underground pipeline construction and repair services through VISCO and its wholly-owned subsidiaries, Miller Pipeline, LLC and Minnesota Limited, LLC  |
| IURC                             | Indiana Utility Regulatory Commission  |
| LIBOR                            | London Interbank Offered Rate  |
| MGP                              | Manufactured gas plant   |
| MISO                             | Midcontinent Independent System Operator   |
| MW                               | megawatts  |
| NYMEX                            | New York Mercantile Exchange   |
| Posey Solar                      | Posey Solar, LLC, a Delaware limited liability company   |
| PowerTeam Services               | PowerTeam Services, LLC, a Delaware limited liability company, now known as Artera Services, LLC   |
| PPA                              | Power purchase agreement   |
| PRP                              | Potentially responsible parties  |
| PUCO                             | Public Utilities Commission of Ohio  |
| ROU                              | Right of use   |
| Scope 1 emissions                | Direct source of emissions from a company's operations   |
| Scope 2 emissions                | Indirect source of emissions from a company's energy usage   |
| Scope 3 emissions                | Indirect source of emissions from a company's end-users  |
| SERP                             | Supplemental Executive Retirement Plan   |
| SRC                              | Sales Reconciliation Component   |
| TCJA                             | Tax Cuts and Jobs Acts   |
| TDSIC                            | Transmission, Distribution and Storage System Improvement Charge   |
| Tenaska                          | Tenaska Wind Holdings, LLC   |
| TSCR                             | Tax Savings Credit Rider   |
| VISCO                            | Vectren Infrastructure Services Corporation, previously a wholly-owned subsidiary of Vectren, and which was sold pursuant to the Securities Purchase Agreement, dated as of February 3 2020, by and among VUSI, PowerTeam Services and, solely for purposes of Section 10.17 of the Securities Purchase Agreement, Vectren |
| VRP                              | Voluntary Remediation Program  |
| VUSI                             | Vectren Utility Services, Inc., a wholly-owned subsidiary of Vectren   |



## INDEPENDENT AUDITOR'S REPORT

To the Director of Vectren Utility Holdings, Inc.

### **Opinion**

We have audited the consolidated financial statements of Vectren Utility Holdings, Inc. and subsidiaries (the "Company") (a wholly owned subsidiary of Vectren Corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, cash flows, and common shareholder's equity, for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ DELOITTE & TOUCHE LLP  
Indianapolis, Indiana  
March 16, 2022

**VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
|   | (in millions)     |                   |
| <b>ASSETS</b>   |                   |                   |
| <b>Current Assets:</b>  |                   |                   |
| Cash and cash equivalents   | \$ 7              | \$ 8              |
| Accounts receivable - less allowance for credit losses of \$4 and \$6, respectively       | 149               | 127               |
| Accrued unbilled revenues - less allowance for credit losses of \$1 and \$1, respectively | 116               | 97                |
| Inventories   | 104               | 121               |
| Regulatory assets   | 106               | 3                 |
| Prepaid expenses and other current assets   | 58                | 41                |
| Total current assets  | 540               | 397               |
| <b>Property, Plant and Equipment, net</b>   | 6,045             | 5,613             |
| <b>Other Assets:</b>  |                   |                   |
| Other investments   | —                 | 17                |
| Goodwill  | 205               | 205               |
| Regulatory assets   | 581               | 518               |
| Other non-current assets  | 82                | 72                |
| Total other assets  | 868               | 812               |
| <b>Total Assets</b>   | <b>\$ 7,453</b>   | <b>\$ 6,822</b>   |

*The accompanying notes are an integral part of these consolidated financial statements.*



**VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
|   | (in millions)     |                   |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>       |                   |                   |
| <b>Current Liabilities:</b>                       |                   |                   |
| Accounts payable                                  | \$ 218            | \$ 188            |
| Accounts payable - affiliated companies           | 40                | 88                |
| Accrued liabilities                               | 203               | 129               |
| Current maturities of long-term debt              | 5                 | 55                |
| Total current liabilities                         | <u>466</u>        | <u>460</u>        |
| <b>Other Liabilities:</b>                         |                   |                   |
| Deferred income taxes                             | 672               | 646               |
| Regulatory liabilities                            | 1,020             | 970               |
| Other non-current liabilities                     | 302               | 256               |
| Total other liabilities                           | <u>1,994</u>      | <u>1,872</u>      |
| <b>Long-term Debt:</b>                            |                   |                   |
| Long-term debt - net of current maturities        | 1,111             | 858               |
| Long-term debt - affiliated companies             | 1,343             | 1,343             |
| Total long-term debt, net                         | <u>2,454</u>      | <u>2,201</u>      |
| <b>Commitment and Contingencies (Note 8)</b>      |                   |                   |
| <b>Shareholder's Equity:</b>                      |                   |                   |
| Common stock (no par value)                       | 1,218             | 1,163             |
| Retained earnings                                 | 1,321             | 1,126             |
| Total shareholder's equity                        | <u>2,539</u>      | <u>2,289</u>      |
| <b>Total Liabilities and Shareholder's Equity</b> | <u>\$ 7,453</u>   | <u>\$ 6,822</u>   |

*The accompanying notes are an integral part of these consolidated financial statements.*

**VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

|                                   | Year Ended December 31, |        |        |
|-----------------------------------|-------------------------|--------|--------|
|                                   | 2021                    | 2020   | 2019   |
|                                   | (in millions)           |        |        |
| <b>Revenues:</b>                  |                         |        |        |
| Gas utility revenues              | \$ 1,087                | \$ 868 | \$ 863 |
| Electric utility revenues         | 629                     | 554    | 570    |
| Total                             | 1,716                   | 1,422  | 1,433  |
| <b>Expenses:</b>                  |                         |        |        |
| Utility natural gas               | 425                     | 241    | 280    |
| Fuel and purchased power          | 186                     | 147    | 166    |
| Operation and maintenance         | 389                     | 376    | 429    |
| Depreciation and amortization     | 299                     | 286    | 269    |
| Taxes other than income taxes     | 77                      | 74     | 67     |
| Total                             | 1,376                   | 1,124  | 1,211  |
| <b>Operating Income</b>           | 340                     | 298    | 222    |
| <b>Other Income (Expense):</b>    |                         |        |        |
| Interest expense                  | (80)                    | (82)   | (87)   |
| Other income, net                 | 23                      | 20     | 22     |
| <b>Income Before Income Taxes</b> | 283                     | 236    | 157    |
| Income taxes                      | 48                      | 48     | 9      |
| <b>Net Income</b>                 | \$ 235                  | \$ 188 | \$ 148 |

*The accompanying notes are an integral part of these consolidated financial statements.*

**VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | Year Ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2021                    | 2020         | 2019         |
| (in millions)  |                         |              |              |
| <b>Cash Flows from Operating Activities:</b>                                 |                         |              |              |
| Net income   | \$ 235                  | \$ 188       | \$ 148       |
| Adjustments to reconcile net income to cash from operating activities:       |                         |              |              |
| Depreciation & amortization  | 299                     | 286          | 269          |
| Deferred income taxes & investment tax credits                               | 36                      | 88           | 33           |
| Expense portion of pension & postretirement benefit cost                     | 7                       | 12           | 14           |
| Changes in working capital accounts:   |                         |              |              |
| Accounts receivable & accrued unbilled revenue                               | (41)                    | (39)         | 14           |
| Inventories  | 17                      | (9)          | (20)         |
| Net regulatory assets and liabilities  | (89)                    | (81)         | (63)         |
| Accounts payable   | (57)                    | 93           | 9            |
| Employer contributions to pension & postretirement plans                     | (2)                     | (3)          | (17)         |
| Other current assets and liabilities   | 53                      | (7)          | 7            |
| Other assets and other liabilities   | (58)                    | (4)          | (83)         |
| Other operating activities, net  | 16                      | 13           | 12           |
| Net cash provided by operating activities                                    | <u>416</u>              | <u>537</u>   | <u>323</u>   |
| <b>Cash Flows from Investing Activities:</b>                                 |                         |              |              |
| Capital expenditures, excluding AFUDC equity                                 | (632)                   | (677)        | (584)        |
| Sale of investments  | —                       | —            | 34           |
| Purchase of investments  | —                       | —            | (38)         |
| Proceeds from company-owned life insurance                                   | —                       | 2            | 20           |
| Other-net  | (3)                     | 2            | —            |
| Net cash used in investing activities  | <u>(635)</u>            | <u>(673)</u> | <u>(568)</u> |
| <b>Cash Flows from Financing Activities:</b>                                 |                         |              |              |
| Proceeds from long-term debt - affiliated companies                          | —                       | 650          | 693          |
| Retirement of long-term debt   | (55)                    | (400)        | (568)        |
| Net change in commercial paper   | 258                     | (176)        | 102          |
| Capital contribution from parent   | 55                      | 130          | 54           |
| Dividends to parent  | (40)                    | (71)         | (48)         |
| Net cash provided by financing activities                                    | <u>218</u>              | <u>133</u>   | <u>233</u>   |
| <b>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</b> | <u>(1)</u>              | <u>(3)</u>   | <u>(12)</u>  |
| <b>Cash, Cash Equivalents and Restricted Cash at Beginning of Period</b>     | <u>8</u>                | <u>11</u>    | <u>23</u>    |
| <b>Cash, Cash Equivalents and Restricted Cash at End of Period</b>           | <u>\$ 7</u>             | <u>\$ 8</u>  | <u>\$ 11</u> |

*The accompanying notes are an integral part of these consolidated financial statements*

**VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY**

|                                     | Common<br>Stock | Retained<br>Earnings | Total           |
|-------------------------------------|-----------------|----------------------|-----------------|
|                                     | (in millions)   |                      |                 |
| <b>Balance at January 1, 2019</b>   | \$ 979          | \$ 909               | \$ 1,888        |
| Net income                          |                 | 148                  | 148             |
| Common stock:                       |                 |                      |                 |
| Additional capital contribution     | 54              |                      | 54              |
| Dividends                           |                 | (48)                 | (48)            |
| <b>Balance at December 31, 2019</b> | <u>1,033</u>    | <u>1,009</u>         | <u>2,042</u>    |
| Net income                          |                 | 188                  | 188             |
| Common stock:                       |                 |                      |                 |
| Additional capital contribution     | 130             |                      | 130             |
| Dividends                           |                 | (71)                 | (71)            |
| <b>Balance at December 31, 2020</b> | <u>1,163</u>    | <u>1,126</u>         | <u>2,289</u>    |
| Net income                          |                 | 235                  | 235             |
| Common stock:                       |                 |                      |                 |
| Additional capital contribution     | 55              |                      | 55              |
| Dividends                           |                 | (40)                 | (40)            |
| <b>Balance at December 31, 2021</b> | <u>\$ 1,218</u> | <u>\$ 1,321</u>      | <u>\$ 2,539</u> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Organization and Nature of Operations**

Vectren Utility Holdings, Inc. (collectively with its subsidiaries Utility Holdings, VUHI or the Company), an Indiana corporation, was formed on March 31, 2000, to serve as the intermediate holding company for Vectren Corporation's (Vectren) three operating public utilities: Indiana Gas Company, Inc. (CenterPoint Energy Indiana North or CEI North), Southern Indiana Gas and Electric Company (CenterPoint Energy Indiana South or CEI South), and Vectren Energy Delivery of Ohio, Inc. (CenterPoint Energy Ohio or CEOH). The Company also has other assets that provide information technology and other services to the three utilities. Vectren, a wholly owned subsidiary of CenterPoint Energy, Inc. (collectively with its subsidiaries, CenterPoint Energy) and an Indiana corporation, is an energy holding company headquartered in Evansville, Indiana, and was organized on June 10, 1999. Both Vectren and the Company are holding companies as defined by the Energy Policy Act of 2005 (Energy Act).

As of December 31, 2021, CEI North provided energy delivery services to 633,975 natural gas customers located in central and southern Indiana. CEI South provided energy delivery services to 150,382 electric customers and 114,671 gas customers located near Evansville in southwestern Indiana. CEI South also owns and operates electric generation assets to serve its electric customers and optimizes those assets in the wholesale power market. As of December 31, 2021, CEOH provided energy delivery services to 329,722 natural gas customers located near Dayton in west-central Ohio.

*Merger with CenterPoint Energy.* On February 1, 2019 (Merger Date), pursuant to the Merger Agreement, Vectren consummated the previously announced merger with CenterPoint Energy and was acquired for approximately \$6 billion in cash (the Merger). Each share of Vectren common stock issued and outstanding immediately prior to the closing was canceled and converted into the right to receive \$72.00 in cash per share, without interest. At the closing, each stock unit payable in Vectren common stock or whose value was determined with reference to the value of Vectren common stock, whether vested or unvested, was canceled with cash consideration paid in accordance with the terms of the Merger Agreement. These amounts did not include a stub period cash dividend of \$0.41145 per share, which was declared, with CenterPoint Energy consent, by Vectren's board of directors on January 16, 2019, and paid to Vectren stockholders as of the Merger Date.

Pursuant to the Merger Agreement and immediately subsequent to the close of the Merger, Vectren cash settled all outstanding share-based awards issued prior to the Merger Date by Vectren to its employees. As a result, VUHI recorded an incremental cost of \$26 million in Operation and maintenance expenses on its Consolidated Statements of Income during the year ended December 31, 2019 for its share of allocated costs.

Subsequent to the close of the Merger, VUHI recognized severance totaling \$41 million to employees terminated in 2019, inclusive of change of control severance payments to executives of Vectren under existing agreements, and which is included in Operation and maintenance expenses on its Consolidated Statements of Income during the year ended December 31, 2019.

In connection with the Merger, VUHI made offers to prepay certain outstanding guaranteed senior notes as required pursuant to certain note purchase agreements previously entered into by VUHI. See Note 7 for further details.

## (2) Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, after appropriate elimination of intercompany transactions.

### (b) Use of Estimates

In applying accounting policies, the Company makes judgments, assumptions, and estimates that affect the amounts reported in these consolidated financial statements and related footnotes. Examples of transactions for which estimation techniques are used include valuing deferred tax obligations, unbilled revenue, uncollectible accounts, regulatory assets and liabilities, asset retirement obligations, and derivatives and other financial instruments. Estimates also impact the depreciation of property, plant and equipment and the testing of goodwill and other assets for impairment. Recorded estimates are revised when better information becomes available or when actual amounts can be determined. Actual results could differ from current estimates.

### (c) Cash and Cash Equivalents

Highly liquid investments with an original maturity of three months or less at the date of purchase are considered cash equivalents. Cash and cash equivalents are stated at cost plus accrued interest to approximate fair value.

### (d) Accounts Receivables and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews historical write-offs, current available information, and reasonable and supportable forecasts to estimate and establish allowance for credit losses. Account balances are charged off against the allowance when management determines it is probable the receivable will not be recovered. See Note 5 for further information about regulatory deferrals of bad debt expense related to COVID-19.

### (e) Inventories

In most circumstances, the Company's inventory components are recorded using an average cost method; however, natural gas in storage at the Company's Indiana utilities is recorded using the Last In – First Out (LIFO) method. Inventory related to the Company's regulated operations is valued at historical cost consistent with ratemaking treatment. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to plant when installed.

Inventories consist of the following:

|  | December 31,  |               |
|--|---------------|---------------|
|  | 2021          | 2020          |
|  | (in millions) |               |
| Gas in storage – at LIFO cost                        | \$ 45         | \$ 37         |
| Materials & supplies                                 | 45            | 39            |
| Coal & oil for electric generation - at average cost | 14            | 44            |
| Other  | —             | 1             |
| Total inventories                                    | <u>\$ 104</u> | <u>\$ 121</u> |

Based on the average cost of gas purchased during December 2021, the cost of replacing inventories carried at LIFO cost exceeded carrying value at December 31, 2021 by \$8 million. Based on the average cost of gas purchased during December 2020, the cost of replacing inventories carried at LIFO cost was less than the carrying value at December 31, 2020 by \$8 million.

Due to CEOH's exit of the merchant function, CEOH does not hold a balance in natural gas inventory as it does not sell natural gas directly to customers. In addition, no storage facilities are owned by CEOH.

**(f) Long-lived Assets and Goodwill**

The Company records property, plant and equipment at historical cost and expenses repair and maintenance costs as incurred.

The Company periodically evaluates long-lived assets, including property, plant and equipment, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. For rate regulated businesses, recoverability of long-lived assets is assessed by determining if a capital disallowance from a regulator is probable through monitoring the outcome of rate cases and other proceedings. No long-lived asset impairments were recorded in 2021, 2020 or 2019.

The Company performs goodwill impairment tests at least annually and evaluates goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. The Company recognizes a goodwill impairment by the amount a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill within that reporting unit. The Company includes deferred tax assets and liabilities within its reporting unit's carrying value for the purposes of annual and interim impairment tests, regardless of whether the estimated fair value reflects the disposition of such assets and liabilities. Goodwill is reported in the Company's Natural Gas reporting segment.

The Company performed the annual goodwill impairment tests in the third quarter of 2021 and determined that no goodwill impairment charge was required.

**(g) Depreciation and Amortization Expense**

The Company computes depreciation and amortization using the straight-line method based on economic lives or regulatory-mandated recovery periods. Amortization expense includes amortization of certain regulatory assets.

The Company's portion of jointly owned property, plant and equipment, along with that plant's related operating expenses, is presented in these financial statements in proportion to the ownership percentage.

**(h) Capitalization of AFUDC**

The Company capitalizes AFUDC as a component of projects under construction and amortizes it over the assets' estimated useful lives once the assets are placed in service. AFUDC represents the composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction as the Company applies the guidance for accounting for regulated operations. Although AFUDC increases both property, plant and equipment and earnings, it is realized in cash when the assets are included in rates.

|                            | Year Ended December 31, |       |       |
|----------------------------|-------------------------|-------|-------|
|                            | 2021                    | 2020  | 2019  |
|                            | (in millions)           |       |       |
| AFUDC - borrowed funds (1) | \$ 19                   | \$ 16 | \$ 26 |
| AFUDC - equity funds (1)   | 5                       | 8     | 4     |

(1) Included in Other income, net on the Company's Consolidated Statements of Consolidated Income.

**(i) Regulation**

Retail public utility operations affecting Indiana customers are subject to regulation by the IURC, and retail public utility operations affecting Ohio customers are subject to regulation by the PUCO. CEI South is subject to FERC regulation as an electric public utility. The Company's accounting policies give recognition to the ratemaking and accounting practices authorized by these agencies.

**(j) Refundable or Recoverable Gas Costs and Cost of Fuel and Purchased Power**

All metered gas rates in Indiana contain a gas cost adjustment clause that allows the Company to charge for changes in the cost of purchased gas. Metered electric rates contain a fuel adjustment clause that allows for adjustment in charges for electric energy to reflect changes in the cost of fuel. The net energy cost of purchased power, subject to a variable benchmark based on NYMEX natural gas prices, is also recovered through regulatory proceedings. The Company records any under-or-over-

recovery resulting from gas and fuel adjustment clauses each month in revenues. A corresponding regulatory asset or liability is recorded until the under-over-recovery is billed or refunded to utility customers. The cost of gas sold is charged to operating expense as delivered to customers, and the cost of fuel and purchased power for electric generation is charged to operating expense when consumed.

***(k) Regulatory Assets and Liabilities***

The Company applies the guidance for accounting for regulated operations within its Electric reportable segment and Natural Gas reportable segment. The Company's rate-regulated subsidiaries may collect revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcomes of the proceedings.

The Company's rate-regulated businesses recognize removal costs as a component of depreciation expense in accordance with regulatory treatment. In addition, a portion of the amount of removal costs collected from customers that relate to AROs has been reflected as an asset retirement liability in accordance with accounting guidance for AROs.

***(l) Asset Retirement Obligations***

A portion of removal costs related to interim retirements of gas utility pipeline and electric utility poles, and reclamation activities meet the definition of an ARO. The Company records the fair value of a liability for a legal ARO in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. The liability is accreted, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company settles the obligation for its recorded amount or incurs a gain or loss. To the extent regulation is involved, regulatory assets and liabilities result when accretion and amortization is adjusted to match rates established by regulators and any gain or loss is subject to deferral.

***(m) Derivative Instruments***

The Company is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. The Company, from time to time, utilizes derivative instruments such as physical forward contracts, to mitigate the impact of changes in commodity prices on operating results and cash flows. Such derivatives are recognized in the Company's Consolidated Balance Sheet at their fair value unless the Company elects the normal purchase and sales exemption for qualified physical transactions. A derivative may be designated as a normal purchase or normal sale if the intent is to physically receive or deliver the product for use or sale in the normal course of business.

***(n) Environmental Costs***

The Company expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. The Company expenses amounts that relate to an existing condition caused by past operations that do not have future economic benefit. The Company records undiscounted liabilities related to these future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated.

***(o) Income Taxes***

On February 1, 2019, Vectren became a wholly-owned subsidiary of CenterPoint Energy and became included in CenterPoint Energy's consolidated federal income tax return. Vectren and certain subsidiaries are also included in various unitary or consolidated state income tax returns with CenterPoint Energy. In other state jurisdictions, Vectren and certain subsidiaries continue to file separate state tax returns. The Company calculates the provision for income taxes and income tax liabilities for each jurisdiction using a separate return method.

The Company uses the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established against deferred tax assets for which management believes realization is not considered to be more likely than not. The Company recognizes interest and penalties as a component of income tax expense (benefit), as applicable, in their respective Consolidated Statements of Income.



To the extent certain excess deferred income taxes of the Company's rate-regulated subsidiaries may be recoverable or payable through future rates, regulatory assets and liabilities have been recorded, respectively.

Investment tax credits are deferred and amortized to income over the approximate lives of the related property.

***(p) Revenue Policy***

Revenue is recognized when obligations under the terms of a contract with the customer are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The satisfaction of performance obligation occurs when the transfer of goods and services occur, which may be at a point in time or over time, resulting in revenue being recognized over the course of the underlying contract or at a single point in time based upon the delivery of services to customers.

***(q) MISO Transactions***

With the IURC's approval, the Company is a member of the MISO, a FERC approved regional transmission organization. The MISO serves the electrical transmission needs of much of the Midcontinent region and maintains operational control over the Company's electric transmission facilities as well as other utilities in the region. The Company is an active participant in the MISO energy markets, bidding its owned generation into the Day Ahead and Real Time markets and procuring power for its retail customers at Locational Marginal Pricing (LMP) as determined by the MISO market.

MISO-related purchase and sale transactions are recorded using settlement information provided by the MISO. These purchase and sale transactions are accounted for on at least a net hourly position, meaning net purchases within that interval are recorded on the Company's Consolidated Statements of Income in Utility natural gas, Fuel and purchased power, and net sales within that interval are recorded on the Company's Consolidated Statements of Income in Utility revenues. On occasion, prior period transactions are resettled outside the routine process due to a change in the MISO's tariff or a material interpretation thereof. Expenses associated with resettlements are recorded once the resettlement is probable and the resettlement amount can be estimated. Revenues associated with resettlements are recognized when the amount is determinable and collectability is reasonably assured.

The Company also receives transmission revenue that results from other members' use of the Company's transmission system. These revenues are also included in Electric utility reportable segment revenues. Generally, these transmission revenues along with costs charged by the MISO are considered components of base rates and any variance from that included in base rates is recovered from / refunded to retail customers through tracking mechanisms.

***(r) Excise & Utility Receipts Taxes***

Excise taxes and a portion of utility receipts taxes are included in rates charged to customers. Accordingly, the Company records these taxes received as a component of utility revenues, which totaled \$33 million in 2021, \$30 million in 2020, and \$30 million in 2019. Expense associated with excise and utility receipts taxes are recorded as a component of Taxes other than income taxes on the Consolidated Statements of Income.

***(s) Fair Value Measurements***

Certain assets and liabilities are valued and disclosed at fair value. Nonfinancial assets and liabilities include the initial measurement of an asset retirement obligation or the use of fair value in goodwill and long-lived assets impairment tests. FASB guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

|         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.  |
| Level 2 | Inputs to the valuation methodology include <ul style="list-style-type: none"> <li>· quoted prices for similar assets or liabilities in active markets;</li> <li>· quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>· inputs other than quoted prices that are observable for the asset or liability;</li> <li>· inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

### (3) Revenue Recognition

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services.

The Company determines that disaggregating revenue into certain categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. These material revenue generating categories, as disclosed in Note 12, include: Natural Gas and Electric.

The Company provides commodity service to customers at rates, charges, and terms and conditions included in tariffs approved by regulators. The Company's utilities bill customers monthly and have the right to consideration from customers in an amount that corresponds directly with the performance obligation satisfied to date. The performance obligation is satisfied and revenue is recognized upon the delivery of services to customers. The Company records revenues for services and goods delivered but not billed at the end of an accounting period in Accrued unbilled revenues, derived from estimated unbilled consumption and tariff rates or in a regulatory asset, as applicable. The Company's revenues are also adjusted for the effects of regulation including tracked operating expenses, infrastructure replacement mechanisms, decoupling mechanisms, and lost margin recovery. Decoupling and lost margin recovery mechanisms are considered ARPs, which are excluded from the scope of ASC 606. Customers are billed monthly and payment terms, set by the regulator, require payment within a month of billing. The Company's revenues are not subject to significant returns, refunds, or warranty obligations.

In the following table, the Company's revenue is disaggregated by reportable segment and major source.

|                        | Year Ended December 31, 2021 |                 |                 |
|------------------------|------------------------------|-----------------|-----------------|
|                        | Electric                     | Natural Gas     | Total           |
|                        | (in millions)                |                 |                 |
| Revenue from contracts | \$ 609                       | \$ 1,071        | \$ 1,680        |
| Other (1)              | 20                           | 16              | 36              |
| <b>Total Revenues</b>  | <b>\$ 629</b>                | <b>\$ 1,087</b> | <b>\$ 1,716</b> |

  

|                        | Year Ended December 31, 2020 |               |                 |
|------------------------|------------------------------|---------------|-----------------|
|                        | Electric                     | Natural Gas   | Total           |
|                        | (in millions)                |               |                 |
| Revenue from contracts | \$ 529                       | \$ 869        | \$ 1,398        |
| Other (1)              | 25                           | (1)           | 24              |
| <b>Total Revenues</b>  | <b>\$ 554</b>                | <b>\$ 868</b> | <b>\$ 1,422</b> |

|                        | Year Ended December 31, 2019 |               |                 |
|------------------------|------------------------------|---------------|-----------------|
|                        | Electric                     | Natural Gas   | Total           |
|                        | (in millions)                |               |                 |
| Revenue from contracts | \$ 548                       | \$ 856        | \$ 1,404        |
| Other (1)              | 22                           | 7             | 29              |
| <b>Total Revenues</b>  | <b>\$ 570</b>                | <b>\$ 863</b> | <b>\$ 1,433</b> |

(1) Primarily consists of income from ARPs. ARPs are contracts between the utility and its regulators, not between the utility and a customer. The Company recognizes ARP revenue as other revenues when the regulator-specified conditions for recognition have been met. Upon recovery of ARP revenue through incorporation in rates charged for utility service to customers, ARP revenue is reversed and recorded as revenue from contracts with customers. The recognition of ARP revenues and the reversal of ARP revenues upon recovery through rates charged for utility service may not occur in the same period.

### Revenues from Contracts with Customers

**Contract Balances.** The Company does not have any material contract balances (right to consideration for services already provided or obligations to provide services in the future for consideration already received). Substantially all the Company's accounts receivable results from contracts with customers.

The opening and closing balances of the Company's accounts receivable and other accrued unbilled revenue are as follows:

|   | Accounts Receivable | Other Accrued Unbilled Revenues |
|---|---------------------|---------------------------------|
|   | (in millions)       |                                 |
| Opening balance as of December 31, 2020 | \$ 127              | \$ 97                           |
| Closing balance as of December 31, 2021 | 149                 | 116                             |
| <b>Increase</b>                         | <b>\$ 22</b>        | <b>\$ 19</b>                    |

### Allowance for Credit Losses and Bad Debt Expense

The Company segregates financial assets that fall under the scope of Topic 326, primarily trade receivables due in one year or less, into portfolio segments based on shared risk characteristics, such as geographical location and regulatory environment, for evaluation of expected credit losses. Historical and current information, such as average write-offs, are applied to each portfolio segment to estimate the allowance for losses on uncollectible receivables. Additionally, the allowance for losses on uncollectible receivables is adjusted for reasonable and supportable forecasts of future economic conditions, which can include changing weather, commodity prices, regulations, and macroeconomic factors, among others. For a discussion of regulatory deferrals related to COVID-19, see Note 5.

The table below summarizes the Company's bad debt expense amounts for 2021, 2020 and 2019, net of regulatory deferrals, including those related to COVID-19:

|                  | Year Ended December 31, |      |      |
|------------------|-------------------------|------|------|
|                  | 2021                    | 2020 | 2019 |
|                  | (in millions)           |      |      |
| Bad debt expense | \$ 2                    | \$ 6 | \$ 5 |



## (5) Regulatory Assets & Liabilities

The following is a list of regulatory assets and liabilities reflected on the Company's Consolidated Balance Sheets as of December 31, 2021 and 2020.

|  | December 31,    |               |
|--|-----------------|---------------|
|  | 2021            | 2020          |
|  | (in millions)   |               |
| <b>Regulatory Assets:</b>  |                 |               |
| <b>Future amounts recoverable from ratepayers related to:</b>    |                 |               |
| Net deferred income taxes  | \$ 10           | \$ 9          |
| Asset retirement obligations and other                           | 37              | 48            |
| Total future amounts recoverable from ratepayers                 | 47              | 57            |
| <b>Amounts deferred for future recovery related to:</b>          |                 |               |
| Extraordinary gas costs (1)                                      | 74              | —             |
| Indiana cost recovery riders                                     | 52              | 24            |
| Ohio cost recovery riders  | 51              | 51            |
| Gas recovery costs (1)   | 32              | 3             |
| Total amounts deferred for future recovery                       | 209             | 78            |
| <b>Amounts currently recovered in customer rates related to:</b> |                 |               |
| Indiana authorized trackers                                      | 78              | 79            |
| Ohio authorized trackers   | 68              | 39            |
| Indiana authorized cost deferrals                                | 161             | 137           |
| Ohio authorized cost deferrals                                   | 100             | 94            |
| Loss on reacquired debt and hedging costs                        | 24              | 37            |
| Total amounts recovered in customer rates                        | 431             | 386           |
| <b>Total Regulatory Assets</b>                                   | <b>\$ 687</b>   | <b>\$ 521</b> |
| <b>Total Current Regulatory Assets</b>                           | <b>\$ 106</b>   | <b>\$ 3</b>   |
| <b>Total Non-current Regulatory Assets</b>                       | <b>\$ 581</b>   | <b>\$ 518</b> |
| <b>Regulatory Liabilities:</b>                                   |                 |               |
| Regulatory liabilities related to TCJA                           | \$ 354          | \$ 386        |
| Estimated removal costs  | 623             | 584           |
| Other regulatory liabilities                                     | 43              | —             |
| <b>Total Regulatory Liabilities</b>                              | <b>\$ 1,020</b> | <b>\$ 970</b> |

(1) Included in current regulatory assets on the Company's Consolidated Balance Sheets.

Of the \$431 million currently being recovered in customer rates, \$93 million related to Ohio deferrals is earning a return. The weighted average recovery period of regulatory assets currently being recovered in base rates, not earning a return, which totals \$193 million, is 30 years. Regulatory assets not earning a return with perpetual or undeterminable lives have been excluded from the weighted average recovery period calculation. The remainder of the regulatory assets are being recovered timely through periodic recovery mechanisms. The Company has rate orders for all deferred costs not yet in rates and therefore believes future recovery is probable.

Regulatory assets for asset retirement obligations, see Notes 4 and 10 for further discussion, are primarily a result of costs incurred for expected retirement activity for the Company's ash ponds beyond what has been recovered in rates. The Company believes the recovery of these assets are probable as the Company reached a settlement agreement with the intervening parties whereby the costs would be recovered as requested in the petition filed with the IURC on August 14, 2019. On May 13, 2020, the IURC approved the settlement agreement in full. On October 28, 2020, the IURC approved the Company's ECA proceeding, which included the initiation of recovery of the federally mandated project costs.

The deferred tax related regulatory liability is primarily the revaluation of deferred taxes at the reduced federal corporate tax rate that was enacted on December 22, 2017. These regulatory liabilities are being refunded to customers over time following regulatory commission approval.

### **February 2021 Winter Storm Event**

In February 2021, certain of the Company's jurisdictions experienced an extreme and unprecedented winter weather event that resulted in prolonged freezing temperatures, which impacted their businesses. The February 2021 Winter Storm Event impacted wholesale prices of the Company's natural gas purchases and their ability to serve customers in their service territories, including due to the reduction in available natural gas capacity and impacts to the Company's natural gas supply portfolio activities, and the effects of weather on their systems and their ability to transport natural gas, among other things. The overall natural gas market, including the markets from which the Company sourced a significant portion of its natural gas for their operations, experienced significant impacts caused by the February 2021 Winter Storm Event, resulting in extraordinary increases in the price of natural gas purchased by the Company.

The Company deferred under-recovered natural gas cost as regulatory assets under existing recovery mechanisms. As of December 31, 2021, the Company has recorded current regulatory assets of \$74 million associated with the February 2021 Winter Storm Event through the gas cost recovery mechanism.

Amounts for the under recovery of natural gas costs are reflected in regulatory assets on the Company's Consolidated Balance Sheets. Recovery of natural gas costs within the regulatory assets are probable and are subject to customary regulatory prudence reviews in all jurisdictions that may impact the amounts ultimately recovered. The Company has begun recovery of natural gas costs attributable to the February 2021 Winter Storm Event.

### **COVID-19 Regulatory Matters**

Governors, public utility commissions and other authorities in the states in which the Company operate have issued a number of different orders related to the COVID-19 pandemic, including orders addressing customer non-payment and disconnection. Although the disconnect moratoriums have expired in the Company's service territories, it continues to support those customers who may need payment assistance, arrangements or extensions.

The IURC and PUCO have either (1) issued orders to record a regulatory asset for incremental bad debt expenses related to COVID-19, including costs associated with the suspension of disconnections and payment plans or (2) provided authority to recover bad debt expense through an existing tracking mechanism. The IURC issued an order in October 2021 for CEI South and November 2021 approving settlements in each of their recent base rate cases which included recovery of the applicable regulatory asset. The Company has recorded estimated incremental uncollectible receivables to the associated regulatory asset of \$2 million and \$3 million, as of December 31, 2021 and 2020, respectively.

The IURC and PUCO have authorized utilities to employ deferred accounting authority for certain COVID-19 related costs which ensure the safety and health of customers, employees, and contractors, that would not have been incurred in the normal course of business.

## **(6) Transactions with Other Vectren Companies and Affiliates**

### **Vectren Infrastructure Services Corporation (VISCO)**

On April 9, 2020, Vectren closed on a transaction to sell its Infrastructure Services business which provided underground pipeline construction and repair services. VISCO's customers included the Company's utilities and fees incurred by the Company totaled:

|  | Year Ended December 31, |        |
|--|-------------------------|--------|
|  | 2020 <sup>(1)</sup>     | 2019   |
|  | (in millions)           |        |
| Pipeline construction and repair services <sup>(2)</sup> | \$ 55                   | \$ 150 |

(1) Represents charges for the period, January 1, 2020 until the closing of the sale of VISCO.

(2) Amounts owed to VISCO are included in Accounts payable - affiliated companies.

## Support Services & Purchases

Affiliates of CenterPoint Energy and Vectren provide corporate and general and administrative services to the Company and allocates certain costs to the Company. These services are billed to the Company at actual cost, either directly or as an allocation using various allocators, including number of employees, number of customers and/or the level of payroll, revenue contribution and capital expenditures. Affiliates of CenterPoint Energy provide other miscellaneous services, including geographic services and other management support. These services are billed at actual cost, and the charges are not necessarily indicative of what would have been incurred had CenterPoint Energy's subsidiaries not been affiliates. Amounts owed for support services and purchases as of December 31, 2021 and 2020 are included in Accounts payable - affiliated companies.

Additionally, CenterPoint Energy, through an energy service subsidiary divested in June 2020, sold natural gas to the Company's Electric reportable segment for use in electric generation activities. Contracts for natural gas were executed in a competitive bidding process and are reflective of what would have been incurred had CenterPoint Energy not been an affiliate.

|  | Year Ended December 31, |      |      |
|--|-------------------------|------|------|
|  | 2021                    | 2020 | 2019 |
|  | (in millions)           |      |      |
| Affiliate natural gas expense <sup>(1)</sup> | \$ —                    | \$ 1 | \$ 1 |
| Corporate allocations <sup>(2)</sup>         | 111                     | 51   | 92   |

- (1) Amounts charged for natural gas are included primarily in Utility natural gas until the closing of the sale of CenterPoint Energy's energy service subsidiary.
- (2) The allocated costs in 2021, 2020 and 2019 also include allocations from CenterPoint Energy for corporate service charges. Amounts charged for corporate allocations are reflected primarily in Operation and maintenance expense. The increased allocated costs in 2021 primarily related to a technology project. The allocated costs in 2019 include \$22 million of severance and \$26 million of stock-based compensation as a result of the Merger with CenterPoint Energy.

## Retirement Plans & Other Postretirement Benefits

As of December 31, 2021, Vectren maintains three closed qualified defined benefit pension plans, a nonqualified SERP, and a postretirement benefit plan. Vectren's defined benefit pension plans and postretirement benefit plan, which cover the Company's eligible full-time regular employees, are primarily noncontributory. The postretirement benefit plan includes health care and life insurance benefits which are a combination of self-insured and fully insured programs. Vectren's current and former employees comprise the vast majority of the participants and retirees covered by these plans. Effective in 2021, certain participants of the Vectren Non-Bargaining Retirement Plan and all liabilities and assets associated with the accrued benefits of such participants were transferred to and became participants of the CenterPoint Energy pension plan.

Vectren satisfies the future funding requirements for its funded plans and the payment of benefits for unfunded plans from general corporate assets and, as necessary, relies on the Company to support the funding of these obligations. However, the Company has no contractual funding obligation to the plans. The Company did not make a contribution in 2021 or 2020 to the Company's parents' deferred benefit and pension plans. The Company contributed \$2 million and \$3 million in 2021 and 2020, respectively, to Vectren's SERP and post retirement benefit plans. The combined funded status of Vectren's pension plans was approximately 100 percent and 92 percent, respectively, as of December 31, 2021 and 2020. The combined funded status of CenterPoint Energy's, excluding Vectren, defined benefit pension plans was approximately 92 percent as of December 31, 2021.

Vectren allocates retirement plan and other postretirement benefit plan periodic cost calculated pursuant to GAAP to its subsidiaries, which is also how the Company's rate regulated utilities recover retirement plan periodic costs through base rates. Periodic costs are charged to the Company following a labor cost allocation methodology and results in retirement costs being allocated to both operating expense and capital projects. For the years ended December 31, 2021, 2020, and 2019, costs totaling \$6 million, \$10 million and \$16 million, respectively, were charged to the Company from CenterPoint Energy.

Any difference between the Company's funding requirements to Vectren and allocated periodic costs is recognized by the Company as an intercompany asset or liability. The allocation methodology to determine the intercompany funding requirements from the subsidiaries to Vectren is consistent with FASB guidance related to "multiemployer" benefit accounting. Neither plan assets nor plan obligations as calculated pursuant to GAAP by Vectren are allocated to individual subsidiaries.

As of December 31, 2021 and 2020, the Company has \$41 million, and \$46 million, respectively, representing defined benefit funding by the Company to Vectren that is yet to be reflected in costs. As of December 31, 2021 and 2020, the Company has \$35 million and \$37 million, respectively, included in Other non-current liabilities representing costs related to other postretirement benefits charged to the Company that is yet to be funded to Vectren. The Company's labor allocation methodology is used to compute the Company's funding of the defined benefit retirement and other postretirement plans to the Company's parent, which is consistent with the regulatory ratemaking processes of the Company's subsidiaries.

#### ***Share-Based Incentive Plans & Deferred Compensation Plans***

Subsequent to the February 1, 2019 completion of the Merger, and pursuant to the Merger Agreement, all the share-based awards of Vectren have been settled and a majority of its deferred compensation liabilities have been settled. As of December 31, 2021, the Company does not have share-based compensation plans separate from Vectren or CenterPoint Energy.

As of December 31, 2021 most active employees of the deferred compensation plans were transferred out of VUHI and into other CenterPoint Energy companies. As of December 31, 2021 and 2020, less than \$1 million and \$5 million, respectively, is included in Other non-current liabilities and represents deferred compensation obligations that are yet to be funded in the plan.

#### ***Cash Management Arrangements***

The Company participates in the centralized cash management program with affiliates of Vectren and has long-term borrowing arrangements with CenterPoint Energy. See Note 7 for further information regarding intercompany borrowing arrangements.

#### ***Income Taxes***

The Company does not file federal or state income tax returns separate from those filed by its parent, Vectren or CenterPoint Energy. As of February 2, 2019, the Company's parent is included in CenterPoint Energy's consolidated U.S. federal income tax return. Vectren and/or certain of its subsidiaries file income tax returns in various states. Pursuant to a tax sharing agreement and for financial reporting purposes, Vectren subsidiaries record income taxes on a separate company basis. The Company's allocated share of tax effects resulting from it being a part of this consolidated tax group are recorded at the parent company level. Current taxes payable/receivable are settled with the Company's parent in cash quarterly and after filing the consolidated federal and state income tax returns.

Deferred income taxes are provided for temporary differences between the tax basis (adjusted for related unrecognized tax benefits, if any) of an asset or liability and its reported amount in the financial statements. Deferred tax assets and liabilities are computed based on the currently-enacted statutory income tax rates that are expected to be applicable when the temporary differences are scheduled to reverse. The Company's rate-regulated utilities recognize regulatory liabilities for deferred taxes provided in excess of the current statutory tax rate and regulatory assets for deferred taxes provided at rates less than the current statutory tax rate. Such tax-related regulatory assets and liabilities are reported at the revenue requirement level and amortized to income as the related temporary differences reverse, generally over the lives of the related properties. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that the deferred tax assets will be realized.

Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more-likely-than-not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. The Company reports interest and penalties associated with unrecognized tax benefits within Income taxes in the Consolidated Statements of Income and reports tax liabilities related to unrecognized tax benefits as part of Other non-current liabilities.

Investment tax credits (ITCs) are deferred and amortized to income over the approximate lives of the related property. Production tax credits (PTCs) are recognized as energy is generated and sold based on a per kilowatt hour rate prescribed in applicable federal and state statutes.

The Company's gas and electric utilities currently recover corporate income tax expense in approved rates charged to customers. The IURC and the PUCO both issued orders which initiated proceedings to investigate the impact of the Tax Cuts and Jobs Act (TCJA) on utility companies and customers within each state. In addition, both Commissions have ordered each utility to establish regulatory liabilities to record all estimated impacts of tax reform starting January 1, 2018. As of



December 31, 2021 and 2020, the Company has \$354 million and \$386 million, respectively, in liabilities associated with excess deferred income taxes.

In Indiana, the IURC approved a reduction to the Company's current rates and charges, effective June 1, 2018, to capture the immediate impact of the lower corporate federal income tax rate. The refund of excess deferred taxes and regulatory liabilities commenced in November 2018 for the Company's Indiana electric customers and in January 2019 for the Company's Indiana gas customers.

In Ohio, a rate reduction to the Company's current rates and charges was effective upon the Company receiving approval of new base rates effective on September 1, 2019. In January 2019, the Company filed an application with PUCO in compliance with its October 2018 order requiring utilities to file for a request to adjust rates to reflect the impact of the TCJA, requesting authority to implement a Tax Credit and Savings Rider (TCSR) to flow back to customers the tax benefits realized under the TCJA, including the refund of excess deferred taxes and regulatory liabilities. An order was received July 1, 2020; however, it did not resolve Component D of the TCJA case. As of December 31, 2021, the Company still awaits a ruling on this portion.

The components of income tax expense and amortization of investment tax credits follow:

|                                    | Year Ended December 31, |              |             |
|------------------------------------|-------------------------|--------------|-------------|
|                                    | 2021                    | 2020         | 2019        |
|                                    | (in millions)           |              |             |
| Current:                           |                         |              |             |
| Federal                            | \$ 7                    | \$ (32)      | \$ 3        |
| State                              | 5                       | (7)          | (4)         |
| <b>Total current taxes</b>         | <b>12</b>               | <b>(39)</b>  | <b>(1)</b>  |
| Deferred:                          |                         |              |             |
| Federal                            | (1)                     | 63           | 9           |
| State                              | 12                      | 25           | 2           |
| <b>Total deferred taxes</b>        | <b>11</b>               | <b>88</b>    | <b>11</b>   |
| Investment tax credit amortization | (1)                     | (1)          | (1)         |
| Investment tax credit deferred     | 26                      | —            | —           |
| <b>Total income tax expense</b>    | <b>\$ 48</b>            | <b>\$ 48</b> | <b>\$ 9</b> |

A reconciliation of the federal statutory rate to the effective income tax rate follows:

|   | Year Ended December 31, |             |            |
|---|-------------------------|-------------|------------|
|   | 2021                    | 2020        | 2019       |
| Statutory rate  | 21 %                    | 21 %        | 21 %       |
| Regulatory liability amortization settled through rates | (7)                     | (7)         | (11)       |
| State and local taxes-net of federal benefit            | 5                       | 2           | 3          |
| All other - net   | (2)                     | 4           | (7)        |
| <b>Effective tax rate</b>                               | <b>17 %</b>             | <b>20 %</b> | <b>6 %</b> |

Significant components of the net deferred tax liability follow:

|   | December 31,  |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | (in millions) |               |
| Non-current deferred tax assets:                    |               |               |
| Net operating loss & other carryforwards            | \$ 23         | \$ —          |
| Regulatory liabilities settled through future rates | 82            | 86            |
| <b>Total deferred tax assets</b>                    | <b>105</b>    | <b>86</b>     |
| Non-current deferred tax liabilities:               |               |               |
| Depreciation & cost recovery timing differences     | 664           | 646           |
| Regulatory assets recoverable through future rates  | 9             | 10            |
| Employee benefit obligations                        | 4             | 4             |
| Deferred fuel costs                                 | 54            | 26            |
| Other – net   | 46            | 46            |
| <b>Total deferred tax liabilities</b>               | <b>777</b>    | <b>732</b>    |
| <b>Net non-current deferred tax liability</b>       | <b>\$ 672</b> | <b>\$ 646</b> |

As of December 31, 2021, the Company had a \$23 million investment tax credit carryforward that will expire in 2041. Investment tax credits of \$28 million and \$3 million are included in Other non-current liabilities as of December 31, 2021 and 2020, respectively.

#### **Uncertain Tax Positions**

Unrecognized tax benefits for all periods presented were not material to the Company. The net liability on the Consolidated Balance Sheet for unrecognized tax benefits inclusive of interest and penalties totaled \$1 million and \$1 million, respectively, at December 31, 2021 and 2020.

The Company's parent and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states. The Internal Revenue Service (IRS) is currently auditing Vectren's U.S. federal income 2014-2019 tax returns. The State of Indiana, Vectren's primary state tax jurisdiction, has concluded examinations of Vectren's consolidated state income tax returns for tax years through 2017 with no adjustments. The statutes of limitations for assessment of Indiana income tax have expired with respect to tax years through 2016 except to the extent of refunds claimed on amended tax returns. Tax years through 2018 have been audited and settled with the IRS for CenterPoint Energy. For the 2019-2021 tax years, CenterPoint Energy and its subsidiaries are participants in the IRS's Compliance Assurance Process.

#### **(7) Borrowing Arrangements**

##### **Long-Term Debt**

Long-term senior unsecured obligations and first mortgage bonds outstanding by subsidiary follow:

|                           | December 31,  |       |
|---------------------------|---------------|-------|
|                           | 2021          | 2020  |
|                           | (in millions) |       |
| <b>VUHI</b>               |               |       |
| Fixed Rate Affiliate Debt |               |       |
| 2023, 3.72%               | \$ 93         | \$ 93 |
| 2025, 1.21%               | 300           | 300   |
| 2028, 3.20%               | 45            | 45    |
| 2030, 1.72%               | 175           | 175   |
| 2032, 3.26%               | 100           | 100   |
| 2035, 3.90%               | 25            | 25    |
| 2043, 4.25%               | 70            | 70    |
| 2045, 4.36%               | 95            | 95    |
| 2047, 3.93%               | 100           | 100   |
| 2049, 3.42%               | 125           | 125   |

|   | December 31,    |                 |
|---|-----------------|-----------------|
|   | 2021            | 2020            |
| 2050, 3.92%   | 175             | 175             |
| 2055, 4.51%   | 40              | 40              |
| <b>Fixed Rate Senior Unsecured Notes</b>                      |                 |                 |
| 2021, 4.67%   | —               | 55              |
| 2023, 3.72%   | 57              | 57              |
| 2026, 5.02%   | 60              | 60              |
| 2035, 6.10%   | 75              | 75              |
| 2041, 5.99%   | 35              | 35              |
| 2042, 5.00%   | 100             | 100             |
| 2043, 4.25%   | 10              | 10              |
| 2045, 4.36%   | 40              | 40              |
| <b>Variable Rate Term Loans</b>                               |                 |                 |
| Commercial Paper backed by long-term facility                 | 350             | 92              |
| <b>Total VUHI</b>   | <b>2,070</b>    | <b>1,867</b>    |
| <b>CEI South</b>  |                 |                 |
| <b>First Mortgage Bonds</b>                                   |                 |                 |
| 2022, 2013 Series C, current adjustable rate .83%, tax-exempt | 5               | 5               |
| 2024, 2013 Series D, current adjustable rate .83%, tax-exempt | 23              | 23              |
| 2025, 2014 Series B, current adjustable rate .83%, tax-exempt | 41              | 41              |
| 2029, 1999 Series, 6.72%                                      | 80              | 80              |
| 2037, 2013 Series E, current adjustable rate .83%, tax-exempt | 22              | 22              |
| 2038, 2013 Series A, current adjustable rate .83%, tax-exempt | 22              | 22              |
| 2043, 2013 Series B, current adjustable rate .83%, tax-exempt | 40              | 40              |
| 2044, 2014 Series A, 4.00%, tax-exempt                        | 22              | 22              |
| 2055, 2015 Series Mt. Vernon, .875%, tax-exempt               | 15              | 23              |
| 2055, 2015 Series Warrick County, .875%, tax-exempt           | 23              | 15              |
| <b>Total CEI South</b>  | <b>293</b>      | <b>293</b>      |
| <b>CEI North</b>  |                 |                 |
| <b>Fixed Rate Senior Unsecured Notes</b>                      |                 |                 |
| 2025, Series E, 6.53%   | 10              | 10              |
| 2027, Series E, 6.42%   | 5               | 5               |
| 2027, Series E, 6.68%   | 1               | 1               |
| 2027, Series F, 6.34%   | 20              | 20              |
| 2028, Series F, 6.36%   | 10              | 10              |
| 2028, Series F, 6.55%   | 20              | 20              |
| 2029, Series G, 7.08%   | 30              | 30              |
| <b>Total CEI North</b>  | <b>96</b>       | <b>96</b>       |
| <b>Total long-term debt payable - affiliated companies</b>    | <b>1,343</b>    | <b>1,343</b>    |
| <b>Total long-term debt payable to third parties</b>          | <b>1,116</b>    | <b>913</b>      |
| <b>Total long-term debt outstanding</b>                       | <b>2,459</b>    | <b>2,256</b>    |
| Current maturities of long-term debt                          | (5)             | (55)            |
| <b>Total long-term debt, net of current maturities</b>        | <b>\$ 2,454</b> | <b>\$ 2,201</b> |

*Credit Facilities.* On February 4, 2021, VUHI replaced its existing revolving credit facility with a new amended and restated credit facility. The size of the facility remains unchanged and remains guaranteed by CEI South, CEI North and CEOH. The credit facility contains provisions relating to the replacement of LIBOR. The Company had the following revolving credit facility as of December 31, 2021:

| <u>Execution Date</u> | <u>Company</u>                  | <u>Size of Facility</u><br>(in millions) | <u>Draw Rate of</u><br><u>LIBOR plus (1)</u> | <u>Financial Covenant</u><br><u>Limit on Debt for</u><br><u>Borrowed Money to</u><br><u>Capital Ratio</u> | <u>Debt for Borrowed</u><br><u>Money to Capital</u><br><u>Ratio as of</u><br><u>December 31, 2021</u><br>(2) | <u>Termination Date</u> |
|-----------------------|---------------------------------|--|--|---|--|-------------------------|
| February 4, 2021      | Utility Holdings <sup>(3)</sup> | \$ 400                                   | 1.250%                                       | 65%   | 48.9%  | February 4, 2024        |

(1) Based on credit ratings.

(2) As defined in the revolving credit facility agreement.

(3) This credit facility was issued by VUHI, is guaranteed by CEI South, CEI North and CEOH and includes a \$20 million letter of credit sublimit. This credit facility backstops, VUHI's commercial paper program.

There were no borrowings outstanding under the revolving credit facility as of December 31, 2021.

*Mandatory Tenders.* Certain series of CEI South bonds, aggregating \$186 million are subject to mandatory tenders prior to the bond's final maturities. In 2020, \$38 million of such bonds was tendered and remarketed and \$148 million of such bonds are subject to being tendered in 2023.

*Future Long-Term Debt Sinking Fund Requirements and Maturities.* As of December 31, 2021, CEI South had approximately \$293 million aggregate principal amount of first mortgage bonds outstanding. Generally, all of CEI South's real and tangible property is subject to the lien of CEI South's mortgage indenture. CEI South may issue additional bonds under its mortgage indenture up to 60% of currently unfunded property additions. As of December 31, 2021, approximately \$1.4 billion of additional first mortgage bonds could be issued on this basis. However, CEI South is also limited in its ability to issue additional bonds under its mortgage indenture due to certain provisions in its parent's, VUHI, debt agreements.

*Maturities.* As of December 31, 2021, maturities of affiliate long-term debt, and third party debt, including commercial paper backed by the VUHI credit facility that expires in July 2024, were as follows:

|                     | <u>Affiliate Debt</u> | <u>Third Party Debt</u> | <u>Total Debt</u> |
|---------------------|-----------------------|-------------------------|-------------------|
|                     | <u>(in millions)</u>  |                         |                   |
| 2022                | \$ —                  | \$ 5                    | \$ 5              |
| 2023                | 93                    | 57                      | 150               |
| 2024                | —                     | 373                     | 373               |
| 2025                | 300                   | 51                      | 351               |
| 2026                | —                     | 60                      | 60                |
| 2027 and thereafter | 950                   | 570                     | 1,520             |

*Debt Guarantees.* The Company's outstanding long-term and commercial paper borrowing arrangements are jointly and severally guaranteed by CEI South, CEI North, and CEOH. The Company's third-party long-term debt, including current portions, outstanding as of December 31, 2021, was \$1,116 million.

*Covenants.* Both long-term and short-term borrowing arrangements contain customary default provisions; restrictions on liens, sale-leaseback transactions, mergers or consolidations, and sales of assets; and restrictions on leverage, among other restrictions. Multiple debt agreements contain a covenant that the ratio of consolidated total debt to consolidated total capitalization will not exceed 65 percent. As of December 31, 2021, the Company was in compliance with all debt covenants.

## (8) Commitments and Contingencies

### (a) Purchase Obligations

Commitments include minimum purchase obligations related to the Company's Natural Gas reportable segment and Electric reportable segment. A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on the Company and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Contracts with minimum payment provisions have various quantity requirements and durations and are not classified as non-trading derivative assets and liabilities in the Company's Consolidated Balance Sheets as of December 31, 2021 and 2020. These contracts meet an exception as "normal purchases contracts" or do not meet the definition of a derivative. Natural gas and coal supply commitments also include transportation contracts that do not meet the definition of a derivative.

On February 9, 2021, CEI South entered into a BTA with a subsidiary of Capital Dynamics. Pursuant to the BTA, Capital Dynamics, with its partner Tenaska, will build a 300 MW solar array in Posey County, Indiana through a special purpose entity, Posey Solar. Upon completion of construction, currently projected to be at the end of 2023, and subject to IURC approval, which was received on October 27, 2021, CEI South will acquire Posey Solar and its solar array assets for a fixed purchase price. Due to rising cost for the project, caused in part by supply chain disruptions and the rising cost of commodities, Capital Dynamics is planning to downsize the project to approximately 200 MWs to remain viable. CEI South collaboratively agreed to the scope change and is currently working through contract negotiations, contingent on further IURC review and approval.

As of December 31, 2021, minimum purchase obligations were approximately:

|                 | Natural Gas and Coal Supply |     | Other (1) |
|-----------------|-----------------------------|-----|-----------|
|                 | (in millions)               |     |           |
| 2022            | \$                          | 238 | \$ 53     |
| 2023            |                             | 191 | 490       |
| 2024            |                             | 131 | 70        |
| 2025            |                             | 112 | 30        |
| 2026            |                             | 78  | 30        |
| 2027 and beyond |                             | 305 | 165       |

(1) VUHI's undiscounted minimum payment obligations related to PPAs with commitments ranging from 15 to 25 years and its purchase commitment under its BTA in Posey County, Indiana at the original contracted amount, prior to any renegotiation, are included above. The remaining undiscounted payment obligations relate primarily to technology hardware and software agreements.

Excluded from the table above are estimates for cash outlays from other PPAs through CEI South that do not have minimum thresholds but do require payment when energy is generated by the provider. Costs arising from certain of these commitments are pass-through costs, generally collected dollar-for-dollar from retail customers through regulator-approved cost recovery mechanisms.

### (b) AMAs

The Company entered into a third-party AMA beginning in April 2021 through March 2024 associated with its utility distribution service in Indiana. Pursuant to the provisions of the agreement, the Company either sells natural gas to the asset manager and agrees to repurchase an equivalent amount of natural gas throughout the year at the same cost, or simply purchases its full natural gas requirements at each delivery point from the asset manager. Generally, AMAs are contracts between the Company and an asset manager that are intended to transfer the working capital obligation and maximize the utilization of the assets. In these agreements, the Company agrees to release transportation and storage capacity to other parties to manage natural gas storage, supply and delivery arrangements for the Company and to use the released capacity for other purposes when it is not needed for the Company. The Company may receive compensation from the asset manager through payments made over the life of the AMAs. The Company has an obligation to purchase their winter storage requirements that have been released to the asset manager under these AMAs.

### (c) Environmental and Other Matters

#### Environmental Matters

**MGP Sites.** The Company and its predecessors operated manufactured gas plants in the past. The Company has accrued estimated costs for investigation, remediation, and ground water monitoring that it expects to incur to fulfill its respective obligations using assumptions based on actual costs incurred, the timing of expected future payments and inflation factors, among others. While the Company has recorded all costs which it presently is obligated to incur in connection with activities at these sites, it is possible that future events may require remedial activities which are not presently foreseen, and those costs may not be subject to PRP or insurance recovery.

**Indiana MGPs.** In CEI North's service territory, the existence, location and certain general characteristics of 26 gas manufacturing and storage sites have been identified for which the Company may have some remedial responsibility. A remedial investigation/feasibility study was completed at one of the sites under an agreed upon order between CEI North and the IDEM, and a Record of Decision was issued by the IDEM in January 2000. The remaining sites have been submitted to the IDEM's VRP. The Company has also identified its involvement in 5 manufactured gas plant sites in CEI South's service territory, all of which are currently enrolled in the IDEM's VRP. The Company is currently conducting some level of remedial activities, including groundwater monitoring at certain sites.

Total costs that may be incurred in connection with addressing these sites cannot be determined at this time. The estimated accrued costs are limited to the Company's share of the remediation efforts and are therefore net of exposures of other PRPs. The estimated range of possible remediation costs for the sites for which the Company believes it may have responsibility was based on remediation continuing for the minimum time frame given in the table below.

|                                     | December 31, 2021           |
|-------------------------------------|-----------------------------|
|                                     | VUHI                        |
|                                     | (in millions, except years) |
| Amount accrued for remediation      | 5                           |
| Minimum estimated remediation costs | 3                           |
| Maximum estimated remediation costs | 22                          |
| Minimum years of remediation        | 5                           |
| Maximum years of remediation        | 20                          |

The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will depend on the number of sites to be remediated, the participation of other PRPs, if any, and the remediation methods used.

The Company does not expect the ultimate outcome of these matters to have a material adverse effect on the financial condition, results of operations or cash flows.

**CCR Rule.** In April 2015, the EPA finalized its CCR Rule, which regulates ash as non-hazardous material under the RCRA. The final rule allows beneficial reuse of ash, and the majority of the ash generated by CEI South's generating plants will continue to be reused. In July 2018, the EPA released its final CCR Rule Phase I Reconsideration which extended the deadline to October 31, 2020 for ceasing placement of ash in ponds that exceed groundwater protections standards or that fail to meet location restrictions. In August 2019, the EPA proposed additional "Part A" amendments to its CCR Rule with respect to beneficial reuse of ash and other materials. Further "Part B" amendments, which related to alternate liners for CCR surface impoundments and the surface impoundment closure process, were published in March 2020. The Part A amendments were finalized in August 2020 and extended the deadline to cease placement of ash in ponds to April 11, 2021, discussed further below. The EPA published the final Part B amendments in November 2020. The Part A amendments do not restrict CEI South's current beneficial reuse of its fly ash. The Company evaluated the Part B amendments to determine potential impacts and determined that the Part B amendments did not have an impact on its current plans. Shortly after taking office in January 2021, President Biden signed an executive order requiring agencies to review environmental actions taken by the Trump administration, including the CCR Rule Phase I Reconsideration, the Part A amendments, and the Part B amendments; the EPA has completed its review of the Phase I Reconsideration, Part A amendments, and Part B amendments and determined that the most environmentally protective course is to implement the rules.

CEI South has three ash ponds, two at the F.B. Culley facility (Culley East and Culley West) and one at the A.B. Brown facility. Under the existing CCR Rule, CEI South is required to perform integrity assessments, including ground water monitoring, at its F.B. Culley and A.B. Brown generating stations. The ground water studies are necessary to determine the remaining service life of the ponds and whether a pond must be retrofitted with liners or closed in place. CEI South's Warrick generating unit is not included in the scope of the CCR Rule as this unit has historically been part of a larger generating station that predominantly serves an adjacent industrial facility. Preliminary groundwater monitoring indicates potential groundwater impacts very close to CEI South's ash impoundments, and further analysis is ongoing. The CCR Rule required companies to complete location restriction determinations by October 18, 2018. CEI South completed its evaluation and determined that one F.B. Culley pond (Culley East) and the A.B. Brown pond fail the aquifer placement location restriction. As a result of this failure, CEI South was required to cease disposal of new ash in the ponds and commence closure of the ponds by April 11, 2021, unless approved for an extension. CenterPoint Energy has applied for the extensions available under the CCR Rule that would allow CEI South to continue to use the ponds through October 15, 2023. The EPA is still reviewing industry extension requests, including the Company's extension request. Companies can continue to operate ponds pending completion of the EPA's evaluation of the requests for extension. If the EPA denies a full extension request, that denial may result in increased and potentially significant operational costs in connection with the accelerated implementation of an alternative ash disposal system or may adversely impact CEI South's future operations. Failure to comply with a cease waste receipt could also result in an enforcement proceeding, resulting in the imposition of fines and penalties. On April 24, 2019, CEI South received an order from the IURC approving recovery in rates of costs associated with the closure of the Culley West pond, which has already completed closure activities. On August 14, 2019, CEI South filed its petition with the IURC for recovery of costs associated with the closure of the A.B. Brown ash pond, which would include costs associated with the excavation and recycling of ponded ash. This petition was subsequently approved by the IURC on May 13, 2020. On October 28, 2020, the IURC approved CEI South's ECA proceeding, which included the initiation of recovery of the federally mandated project costs.

CEI South continues to refine site specific estimates of closure costs for its ten-acre Culley East pond. In July 2018, CEI South filed a Complaint for Damages and Declaratory Relief against its insurers seeking reimbursement of defense, investigation and pond closure costs incurred to comply with the CCR Rule, and has since reached confidential settlement agreements with its insurers. The proceeds of these settlements will offset costs that have been and will be incurred to close the ponds.

As of December 31, 2021, the Company has recorded an approximate \$90 million ARO, which represents the discounted value of future cash flow estimates to close the ponds at A.B. Brown and F.B. Culley. This estimate is subject to change due to the contractual arrangements; continued assessments of the ash, closure methods, and the timing of closure; implications of CEI South's generation transition plan; changing environmental regulations; and proceeds received from the settlements in the aforementioned insurance proceeding. In addition to these removal costs, CEI South also anticipates equipment purchases of between \$60 million and \$80 million to complete the A.B. Brown closure project.

*Clean Water Act Permitting of Groundwater Discharges.* In April 2021, the U.S. Supreme Court issued an opinion providing that indirect discharges via groundwater or other non-point sources are subject to permitting and liability under the Clean Water Act when they are the functional equivalent of a direct discharge. The Company is evaluating the extent to which this decision will affect Clean Water Act permitting requirements and/or liability for their operations.

*Other Environmental.* From time to time, the Company identifies the presence of environmental contaminants during operations or on property where predecessors have conducted operations. Other such sites involving contaminants may be identified in the future. The Company has and expects to continue to remediate any identified sites consistent with state and federal legal obligations. From time to time, the Company has received notices, and may receive notices in the future, from regulatory authorities or others regarding status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been, or may be, named from time to time as defendants in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, the Company does not expect these matters, either individually or in the aggregate, to have a material adverse effect on their financial condition, results of operations or cash flows.

#### ***Other Proceedings***

The Company is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. From time to time, the Company is also defendant in legal proceedings with respect to claims brought by various plaintiffs against broad groups of participants in the energy industry. Some of these proceedings involve substantial amounts. The Company regularly analyzes current information and, as necessary, provides accruals for probable and reasonably estimable liabilities on the eventual

disposition of these matters. The Company does not expect the disposition of these matters to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

## (9) Regulatory Matters

### COVID-19 Regulatory Matters

For information about COVID-19 regulatory matters, see Note 5 to the consolidated financial statements.

### February 2021 Winter Storm Event

The table below presents the incremental natural gas costs included in regulatory assets as of December 31, 2021 as a result of the February 2021 Winter Storm Event and the Company's requested recovery status as of March 2022.

| State     | Recovery Status  | Legislative Activity | Incremental Gas Cost in Regulatory Assets (in millions) |
|-----------|--|----------------------|---|
| CEI North | IURC issued order August 25, 2021. Recovery began September 2021 with 50% of the February 2021 variance recovered evenly over the 12-month period September 2021 to August 2022, with the remainder of the variance recovered through a volumetric per-therm allocation over the same 12-month period. | None.                | \$ 63   |
| CEI South | IURC issued order July 28, 2021. Recovery began August 2021 with 50% of the February 2021 variance recovered evenly over the 12-month period August 2021 to July 2022, with the remainder of the variance recovered through a volumetric per-therm allocation over the same 12-month period.           | None.                | 11  |
| Total     |  |                      | \$ 74   |

### CEI South CPCN

On February 9, 2021, CEI South entered into a BTA with a subsidiary of Capital Dynamics. Under the agreement, Capital Dynamics, with its partner Tenaska, contracted to build a 300 MW solar array in Posey County, Indiana through a special purpose entity, Posey Solar. Upon completion of construction, which is projected to be at the end of 2023, CEI South will acquire Posey Solar and its solar array assets for a fixed purchase price. On February 23, 2021, CEI South filed a CPCN with the IURC seeking approval to purchase the project. CEI South also sought approval for a 100 MW solar PPA with Clenera LLC in Warrick County, Indiana. The request accounted for increased cost of debt related to this PPA, which provides equivalent equity return to offset imputed debt during the 25 year life of the PPA. A hearing was conducted on June 21, 2021. On October 27, 2021, the IURC issued an order approving the CPCN, authorizing CEI South to purchase the Posey solar project through a BTA and approved recovery of costs via a levelized rate over the anticipated 35-year life. The IURC also approved the Warrick County solar PPA but denied the request to preemptively offset imputed debt in the PPA cost. The Posey solar project is expected to be in service by 2023. Due to rising cost for the project, caused in part by supply chain issues in the energy industry and the rising costs of commodities, we, along with Capital Dynamics, recently announced plans to downsize the project to approximately 200 MW. CEI South collaboratively agreed to the scope change and is currently working through contract negotiations, contingent on further IURC review and approval.

On June 17, 2021 CEI South filed a CPCN with the IURC seeking approval to construct two natural gas combustion turbines to replace portions of its existing coal-fired generation fleet. CEI South has also requested depreciation expense and post in-service carrying costs to be deferred in a regulatory asset until the date Indiana South's base rates include a return on and recovery of depreciation expense on the facility. A hearing was conducted on January 26 through 28, 2022. The estimated \$334 million turbine facility would be constructed at the current site of the A.B. Brown power plant in Posey County, Indiana and would provide a combined output of 460 MW. Construction of the turbines will begin following receipt of necessary regulatory approvals by the IURC and FERC, which are anticipated in the second half of 2022 and first quarter 2023, respectively. The turbines are targeted to be operational in first quarter of 2025. Subject to IURC approval, recovery of the proposed natural gas combustion turbines and regulatory asset will be requested in the next CEI South rate case expected in 2023.

On August 25, 2021, CEI South filed with the IURC seeking approval to purchase 185 MW of solar power, under a 15-year PPA, from Oriden LLC, which is developing a solar project in Vermillion County, Indiana, and 150 MW of solar power,



under a 20-year PPA, from Origis Energy USA Inc., which is developing a solar project in Knox County, Indiana. Subject to necessary approvals, both solar arrays are expected to be in service by 2023.

### ***CEI South Securitization of Planned Generation Retirements***

The State of Indiana has enacted legislation, Senate Bill 386, that would enable the Company to request approval from the IURC to securitize the remaining book value and removal costs associated with generating facilities to be retired in the next twenty-four months. The Governor of Indiana signed the legislation on April 19, 2021. The Company intends to seek securitization in the future associated with planned retirements of coal generation facilities in 2022.

### ***Subsidiary Restructuring***

In July 2021, CEI North and CEI South filed petitions with the IURC for the approval of a new financial services agreement and the confirmation of CEI North's financing authority, and final orders were issued by the IURC on December 28, 2021. CEOH filed a similar application with the PUCO in September 2021 and the PUCO issued an order on January 26, 2022 adopting recommendations by PUCO staff. CenterPoint Energy is evaluating the transfer of Indiana North and CEOH from VUHI to CERC in order to better align its organizational structure with management and financial reporting. Both the IURC and PUCO have approved the transaction. As a part of the restructuring, VUHI may approach certain of its debt holders with an offer to exchange existing VUHI debt for CERC debt. The orders allow the reissuance of existing debt of Indiana North and CEOH to CERC, to continue to amortize existing issuance expenses and discounts, and to treat any potential exchange fees as discounts to be amortized over the life of the debt. If CenterPoint Energy moves forward with the restructuring, including any VUHI debt exchanges, it is expected to be completed in 2022.

### ***CEI South Base Rate Case***

On October 30, 2020, and as subsequently amended, CEI South filed its base rate case with the IURC seeking approval for a revenue increase of approximately \$29 million. This rate case filing is required under Indiana TDSIC statutory requirements before the completion of Indiana South's capital expenditure program, approved in 2014 for investments starting in 2014 through 2020. The revenue increase is based upon a requested ROE of 10.15% and an overall after-tax rate of return of 5.99% on total rate base of approximately \$469 million. Indiana South has utilized a projected test year, reflecting its 2021 budget as the basis for the revenue increase requested and proposes to implement rates in two phases. On April 23, 2021, a Stipulation and Settlement Agreement was filed resolving all issues in the case. The settlement recommended a revenue increase of \$21 million based on a 9.7% ROE and an overall after-tax rate of return of 5.78% on total rate base of approximately \$469 million. A settlement hearing was held on June 24, 2021. On October 6, 2021, the IURC issued an order approving the settlement. Phase one rates, reflecting actual plant-in-service and cost of capital through June 2021, became effective in October 2021 and phase two rates, reflecting actual plant-in-service and cost of capital through December 2021 with certain adjustments, will become effective in March 2022.

### ***CEI North Base Rate Case***

On December 18, 2020, CEI North filed its base rate case with the IURC seeking approval for a revenue increase of approximately \$21 million. This rate case filing is required under Indiana TDSIC statutory requirements before the completion of CEI North's capital expenditure program, approved in 2014 for investments starting in 2014 through 2020. The revenue increase is based upon a requested ROE of 10.15% and an overall after-tax rate of return of 6.32% on total rate base of approximately \$1,611 million. Indiana North has utilized a projected test year, reflecting its 2021 budget as the basis for the revenue increase requested and proposes to implement rates in two phases. On June 25, 2021, a Stipulation and Settlement Agreement was filed resolving all issues in the case. The settlement recommended a revenue decrease of \$6 million based on a 9.8% ROE and an overall after-tax rate of return of 6.16% on total rate base of approximately \$1,611 million. A settlement hearing was held August 6, 2021. On November 17, 2021, the IURC issued an order approving the settlement. Phase one rates, reflecting actual plant-in-service and cost of capital through June 2021, became effective in November 2021 and phase two rates, reflecting actual plant-in-service and cost of capital through December 2021 with certain adjustments, will become effective in March 2022.

### ***Rate Change Applications***

The Company is routinely involved in rate change applications before state regulatory authorities. Those applications include general rate cases, where the entire cost of service of the utility is assessed and reset. In addition, the Company is periodically involved in proceedings to adjust its capital tracking mechanisms in Indiana (CSIA for gas and TDSIC, ECA and CECA for Electric) and Ohio (DRR), its decoupling mechanism in Indiana (SRC for gas), and its energy efficiency cost

trackers in Indiana (EEFC for gas and DSMA for electric) and Ohio (EEFR). The table below reflects significant applications pending or completed since the Company's consolidated 2020 financial statements were furnished to the the SEC on Current Report 8-K dated March 26, 2021.

| Mechanism                     | Annual Increase<br>(Decrease) (1) (in<br>millions) | Filing Date      | Effective Date    | Approval<br>Date  | Additional Information   |
|-------------------------------|--|------------------|-------------------|-------------------|--|
| <b>CEI South - Gas (IURC)</b> |  |                  |                   |                   |  |
| CSIA                          | (1)  | April<br>2021    | July<br>2021      | July<br>2021      | Represents an increase of \$11 million to rate base (investment period July 2020 through December 2020), which reflects a \$(1 million) annual decrease in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case, which was filed in December 2020. The mechanism also includes refunds associated with the TCJA, resulting in no change to the previous credit provided, and a change in the total (over)/under-recovery variance of less than \$1 million annually. |
| Rate Case                     | 21   | October 2020     | October 2021      | October 2021      | See discussion above under <b>CEI South Base Rate Case</b> .   |
| <b>CEI North - Gas (IURC)</b> |  |                  |                   |                   |  |
| CSIA                          | 5  | April<br>2021    | July<br>2021      | July<br>2021      | Represents an increase of \$37 million to rate base (investment period July 2020 through December 2020), which reflects a \$5 million annual increase in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case, which was filed in December 2020. The mechanism also includes refunds associated with the TCJA, resulting in no change to the previous credit provided, and a change in the total (over)/under-recovery variance of \$6 million annually.             |
| Rate Case                     | 21   | December<br>2020 | November<br>2021  | November<br>2021  | See discussion above under <b>CEI North Base Rate Case</b> .   |
| <b>CEOH (PUCO)</b>            |  |                  |                   |                   |  |
| DRR                           | 9  | April<br>2021    | September<br>2021 | September<br>2021 | Represents an increase of \$71 million to rate base for investments made in 2020, which reflects a \$9 million annual increase in current revenues. A change in (over)/under-recovery variance of \$5 million annually is also included in rates.  |

| Mechanism                          | Annual Increase (Decrease) (1) (in millions) | Filing Date   | Effective Date | Approval Date  | Additional Information  |
|------------------------------------|--|---------------|----------------|----------------|---|
| <b>CEI South - Electric (IURC)</b> |  |               |                |                |   |
| TDSIC <sup>(1)</sup>               | 3  | February 2022 | TBD            | TBD            | Requested an increase of \$42 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million.                                    |
| CECA <sup>(1)</sup>                | (2)  | February 2022 | TBD            | TBD            | Requested a decrease of less than \$1 million to rate base, which reflects a \$3 million annual decrease in current revenues. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million. This mechanism includes a non-traditional rate making approach related to a 50 MW universal solar array placed in service in January 2021. |
| TDSIC                              | 3  | August 2021   | November 2021  | November 2021  | Requested an increase of \$35 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million.                                    |
| ECA                                | 2  | May 2021      | September 2021 | September 2021 | Requested an increase of \$39 million to rate base, which reflects a \$2 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also included a change in (over)/under-recovery variance of less than \$1 million annually.                           |
| TDSIC                              | 3  | February 2021 | May 2021       | May 2021       | Requested an increase of \$28 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million.                                    |
| CECA                               | 8  | February 2021 | June 2021      | May 2021       | Reflects an \$8 million annual increase in current revenues through a non-traditional rate making approach related to a 50 MW universal solar array placed in service in January 2021.  |

(1) Represents proposed increases (decreases) when effective date and/or approval date is not yet determined. Approved rates could differ materially from proposed rates.

## (10) Environmental and Sustainability Matters

### Global Climate Change

There is increasing attention being paid in the United States and worldwide to the issue of climate change. As a result, from time to time, regulatory agencies have considered the modification of existing laws or regulations or the adoption of new laws or regulations addressing the emissions of GHG on the state, federal, or international level. On August 3, 2015, the EPA released its CPP rule, which required a 32% reduction in carbon emissions from 2005 levels. The final rule was published in the Federal Register on October 23, 2015, and that action was immediately followed by litigation ultimately resulting in the U.S. Supreme Court staying implementation of the rule. On July 8, 2019, the EPA published the ACE rule, which (i) repealed the CPP rule; (ii) replaced the CPP rule with a program that requires states to implement a program of energy efficiency improvement targets for individual coal-fired electric generating units; and (iii) amended the implementing regulations for Section 111(d) of the Clean Air Act. On January 19, 2021, the majority of the ACE rule — including the CPP repeal, CPP replacement, and the timing-related portions of the Section 111(d) implementing rule — was struck down by the U.S. Court of

Appeals for the D.C. Circuit and on October 29, 2021, the U.S. Supreme Court agreed to consider four petitions filed by various coal interests and a coalition of 19 states that seek review of the lower court's decision vacating the ACE rule. The Company is currently unable to predict what a replacement rule for either the ACE rule or CPP would require.

The Biden administration recommitted the United States to the Paris Agreement, which can be expected to drive a renewed regulatory push to require further GHG emission reductions from the energy sector and proceeded to lead negotiations at the global climate conference in Glasgow, Scotland. On April 22, 2021, President Biden announced new goals of 50% reduction of economy-wide GHG emissions, and 100% carbon-free electricity by 2035, which formed the basis of the United States' commitments announced in Glasgow. In September 2021, CenterPoint Energy announced its new net zero emissions goals for both Scope 1 and Scope 2 emissions by 2035 as well as a goal to reduce Scope 3 emissions by 20% to 30% by 2035. The Company's revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of its operations or would have the effect of reducing the consumption of natural gas. In addition, the EPA has indicated that it intends to implement new regulations targeting reductions in methane emissions, which are likely to increase costs related to production, transmission and storage of natural gas. Incentives to conserve energy or to use energy sources other than natural gas could result in a decrease in demand for the Company's services. Further, certain local government bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain specified dates. These initiatives could have a significant impact on the Company and its operations, and this impact could increase if other cities and jurisdictions in its service area enact similar initiatives. Further, our third party suppliers, vendors and partners may also be impacted by climate change laws and regulations, which could impact the Company's business by, among other things, causing permitting and construction delays, project cancellations or increased project costs passed on to the Company. Conversely, regulatory actions that effectively promote the consumption of natural gas because of its lower emissions characteristics would be expected to benefit the Company. At this time, however, the Company cannot quantify the magnitude of the impacts from possible new regulatory actions related to GHG emissions, either positive or negative, on the Company's business.

### **Climate Change Trends and Uncertainties**

As a result of increased awareness regarding climate change, coupled with adverse economic conditions, availability of alternative energy sources, including private solar, microturbines, fuel cells, energy-efficient buildings and energy storage devices, and new regulations restricting emissions, including potential regulations of methane emissions, some consumers and companies may use less energy, meet their own energy needs through alternative energy sources or avoid expansions of their facilities, including natural gas facilities, resulting in less demand for the Company's services. As these technologies become a more cost-competitive option over time, whether through cost effectiveness or government incentives and subsidies, certain customers may choose to meet their own energy needs and subsequently decrease usage of the Company's systems and services, which may result in, among other things, CEI South's generating facilities becoming less competitive and economical. Further, evolving investor sentiment related to the use of fossil fuels and initiatives to restrict continued production of fossil fuels have had significant impacts on the Company's electric generation and natural gas businesses. For example, because CEI South's current generating facilities substantially rely on coal for their operations, certain financial institutions choose not to participate in the Company's financing arrangements. Conversely, demand for the Company's services may increase as a result of customer changes in response to climate change. For example, as the utilization of electric vehicles increases, demand for electricity may increase, resulting in increased usage of the Company's systems and services. Any negative opinions with respect to the Company's environmental practices or its ability to meet the challenges posed by climate change formed by regulators, customers, legislators or other stakeholders could harm its reputation.

To address these developments, the Company announced its new net zero emissions goals for both Scope 1 and Scope 2 emissions by 2035. In June of 2020, CEI South identified a preferred generation resource in its most recent IRP submitted to the IURC that aligns with its new net zero emission goals and includes the replacement of 730 MW of coal-fired generation facilities with a significant portion comprised of renewables, including solar and wind, supported by dispatchable natural gas combustion turbines, including a pipeline to serve such natural gas generation, as well as storage. The Company believes its planned investments in renewable energy generation and corresponding planned reduction in its GHG emissions as part of its newly adopted net zero emissions goals support global efforts to reduce the impacts of climate change.

To the extent climate changes result in warmer temperatures in the Company's service territories, financial results from its business could be adversely impacted. For example, the Company could be adversely affected through lower natural gas sales. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes and flooding, including such storms as the February 2021 Winter Storm Event. To the extent adverse weather conditions affect the Company's suppliers, results from their natural gas business may suffer. When the Company cannot deliver natural gas to customers, or customers cannot receive services, the Company's financial results can be impacted by lost revenues, and it

generally must seek approval from regulators to recover restoration costs. To the extent the Company is unable to recover those costs, or if higher rates resulting from recovery of such costs result in reduced demand for services, the Company's future financial results may be adversely impacted. Further, as the intensity and frequency of significant weather events continues, it may impact the Company's ability to secure cost-efficient insurance.

### ***Effluent Limitation Guidelines (ELG)***

In 2015, the EPA finalized revisions to the existing steam electric wastewater discharge standards which set more stringent wastewater discharge limits and effectively prohibited further wet disposal of coal ash in ash ponds. These new standards are applied at the time of permit renewal and an affected facility must comply with the wastewater discharge limitations no later than December 31, 2023, and the prohibition of wet sluicing of bottom ash no later than December 31, 2025. In February 2019, the IURC approved CEI South's ELG compliance plan for its F.B. Culley Generating Station, and CEI South is currently finalizing its ELG compliance plan for the remainder of its affected units as part of its ongoing IRP process.

### ***Cooling Water Intake Structures***

Section 316 of the federal Clean Water Act requires steam electric generating facilities use "best technology available" to minimize adverse environmental impacts on a body of water. In May 2014, the EPA finalized a regulation requiring installation of "best technology available" to mitigate impingement and entrainment of aquatic species in cooling water intake structures. CEI South is currently completing the required ecological studies and anticipates timely compliance in 2022-2023.

### **(11) Fair Value Measurements**

Certain methods and assumptions must be used to estimate the fair value of financial instruments. The fair value of the Company's long-term debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments with similar characteristics. Because of the maturity dates and variable interest rates of short-term borrowings and cash & cash equivalents, those carrying amounts approximate fair value. Because of the inherent difficulty of estimating interest rate and other market risks, the methods used to estimate fair value may not always be indicative of actual realizable value, and different methodologies could produce different fair value estimates at the reporting date. The carrying values and estimated fair values using primarily Level 2 assumptions of the Company's other financial instruments follow:

|   | December 31,       |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2021               |                    | 2020               |                    |
|   | Carrying<br>Amount | Est. Fair<br>Value | Carrying<br>Amount | Est. Fair<br>Value |
|   | (in millions)      |                    |                    |                    |
| Long-term debt payable to third parties, including Commercial Paper | \$ 1,116           | \$ 1,234           | \$ 913             | \$ 1,070           |
| Long-term debt payable to CenterPoint Energy                        | 1,343              | 1,416              | 1,343              | 1,499              |
| Cash and cash equivalents   | 7                  | 7                  | 8                  | 8                  |
| Natural gas purchase instrument assets <sup>(1)</sup>               | 14                 | 14                 | —                  | —                  |
| Natural gas purchase instrument liabilities <sup>(2)</sup>          | —                  | —                  | 10                 | 10                 |
| Interest rate swap liabilities <sup>(2) (3)</sup>                   | 14                 | 14                 | 20                 | 20                 |

(1) Presented in Prepaid expenses and other current assets and Other non-current assets on the Consolidated Balance Sheets.

(2) Presented in Accrued liabilities and Other non-current liabilities on the Consolidated Balance Sheets.

(3) The interest rate swaps contain provisions that require the Company to maintain an investment grade credit rating on its long-term unsecured unsubordinated debt from S&P and Moody's. If the Company's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the interest rate swaps could request immediate payment. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on December 31, 2021, is approximately \$14 million for which the Company has posted collateral of \$7 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2021, the Company would be required to post an additional

\$7 million of collateral to its counterparties. The maximum collateral required if further escalating collateral is triggered would equal the net liability position.

Under current regulatory treatment, call premiums on reacquisition of utility-related long-term debt are generally recovered in customer rates over the life of the refunding issue. Accordingly, any reacquisition of this debt would not be expected to have a material effect on the Company's results of operations.

The Company's Indiana gas utilities entered into four five-year forward purchase arrangements to hedge the variable price of natural gas for a portion of the Company's gas supply. These arrangements, approved by the IURC, replaced normal purchase or normal sale long-term physical fixed-price purchases. The Company values these contracts using a pricing model that incorporates market-based information, and are classified within Level 2 of the fair value hierarchy. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are refunded to or collected from customers through the Company's respective gas cost recovery mechanisms.

## (12) Segment Reporting

The Company's determination of reportable segments considers the strategic operating units under which its CODM manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. The Company's CODM views net income as the measure of profit or loss for the reportable segments. In 2021, VUHI transferred certain assets previously recorded in Other Operations directly into the reportable segments that received the benefits of such assets, and prior year amounts were reclassified.

As of December 31, 2021, reportable segments are as follows:

- The Natural Gas segment provides natural gas distribution and transportation services to nearly two-thirds of Indiana and to west central Ohio.
- The Electric segment provides electric generation, transmission and distribution services primarily to southwestern Indiana, and includes the Company's power generating and wholesale power operations. Regulated operations supply natural gas and/or electricity to over one million customers.

Other operations provides information technology and other support services to the operating segments, owns shared company assets that are charged to the operating segments, as well as unallocated corporate expenses such as Merger-related costs, advertising and certain charitable contributions, among other activities, that benefit the Company's other operating segments.

Information related to the Company's business segments is summarized below:

|  | Revenues from External<br>Customers | Depreciation and<br>Amortization | Net Income (Loss) |
|--|-------------------------------------|----------------------------------|-------------------|
|  | (in millions)                       |                                  |                   |
| <b>For the year ended December 31, 2021:</b> |                                     |                                  |                   |
| Natural Gas                                  | \$ 1,087                            | \$ 180                           | \$ 146            |
| Electric                                     | 629                                 | 116                              | 91                |
| Other Operations                             | —                                   | 3                                | (2)               |
| Eliminations                                 | —                                   | —                                | —                 |
| Total  | <u>\$ 1,716</u>                     | <u>\$ 299</u>                    | <u>\$ 235</u>     |
| <b>For the year ended December 31, 2020:</b> |                                     |                                  |                   |
| Natural Gas                                  | \$ 868                              | \$ 175                           | \$ 120            |
| Electric                                     | 554                                 | 111                              | 73                |
| Other Operations                             | —                                   | —                                | (5)               |
| Eliminations                                 | —                                   | —                                | —                 |
| Total  | <u>\$ 1,422</u>                     | <u>\$ 286</u>                    | <u>\$ 188</u>     |

|  | Revenues from External<br>Customers | Depreciation and<br>Amortization | Net Income (Loss) |
|--|-------------------------------------|----------------------------------|-------------------|
|  | (in millions)                       |                                  |                   |
| <b>For the year ended December 31, 2019:</b> |                                     |                                  |                   |
| Natural Gas                                  | \$ 863                              | \$ 162                           | \$ 73             |
| Electric                                     | 570                                 | 107                              | 58                |
| Other Operations                             | —                                   | —                                | 17                |
| Eliminations                                 | —                                   | —                                | —                 |
| Total  | \$ 1,433                            | \$ 269                           | \$ 148            |

|  | Year Ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2021                    | 2020   | 2019   |
|  | (in millions)           |        |        |
| <b>Capital Expenditures</b>            |                         |        |        |
| Natural Gas                            | \$ 417                  | \$ 365 | \$ 348 |
| Electric                               | 210                     | 260    | 204    |
| Other Operations                       | 48                      | 49     | 6      |
| Non-cash costs and changes in accruals | (43)                    | 3      | 26     |
| Total capital expenditures             | \$ 632                  | \$ 677 | \$ 584 |

|                                       | December 31,  |          |
|---------------------------------------|---------------|----------|
|                                       | 2021          | 2020     |
|                                       | (in millions) |          |
| <b>Assets</b>                         |               |          |
| Natural Gas                           | \$ 4,919      | \$ 4,402 |
| Electric                              | 2,428         | 2,278    |
| Other Operations, net of eliminations | 106           | 142      |
| Total assets                          | \$ 7,453      | \$ 6,822 |

### (13) Additional Balance Sheet and Operational Information

Prepaid expenses and other current assets in the Consolidated Balance Sheets consist of the following:

|  | December 31,  |       |
|--|---------------|-------|
|  | 2021          | 2020  |
|  | (in millions) |       |
| Prepaid gas delivery service             | \$ 31         | \$ 16 |
| Prepaid taxes                            | 2             | 17    |
| Other prepayments & current assets       | 25            | 8     |
| Total prepayments & other current assets | \$ 58         | \$ 41 |

Other investments in the Consolidated Balance Sheets consist of the following:

|   | December 31,  |       |
|---|---------------|-------|
|   | 2021          | 2020  |
|   | (in millions) |       |
| Cash surrender value of life insurance policies | \$ —          | \$ 17 |
| Total other investments                         | \$ —          | \$ 17 |

Accrued liabilities in the Consolidated Balance Sheets consist of the following:

|  | December 31,  |               |
|--|---------------|---------------|
|  | 2021          | 2020          |
|  | (in millions) |               |
| Refunds to customers & customer deposits | \$ 40         | \$ 40         |
| Accrued taxes                            | 100           | 51            |
| Accrued interest                         | 12            | 12            |
| Accrued salaries & other                 | 56            | 26            |
| <b>Total accrued liabilities</b>         | <b>\$ 208</b> | <b>\$ 129</b> |

Supplemental Cash Flow Information:

|  | Year Ended December 31, |       |       |
|--|-------------------------|-------|-------|
|  | 2021                    | 2020  | 2019  |
|  | (in millions)           |       |       |
| <b>Cash Payments/Receipts:</b>                   |                         |       |       |
| Interest   | \$ 87                   | \$ 79 | \$ 85 |
| Income tax refunds                               | (19)                    | (25)  | (2)   |
| <b>Non-cash transactions:</b>                    |                         |       |       |
| Accounts payable related to capital expenditures | 39                      | 8     | 17    |

#### (14) Impact of Recently Issued Accounting Standards

Management believes that other recently adopted standards and recently issued standards that are not yet effective will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

#### (15) Leases

An arrangement is determined to be a lease at inception based on whether the Company has the right to control the use of an identified asset. ROU assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, including payments at commencement that depend on an index or rate. Most leases in which the Company are the lessee do not have a readily determinable implicit rate, so an incremental borrowing rate, based on the information available at the lease commencement dates, utilized to determine the present value of lease payments. When a secured borrowing rate is not readily available, unsecured borrowing rates are adjusted for the effects of collateral to determine the incremental borrowing rate. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases.

The Company has lease agreements with lease and non-lease components and have elected the practical expedient to combine lease and non-lease components for certain classes of leases, such as office buildings. For classes of leases in which lease and non-lease components are not combined, consideration is allocated between components based on the stand-alone prices.

The Company's lease agreements do not contain any material residual value guarantees, material restrictions or material covenants. There are no material lease transactions with related parties. Because risk is minimal, the Company does not take any significant actions to manage risk associated with the residual value of their leased assets.

The Company's lease agreements are primarily equipment and real property leases, including land and office facility leases. The Company's lease terms may include options to extend or terminate a lease when it is reasonably certain that those options will be exercised. The Company has elected an accounting policy that exempts leases with terms of one year or less from the recognition requirements of ASC 842.



The components of lease cost, included in Other Operating expense on the Company's Statements of Consolidated Income, are as follows:

|                       | Year Ended December 31, |      |
|-----------------------|-------------------------|------|
|                       | 2021                    | 2020 |
|                       | (in millions)           |      |
| Operating lease cost  | \$ 1                    | \$ 1 |
| Short-term lease cost | 1                       | 2    |
| Total lease cost      | \$ 2                    | \$ 3 |

Supplemental balance sheet information related to leases is as follows:

|   | December 31,                                       |        |
|---|--|--------|
|   | 2021   | 2020   |
|   | (in millions, except lease term and discount rate) |        |
| Assets:   |  |        |
| Operating ROU assets <sup>(1)</sup>                                 | \$ 2   | \$ 3   |
| Total leased assets   | \$ 2   | \$ 3   |
| Liabilities:  |  |        |
| Current operating lease liability <sup>(2)</sup>                    | \$ 1   | \$ 1   |
| Non-current operating lease liability <sup>(3)</sup>                | 1  | 2      |
| Total lease liabilities   | \$ 2   | \$ 3   |
| Weighted-average remaining lease term (in years) - operating leases | 10   | 5      |
| Weighted-average discount rate - operating leases                   | 2.85 %   | 2.68 % |

(1) Reported within Other assets in the Consolidated Balance Sheet

(2) Reported within Current other liabilities in the Consolidated Balance Sheet

(3) Reported within Other liabilities in the Consolidated Balance Sheet

As of December 31, 2021, maturities of operating lease liabilities were as follows:

|                                    | (in millions) |
|------------------------------------|---------------|
| 2022                               | \$ 1          |
| 2023                               | 1             |
| 2024                               | —             |
| 2025                               | —             |
| 2026                               | —             |
| 2027 and beyond                    | 1             |
| Total lease payments               | 3             |
| Less: Interest                     | 1             |
| Present value of lease liabilities | \$ 2          |

Other information related to leases is as follows:

|   | <b>Year Ended<br/>December 31, 2021</b> |   |
|---|---|---|
|   | <b>(in millions)</b>                    |   |
| Operating cash flows from operating leases included in the measurement of lease liabilities | \$                                      | 1 |

**(16) Subsequent Events**

Management performs a review of subsequent events for any events occurring after the balance sheet date but prior to the date the financial statements are issued. The Company's management has performed a review of subsequent events through March 16, 2022, the date the financial statements were issued.

# **SOUTHERN INDIANA GAS & ELECTRIC COMPANY FINANCIAL STATEMENTS**

**For the year ended December 31, 2021**

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## DEFINITIONS

|                                  |  |
|----------------------------------|--|
| ACE                              | Affordable Clean Energy  |
| AFUDC                            | Allowance for funds used during construction   |
| AMA                              | Asset Management Agreement   |
| ARO                              | Asset Retirement Obligation  |
| ARP                              | Alternative Revenue Program  |
| ASC                              | Accounting Standards Codification  |
| ASU                              | Accounting Standard Update   |
| BTA                              | Build Transfer Agreement   |
| Capital Dynamics                 | Capital Dynamics, Inc., a Delaware corporation   |
| CCR                              | Coal Combustion Residuals  |
| CECA                             | Clean Energy Cost Adjustment   |
| CEI North                        | Indiana Gas Company, Inc. or CenterPoint Energy Indiana North  |
| CEOH                             | Vectren Energy Delivery of Ohio, Inc. or CenterPoint Energy Ohio   |
| CERC                             | CERC Corp., together with its subsidiaries   |
| COVID-19                         | Novel coronavirus disease 2019, and any mutations or variants thereof, and related global outbreak that was subsequently declared a pandemic by the World Health Organization  |
| CODM                             | Chief Operating Decision Maker who is the Company's President  |
| CPCN                             | Certificate of Public Convenience and Necessity  |
| CPP                              | Clean Power Plan   |
| CSIA                             | Compliance and System Improvement Adjustment   |
| DRR                              | Distribution Replacement Rider   |
| DSMA                             | Demand Side Management Adjustment  |
| ECA                              | Environmental Cost Adjustment  |
| EEFC                             | Energy Efficiency Funding Component  |
| EEFR                             | Energy Efficiency Funding Rider  |
| EPA                              | Environmental Protection Agency  |
| FASB                             | Financial Accounting Standards Board   |
| February 2021 Winter Storm Event | The extreme and unprecedented winter weather event in February 2021 resulting in electricity generation supply shortages, including in Texas, and natural gas supply shortages and increased wholesale prices of natural gas in the United States, primarily due to prolonged freezing temperatures. |
| FERC                             | Federal Energy Regulation Commission   |
| GAAP                             | Generally Accepted Accounting Principles   |
| GHG                              | Greenhouse gases   |
| IDEM                             | Indiana Department of Environmental Management   |
| Infrastructure Services          | Provided underground pipeline construction and repair services through VISCO and its wholly-owned subsidiaries, Miller Pipeline, LLC and Minnesota Limited, LLC  |
| IURC                             | Indiana Utility Regulatory Commission  |
| MGP                              | Manufactured gas plant   |
| MISO                             | Midcontinent Independent System Operator   |
| MW                               | megawatts  |
| NYMEX                            | New York Mercantile Exchange   |
| Posey Solar                      | Posey Solar, LLC, a Delaware limited liability company   |
| PowerTeam Services               | PowerTeam Services, LLC, a Delaware limited liability company, now known as Artera Services, LLC   |
| PPA                              | Power purchase agreement   |
| PRP                              | Potentially responsible parties  |
| PUCO                             | Public Utilities Commission of Ohio  |

|                   |  |
|-------------------|--|
| RCRA              | Resource Conservation and Recovery Act of 1976   |
| ROU               | Right of use   |
| Scope 1 emissions | Direct source of emissions from a company's operations   |
| Scope 2 emissions | Indirect source of emissions from a company's energy usage   |
| Scope 3 emissions | Indirect source of emissions from a company's end-users  |
| SERP              | Supplemental Executive Retirement Plan   |
| SRC               | Sales Reconciliation Component   |
| TCJA              | Tax Cuts and Jobs Acts   |
| TDSIC             | Transmission, Distribution and Storage System Improvement Charge   |
| Tenaska           | Tenaska Wind Holdings, LLC   |
| TSCR              | Tax Savings Credit Rider   |
| VISCO             | Vectren Infrastructure Services Corporation, previously a wholly-owned subsidiary of Vectren, and which was sold pursuant to the Securities Purchase Agreement, dated as of February 3 2020, by and among VUSI, PowerTeam Services and, solely for purposes of Section 10.17 of the Securities Purchase Agreement, Vectren |
| VRP               | Voluntary Remediation Program  |
| VUSI              | Vectren Utility Services, Inc., a wholly-owned subsidiary of Vectren   |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Southern Indiana Gas and Electric Company:

### Opinion

We have audited the financial statements of Southern Indiana Gas and Electric Company (the "Company") (a wholly owned subsidiary of Vectren Utility Holdings, Inc.), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, common shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ DELOITTE & TOUCHE LLP  
Indianapolis, Indiana  
March 16, 2022

FINANCIAL STATEMENTS

SOUTHERN INDIANA GAS & ELECTRIC COMPANY  
BALANCE SHEETS

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
|   | (in millions)     |                   |
| <b>ASSETS</b>   |                   |                   |
| <b>Current Assets</b>   |                   |                   |
| Cash & cash equivalents   | \$ 2              | \$ 3              |
| Accounts receivable - less allowance for credit losses of \$3 and \$3, respectively           | 53                | 48                |
| Accrued unbilled revenues - less allowance for credit losses of \$-0- and \$-0-, respectively | 28                | 25                |
| Inventories   | 72                | 96                |
| Regulatory assets   | 24                | —                 |
| Prepaid expenses and other current assets   | 13                | 8                 |
| Total current assets  | 192               | 180               |
| <b>Property, Plant and Equipment, net</b>   | 2,615             | 2,399             |
| <b>Other Assets:</b>  |                   |                   |
| Other investments   | —                 | 8                 |
| Goodwill  | 6                 | 6                 |
| Regulatory assets   | 193               | 169               |
| Other non-current assets  | 52                | 45                |
| Total other assets  | 251               | 228               |
| <b>Total Assets</b>   | \$ 3,058          | \$ 2,807          |

*The accompanying notes are an integral part of these financial statements*



**SOUTHERN INDIANA GAS & ELECTRIC COMPANY**  
**BALANCE SHEETS**

|  | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
|  | (in millions)     |                   |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                      |                   |                   |
| <b>Current Liabilities:</b>                                      |                   |                   |
| Accounts payable   | \$ 78             | \$ 56             |
| Accounts payable - affiliated companies                          | 19                | 22                |
| Accrued liabilities  | 62                | 37                |
| Notes payable - affiliated companies                             | 69                | 72                |
| Current maturities of long-term debt - third parties             | 5                 | —                 |
| Current maturities of long-term debt - affiliated companies      | —                 | 55                |
| Total current liabilities  | 233               | 242               |
| <b>Other Liabilities:</b>  |                   |                   |
| Deferred income taxes  | 261               | 267               |
| Regulatory liabilities   | 284               | 260               |
| Other non-current liabilities                                    | 192               | 146               |
| Total other liabilities  | 737               | 673               |
| <b>Long-term Debt:</b>   |                   |                   |
| Long-term debt - third parties, net of current maturities        | 288               | 293               |
| Long-term debt - affiliated companies, net of current maturities | 640               | 515               |
| Total long-term debt   | 928               | 808               |
| <b>Commitments and Contingencies (Note 8)</b>                    |                   |                   |
| <b>Common shareholder's equity:</b>                              |                   |                   |
| Common stock (no par value)                                      | 433               | \$ 433            |
| Retained earnings  | 727               | 651               |
| Total common shareholder's equity                                | 1,160             | 1,084             |
| <b>Total Liabilities and Shareholder's Equity</b>                | \$ 3,058          | \$ 2,807          |

*The accompanying notes are an integral part of these financial statements*

**SOUTHERN INDIANA GAS & ELECTRIC COMPANY  
STATEMENTS OF INCOME**

|                                   | Year Ended December 31, |        |
|-----------------------------------|-------------------------|--------|
|                                   | 2021                    | 2020   |
|                                   | (in millions)           |        |
| <b>Revenues:</b>                  |                         |        |
| Electric utility revenues         | \$ 629                  | \$ 554 |
| Gas utility revenues              | 134                     | 100    |
| Total                             | 763                     | 654    |
| <b>Expenses:</b>                  |                         |        |
| Fuel and purchased power          | 186                     | 147    |
| Utility natural gas               | 55                      | 28     |
| Operation and maintenance         | 215                     | 216    |
| Depreciation and amortization     | 135                     | 120    |
| Taxes other than income taxes     | 20                      | 20     |
| Total operating expenses          | 611                     | 531    |
| <b>Operating Income</b>           | 152                     | 123    |
| <b>Other Income (Expense):</b>    |                         |        |
| Interest expense                  | (32)                    | (32)   |
| Other income, net                 | 7                       | 11     |
| <b>Income Before Income Taxes</b> | 127                     | 102    |
| Income tax expense                | 21                      | 20     |
| <b>Net Income</b>                 | \$ 106                  | \$ 82  |

*The accompanying notes are an integral part of these financial statements*

**SOUTHERN INDIANA GAS & ELECTRIC COMPANY**  
**STATEMENTS OF CASH FLOWS**

|  | Year Ended December 31, |              |
|--|-------------------------|--------------|
|  | 2021                    | 2020         |
| <b>Cash Flows from Operating Activities:</b>                           | (in millions)           |              |
| Net income   | \$ 106                  | \$ 82        |
| Adjustments to reconcile net income to cash from operating activities: |                         |              |
| Depreciation and amortization  | 135                     | 120          |
| Deferred income taxes and investment tax credits                       | 19                      | 43           |
| Expense portion of pension and postretirement benefit cost             | 3                       | 5            |
| Changes in working capital accounts:                                   |                         |              |
| Accounts receivable & accrued unbilled revenue                         | (8)                     | (6)          |
| Accounts receivable/payable, affiliates                                | (3)                     | —            |
| Accounts payable   | 8                       | 78           |
| Inventories  | 24                      | (10)         |
| Net regulatory assets and liabilities                                  | (38)                    | (27)         |
| Other current assets and liabilities                                   | 18                      | 6            |
| Other assets and liabilities   | 4                       | (12)         |
| Other operating activities, net  | (1)                     | 2            |
| Net cash provided by operating activities                              | <u>267</u>              | <u>281</u>   |
| <b>Cash Flows from Investing Activities:</b>                           |                         |              |
| Capital expenditures   | (309)                   | (299)        |
| Other investing activities, net  | 4                       | 4            |
| Net cash used in investing activities                                  | <u>(305)</u>            | <u>(295)</u> |
| <b>Cash Flows from Financing Activities:</b>                           |                         |              |
| Net change in short-term notes payable - affiliated companies          | (3)                     | —            |
| Proceeds from long-term notes payable - affiliated companies           | 125                     | 196          |
| Payment of long-term debt - affiliated companies                       | (55)                    | —            |
| Payment of long-term debt - third parties                              | —                       | (114)        |
| Dividends to parent  | (30)                    | (69)         |
| Net cash provided by financing activities                              | <u>37</u>               | <u>13</u>    |
| <b>Net change in cash &amp; cash equivalents</b>                       | <u>(1)</u>              | <u>(1)</u>   |
| <b>Cash &amp; cash equivalents at beginning of period</b>              | <u>3</u>                | <u>4</u>     |
| <b>Cash &amp; cash equivalents at end of period</b>                    | <u>\$ 2</u>             | <u>\$ 3</u>  |

*The accompanying notes are an integral part of these financial statements*

**SOUTHERN INDIANA GAS & ELECTRIC COMPANY  
STATEMENTS OF COMMON SHAREHOLDER'S EQUITY**

|                                     | Common Stock         | Retained Earnings<br>(in millions) | Total                  |
|-------------------------------------|----------------------|------------------------------------|------------------------|
| <b>Balance at January 1, 2020</b>   | \$ 433               | \$ 638                             | \$ 1,071               |
| Net income                          |                      | 82                                 | 82                     |
| Common stock:                       |                      |                                    |                        |
| Dividends to VUHI                   |                      | (69)                               | (69)                   |
| <b>Balance at December 31, 2020</b> | <u>\$ 433</u>        | <u>\$ 651</u>                      | <u>\$ 1,084</u>        |
| Net income                          |                      | 106                                | 106                    |
| Common stock:                       |                      |                                    |                        |
| Dividends to VUHI                   |                      | (30)                               | (30)                   |
| <b>Balance at December 31, 2021</b> | <u><u>\$ 433</u></u> | <u><u>\$ 727</u></u>               | <u><u>\$ 1,160</u></u> |

*The accompanying notes are an integral part of these financial statements*

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**(1) Organization and Nature of Operations**

Southern Indiana Gas and Electric Company (the Company or CEI South), an Indiana corporation, provides energy delivery services to 150,382 electric customers and 114,671 gas customers located near Evansville in southwestern Indiana. Of these customers, 87,004 receive combined electric and gas distribution services. The Company also owns and operates electric generation assets to serve its electric customers and optimizes those assets in the wholesale power market. The Company is a direct, wholly owned subsidiary of Vectren Utility Holdings, Inc. (VUHI or the Company's parent). VUHI is a direct, wholly owned subsidiary of Vectren Corporation (Vectren). Vectren, a wholly owned subsidiary of CenterPoint Energy, Inc. (collectively with its subsidiaries, CenterPoint Energy), is an energy holding company headquartered in Evansville, Indiana.

**(2) Summary of Significant Accounting Policies**

**(a) Use of Estimates**

In applying its accounting policies, the Company makes judgments, assumptions, and estimates that affect the amounts reported in these financial statements and related footnotes. Examples of transactions for which estimation techniques are used include valuing deferred tax obligations, unbilled revenue, uncollectible accounts, regulatory assets and liabilities, asset retirement obligations, and derivatives and other financial instruments. Estimates also impact the depreciation of property, plant and equipment and the testing of goodwill and other assets for impairment. Recorded estimates are revised when better information becomes available or when actual amounts can be determined. Actual results could differ from current estimates.

**(b) Cash & Cash Equivalents**

Highly liquid investments with an original maturity of three months or less at the date of purchase are considered cash equivalents. Cash and cash equivalents are stated at cost plus accrued interest to approximate fair value.

**(c) Accounts Receivables and Allowance for Credit Losses**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews historical write-offs, current available information, and reasonable and supportable forecasts to estimate and establish allowance for credit losses. Account balances are charged off against the allowance when management determines it is probable the receivable will not be recovered. See Note 5 for further information about regulatory deferrals of bad debt expense related to COVID-19.

**(d) Inventories**

In most circumstances, the Company's inventory components are recorded using an average cost method; however, natural gas in storage is recorded using the Last In – First Out (LIFO) method. Inventory is valued at historical cost consistent with ratemaking treatment. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to plant when installed.

Inventories consist of the following:

|   | December 31,  |       |
|---|---------------|-------|
|   | 2021          | 2020  |
|   | (in millions) |       |
| Materials & supplies                        | \$ 37         | \$ 33 |
| Fuel (coal and oil) for electric generation | 13            | 44    |
| Gas in storage – at LIFO cost               | 22            | 19    |
| Total inventories                           | \$ 72         | \$ 96 |

Based on the average cost of gas purchased during December 2021 and 2020, the cost of replacing gas in storage carried at LIFO cost is less than the carrying value at December 31, 2021 and 2020 by approximately \$2 million and \$7 million, respectively.

All other inventories are carried at average cost. The Company sources most of its coal supply from a single third party and also purchases most of its natural gas from a different single third party. Rates charged to natural gas customers contain a gas cost adjustment clause and electric rates contain a fuel adjustment clause that allow for the timely adjustment in charges to reflect changes in the cost of gas and cost for fuel.

**(e) Long-lived Assets and Goodwill**

The Company records property, plant and equipment at historical cost and expenses repair and maintenance costs as incurred.

The Company periodically evaluates long-lived assets, including property, plant and equipment, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. For rate regulated businesses, recoverability of long-lived assets is assessed by determining if a capital disallowance from a regulator is probable through monitoring the outcome of rate cases and other proceedings. No long-lived asset impairments were recorded in 2021 or 2020.

The Company performs goodwill impairment tests at least annually and evaluates goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. The Company recognizes a goodwill impairment by the amount a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill within that reporting unit. The Company includes deferred tax assets and liabilities within its reporting unit's carrying value for the purposes of annual and interim impairment tests, regardless of whether the estimated fair value reflects the disposition of such assets and liabilities. Goodwill is reported in the Company's Natural Gas reporting segment.

The Company performed the annual goodwill impairment tests in the third quarter of 2021 and determined that no goodwill impairment charge was required.

**(f) Depreciation and Amortization Expense**

The Company computes depreciation and amortization using the straight-line method based on economic lives or regulatory-mandated recovery periods. Amortization expense includes amortization of certain regulatory assets.

The Company's portion of jointly owned property, plant and equipment, along with that plant's related operating expenses, is presented in these financial statements in proportion to the ownership percentage.

**(g) Capitalization of AFUDC**

The Company capitalizes AFUDC as a component of projects under construction and amortizes it over the assets' estimated useful lives once the assets are placed in service. AFUDC represents the composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction as the Company applies the guidance for accounting for regulated operations. Although AFUDC increases both property, plant and equipment and earnings, it is realized in cash when the assets are included in rates.

|                          | Year Ended December 31, |      |
|--------------------------|-------------------------|------|
|                          | 2021                    | 2020 |
|                          | (in millions)           |      |
| AFUDC – borrowed funds   | \$ 4                    | \$ 5 |
| AFUDC – equity funds (1) | 4                       | 7    |

(1) Included in Other income, net on the Company's Statements of Income.

**(h) Regulation**

Retail public utility operations are subject to regulation by the IURC. The Company is subject to FERC regulation as an electric public utility. The Company's accounting policies give recognition to the ratemaking and accounting practices authorized by this agency.

***(i) Refundable or Recoverable Gas Costs & Cost of Fuel & Purchased Power***

All metered gas rates contain a gas cost adjustment clause that allows the Company to charge for changes in the cost of purchased gas. Metered electric rates contain a fuel adjustment clause that allows for adjustment in charges for electric energy to reflect changes in the cost of fuel. The net energy cost of purchased power, subject to a variable benchmark based on NYMEX natural gas prices, is also recovered through regulatory proceedings. The Company records any under or over-recovery resulting from gas and fuel adjustment clauses each month in revenues. A corresponding regulatory asset or liability is recorded until the under or over-recovery is billed or refunded to utility customers. The cost of gas sold is charged to operating expense as delivered to customers, and the cost of fuel and purchased power for electric generation is charged to operating expense when consumed.

***(j) Regulatory Assets & Liabilities***

Regulatory assets represent certain incurred costs, which will result in probable future cash recoveries from customers through the ratemaking process. Regulatory liabilities represent probable expenditures by the Company for removal costs or future reductions in revenues associated with amounts to be credited to customers through the ratemaking process. The Company continually assesses the recoverability of costs recognized as regulatory assets and the ability to recognize new regulatory assets associated with its regulated utility operations. The Company records pre-tax expense for (i) probable disallowances of capital investments and (ii) customer refund obligations and costs deferred in regulatory assets when recovery of such amounts is no longer considered probable. Given the current regulatory environment in its jurisdictions, the Company believes such accounting for regulatory assets and regulatory liabilities is appropriate.

The Company collects an estimated cost of removal of its utility plant through depreciation rates established in regulatory proceedings. The Company records amounts collected in advance of expenditure as a regulatory liability.

***(k) Asset Retirement Obligations***

A portion of removal costs related to interim retirements of gas utility pipeline and electric utility poles, and reclamation activities meet the definition of an ARO. The Company records the fair value of a liability for a legal ARO in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. The liability is accreted, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company settles the obligation for its recorded amount or incurs a gain or loss. To the extent regulation is involved, regulatory assets and liabilities result when accretion and amortization is adjusted to match rates established by regulators and any gain or loss is subject to deferral.

***(l) Energy Contracts & Derivatives***

The Company will periodically execute derivative contracts in the normal course of operations while buying and selling commodities to be used in operations, optimizing its generation assets, and managing risk. A derivative is recognized on the balance sheet as an asset or liability measured at its fair market value and the change in the derivative's fair market value depends on the intended use of the derivative and resulting designation.

When an energy contract that is a derivative is designated and documented as a normal purchase or normal sale (NPNS), it is exempt from mark-to-market accounting. Such energy contracts include Real Time and Day Ahead purchase and sale contracts with the MISO, certain natural gas purchases, and wind farm and other electric generating contracts.

When the Company engages in energy contracts and financial contracts that are derivatives and are not subject to the NPNS or other exclusions, such contracts are recorded at fair value as current or non-current assets or liabilities depending on their value and when the contracts are expected to be settled. Contracts and any associated collateral with counter-parties subject to master netting arrangements are presented net in the Balance Sheets. The offset resulting from carrying the derivative at fair value on the balance sheet is charged to earnings unless it qualifies as a hedge or is subject to regulatory accounting treatment. The offset to contracts affected by regulatory accounting treatment, which include most of the Company's executed energy and financial contracts, are marked to market as a regulatory asset or liability. Market value for derivative contracts is determined using quoted market prices from independent sources or from internal models. As of and for the periods presented, derivative activity, other than NPNS, is not material to these financial statements.

***(m) Environmental Costs***

The Company expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. The Company expenses amounts that relate to an existing condition caused by past operations that do not have future economic

benefit. The Company records undiscounted liabilities related to these future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated.

#### **(n) Income Taxes**

The Company is included in CenterPoint Energy's consolidated federal income tax return. Vectren and certain subsidiaries are also included in various unitary or consolidated state income tax returns with CenterPoint Energy. In other state jurisdictions, Vectren and certain subsidiaries continue to file separate state tax returns. The Company calculates the provision for income taxes and income tax liabilities for each jurisdiction using a separate return method.

The Company uses the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established against deferred tax assets for which management believes realization is not considered to be more likely than not. The Company recognizes interest and penalties as a component of income tax expense (benefit), as applicable, in their respective Statements of Income.

To the extent certain excess deferred income taxes of the Company's rate-regulated subsidiaries may be recoverable or payable through future rates, regulatory assets and liabilities have been recorded, respectively.

Investment tax credits are deferred and amortized to income over the approximate lives of the related property.

#### **(o) Revenue Policy**

Revenue is recognized when obligations under the terms of a contract with the customer are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The satisfaction of performance obligation occurs when the transfer of goods and services occur, which may be at a point in time or over time, resulting in revenue being recognized over the course of the underlying contract or at a single point in time based upon the delivery of services to customers.

#### **(p) MISO Transactions**

With the IURC's approval, the Company is a member of the MISO, a FERC approved regional transmission organization. The MISO serves the electrical transmission needs of much of the Midcontinent region and maintains operational control over the Company's electric transmission facilities as well as other utilities in the region. The Company is an active participant in the MISO energy markets, bidding its owned generation into the Day Ahead and Real Time markets and procuring power for its retail customers at Locational Marginal Pricing (LMP) as determined by the MISO market.

MISO-related purchase and sale transactions are recorded using settlement information provided by the MISO. These purchase and sale transactions are accounted for on at least a net hourly position, meaning net purchases within that interval are recorded on the Company's Statements of Income in Utility natural gas and Fuel and purchased power, and net sales within that interval are recorded on the Company's Statements of Income in Natural gas utility and Electric utility revenues. On occasion, prior period transactions are resettled outside the routine process due to a change in the MISO's tariff or a material interpretation thereof. Expenses associated with resettlements are recorded once the resettlement is probable and the resettlement amount can be estimated. Revenues associated with resettlements are recognized when the amount is determinable and collectability is reasonably assured.

The Company also receives transmission revenue that results from other members' use of the Company's transmission system. These revenues are also included in Electric utility revenues. Generally, these transmission revenues along with costs charged by the MISO are considered components of base rates and any variance from that included in base rates is recovered from / refunded to retail customers through tracking mechanisms.

#### **(q) Utility Receipts Taxes**

A portion of utility receipts taxes are included in rates charged to customers. Accordingly, the Company records these taxes received as a component of operating revenues, which totaled \$9 million in 2021 and \$8 million in 2020. Expense associated with utility receipts taxes are recorded as a component of Taxes other than income taxes.



**(r) Fair Value Measurements**

Certain assets and liabilities are valued and disclosed at fair value. Nonfinancial assets and liabilities include the initial measurement of an asset retirement obligation or the use of fair value in goodwill, intangible assets, and long-lived assets impairment tests. FASB guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

|         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.  |
| Level 2 | Inputs to the valuation methodology include <ul style="list-style-type: none"><li>· quoted prices for similar assets or liabilities in active markets;</li><li>· quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>· inputs other than quoted prices that are observable for the asset or liability;</li><li>· inputs that are derived principally from or corroborated by observable market data by correlation or other means</li></ul> If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

**(s) Other Significant Policies**

Included elsewhere in these notes are significant accounting policies related to retirement plans and other postretirement benefits, intercompany allocations and income taxes (Note 6).

**(3) Revenue**

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services.

The Company determines that disaggregating revenue into certain categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. These material revenue generating categories, as disclosed in Note 12, include: Natural Gas and Electric.

The Company provides commodity service to customers at rates, charges, and terms and conditions included in tariffs approved by regulators. The Company's utilities bill customers monthly and have the right to consideration from customers in an amount that corresponds directly with the performance obligation satisfied to date. The performance obligation is satisfied and revenue is recognized upon the delivery of services to customers. The Company records revenues for services and goods delivered but not billed at the end of an accounting period in Accrued unbilled revenues, derived from estimated unbilled consumption and tariff rates or in a regulatory asset, as applicable. The Company's revenues are also adjusted for the effects of regulation including tracked operating expenses, infrastructure replacement mechanisms, decoupling mechanisms, and lost margin recovery. Decoupling and lost margin recovery mechanisms are considered ARPs, which are excluded from the scope of ASC 606. Customers are billed monthly and payment terms, set by the regulator, require payment within a month of billing. The Company's revenues are not subject to significant returns, refunds, or warranty obligations.

In the following table, the Company's revenue is disaggregated by Reportable segment and major source.

|                        | Year Ended December 31, 2021 |             |        |
|------------------------|------------------------------|-------------|--------|
|                        | Electric                     | Natural Gas | Total  |
| Revenue from contracts | \$ 609                       | \$ 132      | \$ 741 |
| Other (1)              | 20                           | 2           | 22     |

|                                     |    |                      |    |                    |    |              |
|-------------------------------------|----|----------------------|----|--------------------|----|--------------|
| Total Revenues                      | \$ | 629                  | \$ | 134                | \$ | 763          |
| <b>Year Ended December 31, 2020</b> |    |                      |    |                    |    |              |
|                                     |    | <b>Electric</b>      |    | <b>Natural Gas</b> |    | <b>Total</b> |
|                                     |    | <b>(in millions)</b> |    |                    |    |              |
| Revenue from contracts              | \$ | 537                  | \$ | 104                | \$ | 641          |
| Other (1)                           |    | 17                   |    | (4)                |    | 13           |
| Total Revenues                      | \$ | 554                  | \$ | 100                | \$ | 654          |

(1) Primarily consists of income from ARPs. ARPs are contracts between the utility and its regulators, not between the utility and a customer. The Company recognizes ARP revenue as other revenues when the regulator-specified conditions for recognition have been met. Upon recovery of ARP revenue through incorporation in rates charged for utility service to customers, ARP revenue is reversed and recorded as revenue from contracts with customers. The recognition of ARP revenues and the reversal of ARP revenues upon recovery through rates charged for utility service may not occur in the same period.

### Revenues from Contracts with Customers

**Contract Balances.** The Company does not have any material contract balances (right to consideration for services already provided or obligations to provide services in the future for consideration already received). Substantially all the Company's accounts receivable results from contracts with customers.

The opening and closing balances of the Company's accounts receivable and other accrued unbilled revenue are as follows:

|   | <b>Accounts Receivable</b> | <b>Other Accrued Unbilled Revenues</b> |
|---|----------------------------|--|
|   | <b>(in millions)</b>       |  |
| Opening balance as of December 31, 2020 | \$ 48                      | \$ 25                                  |
| Closing balance as of December 31, 2021 | 53                         | 28                                     |
| Increase                                | \$ 5                       | \$ 3                                   |

### Allowance for Credit Losses and Bad Debt Expense

The Company segregates financial assets that fall under the scope of Topic 326, primarily trade receivables due in one year or less, into portfolio segments based on shared risk characteristics, such as geographical location and regulatory environment, for evaluation of expected credit losses. Historical and current information, such as average write-offs, are applied to each portfolio segment to estimate the allowance for losses on uncollectible receivables. Additionally, the allowance for losses on uncollectible receivables is adjusted for reasonable and supportable forecasts of future economic conditions, which can include changing weather, commodity prices, regulations, and macroeconomic factors, among others. For a discussion of regulatory deferrals related to COVID-19, see Note 5.

The table below summarizes the Company's bad debt expense amounts for 2021 and 2020, net of regulatory deferrals, including those related to COVID-19:

|                  | <b>Year Ended December 31,</b> |             |
|------------------|--------------------------------|-------------|
|                  | <b>2021</b>                    | <b>2020</b> |
|                  | <b>(in millions)</b>           |             |
| Bad debt expense | \$ 2                           | \$ 3        |



## (5) Regulatory Assets & Liabilities

The following is a list of regulatory assets and liabilities reflected on the Company's Balance Sheets as of December 31, 2021 and 2020.

|   | <b>December 31,</b>  |               |
|---|----------------------|---------------|
|   | <b>2021</b>          | <b>2020</b>   |
|   | <b>(in millions)</b> |               |
| <b>Regulatory Assets:</b>   |                      |               |
| <b>Future amounts recoverable from ratepayers related to:</b>         |                      |               |
| Asset retirement obligations & other                                  | \$ 37                | \$ 40         |
| Net deferred income taxes   | 7                    | 5             |
| Total future amounts recoverable from ratepayers                      | <u>44</u>            | <u>45</u>     |
| <b>Amounts deferred for future recovery related to:</b>               |                      |               |
| Extraordinary gas costs (1)   | 11                   | —             |
| Cost recovery riders  | 52                   | 24            |
| Gas recovery costs (1)  | 13                   | —             |
| Total amounts deferred for future recovery                            | <u>76</u>            | <u>24</u>     |
| <b>Amounts currently recovered through customer rates related to:</b> |                      |               |
| Authorized trackers and cost deferrals                                | 89                   | 91            |
| Loss on reacquired debt and hedging costs                             | 8                    | 9             |
| Total amounts recovered in customer rates                             | <u>97</u>            | <u>100</u>    |
| <b>Total Regulatory Assets</b>  | <u>\$ 217</u>        | <u>\$ 169</u> |
| <b>Total Current Regulatory Assets</b>                                | <u>\$ 24</u>         | <u>\$ —</u>   |
| <b>Total Non-current Regulatory Assets</b>                            | <u>\$ 193</u>        | <u>\$ 169</u> |
| <b>Regulatory Liabilities:</b>  |                      |               |
| Regulatory liabilities related to TCJA                                | \$ 182               | \$ 184        |
| Estimated removal costs   | 81                   | 76            |
| Other regulatory liabilities  | 21                   | —             |
| <b>Total Regulatory Liabilities</b>                                   | <u>\$ 284</u>        | <u>\$ 260</u> |

(1) Included in current regulatory assets on the Company's Balance Sheets.

Of the \$97 million currently being recovered in rates charged to customers, no amounts are earning a return. The weighted average recovery period of regulatory assets currently being recovered in base rates, which totals \$43 million, is 16 years. Regulatory assets not earning a return with perpetual or undeterminable lives have been excluded from the weighted average recovery period calculation. The remainder of the regulatory assets are being recovered timely through periodic recovery mechanisms. The Company has rate orders for all deferred costs not yet in rates and therefore believes future recovery is probable.

Regulatory assets for asset retirement obligations, see Notes 4 and 10 for further information, are primarily a result of costs incurred for expected retirement activity for the Company's ash ponds beyond what has been recovered in rates. The Company believes the recovery of these assets are probable as the costs are currently being recovered in rates.

The deferred tax related regulatory liability is primarily the revaluation of deferred taxes at the reduced federal corporate tax rate that was enacted on December 22, 2017. These regulatory liabilities are being refunded to customers over time following regulatory commission approval.

### **February 2021 Winter Storm Event**

In February 2021, the Company experienced an extreme and unprecedented winter weather event that resulted in prolonged freezing temperatures, which impacted its business. The February 2021 Winter Storm Event impacted wholesale prices of the Company's natural gas purchases and its ability to serve customers in its service territory, including due to the reduction in available natural gas capacity and impacts to the Company's natural gas supply portfolio activities, and the effects of weather on

their systems and their ability to transport natural gas, among other things. The overall natural gas market, including the markets from which the Company sourced a significant portion of their natural gas for their operations, experienced significant impacts caused by the February 2021 Winter Storm Event, resulting in extraordinary increases in the price of natural gas purchased by the Company.

The Company deferred under-recovered natural gas cost as regulatory assets under existing recovery mechanisms. As of December 31, 2021, the Company has recorded current regulatory assets of \$11 million associated with the February 2021 Winter Storm Event through the gas cost recovery mechanism.

Amounts for the under recovery of natural gas costs are reflected in regulatory assets on the Company's Balance Sheets. Recovery of natural gas costs within the regulatory assets are probable and are subject to customary regulatory prudence reviews in all jurisdictions that may impact the amounts ultimately recovered. The Company has begun recovery of natural gas costs attributable to the February 2021 Winter Storm Event.

### **COVID-19 Regulatory Matters**

Governors, public utility commissions and other authorities in Indiana have issued a number of different orders related to the COVID-19 pandemic, including orders addressing customer non-payment and disconnection. Although the disconnect moratoriums have expired in the Company's service territory, it continues to support those customers who may need payment assistance, arrangements or extensions.

The IURC has either (1) issued orders to record a regulatory asset for incremental bad debt expenses related to COVID-19, including costs associated with the suspension of disconnections and payment plans or (2) provided authority to recover bad debt expense through an existing tracking mechanism. The IURC issued an order in October 2021 for CEI South approving the settlement in its recent base rate case which included recovery of the applicable regulatory asset. The Company has recorded estimated incremental uncollectible receivables to the associated regulatory asset of \$1 million, as of both December 31, 2021 and 2020.

The IURC has authorized utilities to employ deferred accounting authority for certain COVID-19 related costs which ensure the safety and health of customers, employees, and contractors, that would not have been incurred in the normal course of business.

### **(6) Transactions with Other Vectren Companies & Affiliates**

#### **Vectren Infrastructure Services Corporation (VISCO)**

On April 9, 2020, Vectren closed on a transaction to sell its Infrastructure Services businesses which provided underground pipeline construction and repair services. VISCO's customers included the Company's utilities and fees incurred by the Company totaled:

|  | <u>Year Ended December 31, 2020 (1)</u> |   |
|--|---|---|
|  | <u>(in millions)</u>                    |   |
| Pipeline construction and repair services <sup>(2)</sup> | \$                                      | 6 |

(1) Represents charges for the period, January 1, 2020 until the closing of the sale of VISCO

(2) Amounts owed to VISCO are included in Accounts payable - affiliated companies.

#### **Support Services and Purchases**

Affiliates of CenterPoint Energy provide corporate and general and administrative services to the Company and allocate certain costs to the Company. These services are billed to the Company at actual cost, either directly or as allocation using various allocators, including number of employees, number of customers and/or the level of payroll, revenue contribution and capital expenditures. Affiliates of CenterPoint Energy provide other miscellaneous services, including geographic services and other management support. These services are billed at actual cost, and the charges are not necessarily indicative of what would have been incurred had CenterPoint Energy's subsidiaries not been affiliates. Amounts owed for support services and purchases at December 31, 2021 and 2020 are included in Accounts payable - affiliated companies.

Additionally, CenterPoint Energy, through an energy service subsidiary divested in June 2020, sold natural gas to the Company's Electric reportable segment for use in electric generation activities. Contracts for natural gas were executed in a competitive bidding process and are reflective of what would have been incurred had CenterPoint Energy not been an affiliate.

|  | <b>Year Ended December 31,</b> |                |
|--|--------------------------------|----------------|
|  | <b>2021</b>                    | <b>2020(1)</b> |
|  | (in millions)                  |                |
| Affiliate natural gas expense <sup>(1)</sup> | \$ —                           | \$ 1           |
| Corporate allocations                        | 53                             | 55             |

(1) Amounts charged for natural gas are included primarily in Utility natural gas until the closing of the sale of CenterPoint Energy's energy service subsidiary.

### ***Property, Plant and Equipment***

In 2021, the Company purchased certain property, plant and equipment assets from VUHI at their net carrying value of \$61 million on the date of purchase.

### ***Retirement Plans & Other Postretirement Benefits***

As of December 31, 2021, Vectren maintains three closed qualified defined benefit pension plans (Vectren Corporation Non-Bargaining Retirement Plan, The Indiana Gas Company, Inc. Bargaining Unit Retirement Plan, Pension Plan for Hourly Employees of Southern Indiana Gas and Electric Company), a nonqualified supplemental executive retirement plan (SERP), and a postretirement benefit plan. The defined benefit pension plans and postretirement benefit plan, which cover the Company's eligible full-time regular employees, are primarily noncontributory. The postretirement benefit plan includes health care and life insurance benefits which are a combination of self-insured and fully insured programs. Vectren's current and former employees comprise the vast majority of the participants and retirees covered by these plans. Effective in 2021, certain participants of the Vectren Non-Bargaining Retirement Plan and all liabilities and assets associated with the accrued benefits of such participants were transferred to and became participants of the CenterPoint Energy pension plan.

Vectren satisfies the future funding requirements for its funded plans and the payment of benefits for unfunded plans from general corporate assets and, as necessary, relies on the Company to support the funding of these obligations. However, the Company has no contractual funding obligation to the plans. The Company did not make a contribution in 2021 and 2020 to the Company's parents' defined benefit and pension plans. The Company contributed \$1 million in 2021 and \$2 million in 2020 to Vectren's SERP and post retirement benefit plans. The combined funded status of Vectren's benefit pension plans was approximately 100 percent and 92 percent as of December 31, 2021 and 2020, respectively. The combined funded status of CenterPoint Energy's, excluding Vectren, defined pension plans was approximately 92 percent as of December 31, 2021.

Vectren allocates retirement plan and other postretirement benefit plan periodic cost calculated pursuant to GAAP to its subsidiaries, which is also how the Company recovers retirement plan periodic costs through base rates. Periodic cost is charged to the Company following a labor cost allocation methodology and results in retirement costs being allocated to both operating expense and capital projects. For the years ended December 31, 2021 and 2020, costs totaling \$3 million and \$4 million, respectively, were charged to the Company from CenterPoint Energy.

Any difference between the Company's funding requirements to Vectren and allocated periodic costs is recognized by the Company as an intercompany asset or liability. The allocation methodology to determine the intercompany funding requirements from the subsidiaries to Vectren is consistent with FASB guidance related to "multiemployer" benefit accounting. Neither plan assets nor plan obligations as calculated pursuant to GAAP by Vectren are allocated to individual subsidiaries.

As of December 31, 2021 and 2020, the Company had \$22 million and \$21 million, respectively, representing defined benefit pension funding by the Company to Vectren that is yet to be reflected in costs. As of December 31, 2021 and 2020, the Company had \$18 million and \$17 million, respectively, included in Other non-current liabilities representing costs related to other postretirement benefits charged to the Company that is yet to be funded to Vectren. The Company's labor allocation methodology is used to compute the Company's funding of the defined benefit retirement and other postretirement plans to Vectren, which is consistent with the regulatory ratemaking processes of the Company.

### ***Share-Based Incentive Plans and Deferred Compensation Plans***

The Company does not have share-based compensation plans separate from Vectren or CenterPoint Energy. As of December 31, 2021 most active employees of the deferred compensation plans were transferred out of VUHI and into other CenterPoint Energy companies. As of December 31, 2021 and 2020, less than \$1 million and \$3 million, respectively, is included in Other non-current liabilities and represents deferred compensation obligations that are yet to be funded in CenterPoint Energy's plan.

### ***Cash Management Arrangements***

The Company participates in the centralized cash management program with affiliates of Vectren. See Note 7 for further information regarding intercompany borrowing arrangements.

### ***Guarantees of the Company's Parent***

The three operating utility companies of VUHI, the Company, CEI North and CEOH are guarantors of its credit facility, its \$350 million commercial paper borrowing arrangements and its \$377 million in unsecured senior notes outstanding at December 31, 2021. The majority of VUHI's unsecured senior notes outstanding are allocated to the operating utility companies. The guarantees are full and unconditional and joint and several, and VUHI has no subsidiaries other than the subsidiary guarantors.

### ***Income Taxes***

The Company does not file federal or state income tax returns separate from those filed by Vectren or CenterPoint Energy. As of February 2, 2019, Vectren is included in CenterPoint Energy's consolidated U.S. federal income tax return. Vectren and/or certain of its subsidiaries file income tax returns in various states. Pursuant to a tax sharing agreement and for financial reporting purposes, Vectren subsidiaries record income taxes on a separate company basis. The Company's allocated share of tax effects resulting from it being a part of Vectren's consolidated tax group are recorded at the Company's parent level. Current taxes payable/receivable are settled with Vectren in cash quarterly and after filing the consolidated federal and state income tax returns.

Deferred income taxes are provided for temporary differences between the tax basis (adjusted for related unrecognized tax benefits, if any) of an asset or liability and its reported amount in the financial statements. Deferred tax assets and liabilities are computed based on the currently-enacted statutory income tax rates that are expected to be applicable when the temporary differences are scheduled to reverse. The Company recognizes regulatory liabilities for deferred taxes provided in excess of the current statutory tax rate and regulatory assets for deferred taxes provided at rates less than the current statutory tax rate. Such tax-related regulatory assets and liabilities are reported at the revenue requirement level and amortized to income as the related temporary differences reverse, generally over the lives of the related properties. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that the deferred tax assets will be realized.

Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more-likely-than-not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. The Company reports interest and penalties associated with unrecognized tax benefits within Income taxes in the Statements of Income and reports tax liabilities related to unrecognized tax benefits as part of Other non-current liabilities.

Investment tax credits (ITCs) are deferred and amortized to income over the approximate lives of the related property. Production tax credits (PTCs) are recognized as energy is generated and sold based on a per kilowatt hour rate prescribed in applicable federal and state statutes.

The Company's gas and electric utilities currently recover corporate income tax expense in approved rates charged to customers. The IURC issued an order which initiated a proceeding to investigate the impact of the Tax Cuts and Jobs Act (TCJA) on utility companies and customers within the state. In addition, the IURC ordered the Company to establish regulatory liabilities to record all estimated impacts of tax reform starting January 1, 2018. For further information, see Note 5.

The components of income tax expense/(benefit) and amortization of investment tax credits follow:

|                                     | Year Ended December 31, |         |
|-------------------------------------|-------------------------|---------|
|                                     | 2021                    | 2020    |
|                                     | (in millions)           |         |
| Current:                            |                         |         |
| Federal                             | \$ —                    | \$ (19) |
| State                               | 2                       | (4)     |
| Total current tax expense/(benefit) | 2                       | (23)    |
| Deferred:                           |                         |         |
| Federal                             | (11)                    | 34      |
| State                               | 5                       | 10      |
| Total deferred tax expense          | (6)                     | 44      |
| Investment tax credit amortization  | (1)                     | (1)     |
| Investment tax credit deferred      | 26                      | —       |
| Total income tax expense            | \$ 21                   | \$ 20   |

A reconciliation of the federal statutory rate to the effective income tax rate follows:

|   | Year Ended December 31, |      |
|---|-------------------------|------|
|   | 2021                    | 2020 |
| Statutory rate  | 21 %                    | 21 % |
| State & local taxes, net of federal benefit             | 4                       | 4    |
| Amortization of investment tax credit                   | (1)                     | —    |
| Research & development tax credits                      | (1)                     | —    |
| Regulatory liability amortization settled through rates | (4)                     | (4)  |
| All other - net   | (2)                     | (2)  |
| Effective tax rate                                      | 17 %                    | 19 % |

Significant components of the net deferred tax liability follow:

|   | December 31,  |        |
|---|---------------|--------|
|   | 2021          | 2020   |
|   | (in millions) |        |
| Non-current deferred tax assets:                    |               |        |
| Net operating loss & other carryforwards            | \$ 26         | \$ —   |
| Regulatory liabilities settled through future rates | 43            | 43     |
| Total deferred tax assets                           | 69            | 43     |
| Non-current deferred tax liabilities:               |               |        |
| Depreciation & cost recovery timing differences     | 299           | 284    |
| Regulatory assets recoverable through future rates  | 7             | 7      |
| Employee benefit obligations                        | 2             | 2      |
| Deferred fuel costs                                 | 14            | 9      |
| Other – net   | 8             | 8      |
| Total deferred tax liabilities                      | 330           | 310    |
| Net deferred tax liability                          | \$ 261        | \$ 267 |



As of December 31, 2021, the Company has \$26 million investment tax credit carryforward that will expire in 2041. As of December 31, 2021 and 2020, investment tax credits totaling \$28 million and \$3 million, respectively, are included in Other non-current liabilities, respectively.

### **Uncertain Tax Positions**

Unrecognized tax benefits for all periods presented were not material to the Company. The net liability on the *Balance Sheet* for unrecognized tax benefits inclusive of interest and penalties totaled less than \$1 million as of both December 31, 2021 and 2020.

The Company's parent and certain of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states. The Internal Revenue Service (IRS) is currently auditing Vectren's U.S. federal income 2014-2019 tax returns. The State of Indiana, Vectren's primary state tax jurisdiction, has concluded examinations of Vectren's consolidated state income tax returns for tax years through 2017 with no adjustments. The statutes of limitations for assessment of Indiana income tax have expired with respect to tax years through 2016 except to the extent of refunds claimed on amended tax returns. Tax years through 2018 have been audited and settled with the IRS for CenterPoint Energy. For the 2019-2021 tax years, CenterPoint Energy and its subsidiaries are participants in the IRS's Compliance Assurance Process.

## **(7) Borrowing Arrangements & Other Financing Transactions**

### **Long-Term Debt**

Long-term senior unsecured obligations and first mortgage bonds outstanding follow:

|   | <b>December 31,</b>  |               |
|---|----------------------|---------------|
|   | <b>2021</b>          | <b>2020</b>   |
|   | <b>(in millions)</b> |               |
| <b>Fixed Rate Senior Unsecured Notes Payable to Affiliated Companies</b>              |                      |               |
| 2021, 4.67%   | \$ —                 | \$ 55         |
| 2023, 3.72%   | 25                   | 25            |
| 2025, 1.21%   | 106                  | —             |
| 2028, 3.20%   | 27                   | 27            |
| 2030, 1.72%   | 75                   | 56            |
| 2032, 3.26%   | 75                   | 75            |
| 2035, 6.10%   | 25                   | 25            |
| 2035, 3.90%   | 17                   | 17            |
| 2043, 4.25%   | 48                   | 48            |
| 2045, 4.36%   | 16                   | 16            |
| 2047, 3.93%   | 30                   | 30            |
| 2049, 3.42%   | 80                   | 80            |
| 2050, 3.920%  | 100                  | 100           |
| 2055, 4.51%   | 16                   | 16            |
| <b>Total long-term debt payable - affiliated companies</b>                            | <b>640</b>           | <b>570</b>    |
| Current maturities  | —                    | (55)          |
| <b>Total long-term debt payable - affiliated companies, net of current maturities</b> | <b>\$ 640</b>        | <b>\$ 515</b> |

|   | December 31,  |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | (in millions) |               |
| <b>First Mortgage Bonds Payable to Third Parties:</b>                           |               |               |
| 2022, 2013 Series C, current adjustable rate .83%, tax-exempt                   | \$ 5          | \$ 5          |
| 2024, 2013 Series D, current adjustable rate .83%, tax-exempt                   | 23            | 23            |
| 2025, 2014 Series B, current adjustable rate .83%, tax-exempt                   | 41            | 41            |
| 2029, 1999 Series, 6.72%  | 80            | 80            |
| 2037, 2013 Series E, current adjustable rate .83%, tax-exempt                   | 22            | 22            |
| 2038, 2013 Series A, current adjustable rate .83%, tax-exempt                   | 22            | 22            |
| 2043, 2013 Series B, current adjustable rate .83%, tax-exempt                   | 40            | 40            |
| 2044, 2014 Series A, 4.00%, tax exempt  | 22            | 22            |
| 2055, 2015 Series Mt. Vernon, .875%, tax-exempt                                 | 15            | 23            |
| 2055, 2015 Series Warrick County, .875%, tax-exempt                             | 23            | 15            |
| <b>Total first mortgage bonds payable to third parties</b>                      | <b>293</b>    | <b>293</b>    |
| Current maturities  | (5)           | —             |
| <b>Total long-term debt payable to third parties, net of current maturities</b> | <b>\$ 288</b> | <b>\$ 293</b> |

*Mandatory Tenders.* Certain series of the Company's bonds, originally aggregating \$186 million, are subject to mandatory tenders prior to the bond's final maturities. In 2020, \$38 million of such bonds was tendered and remarketed and \$148 million of such bonds are subject to being tendered in 2023.

*Future Long-Term Debt Sinking Fund Requirements and Maturities.* As of December 31, 2021, the Company had approximately \$293 million aggregate principal amount of first mortgage bonds outstanding. Generally, all of the Company's real and tangible property is subject to the lien of its mortgage indenture. The Company may issue additional bonds under its mortgage indenture up to 60% of currently unfunded property additions. As of December 31, 2021, approximately \$1.4 billion of additional first mortgage bonds could be issued on this basis. However, the Company is also limited in its ability to issue additional bonds under its mortgage indenture due to certain provisions in its parent's, VUHI, debt agreements.

*Maturities.* As of December 31, 2021, maturities of long-term debt were as follows:

|                     | Affiliate Debt |      | Third Party Debt |      | Total Debt |
|---------------------|----------------|------|------------------|------|------------|
|                     | (in millions)  |      |                  |      |            |
| 2022                | \$ —           | \$ — | 5                | \$ 5 | 5          |
| 2023                | 25             | —    | —                | —    | 25         |
| 2024                | —              | —    | 23               | —    | 23         |
| 2025                | 106            | —    | 41               | —    | 147        |
| 2026                | —              | —    | —                | —    | —          |
| 2027 and thereafter | 509            | —    | 224              | —    | 733        |

*Covenants.* Long-term and short-term borrowing arrangements contain customary default provisions; restrictions on liens, sale-leaseback transactions, mergers or consolidations, and sales of assets; and restrictions on leverage, among other restrictions. As of December 31, 2021, the Company was in compliance with all financial debt covenants.

## **(8) Commitments & Contingencies**

### **(a) Purchase Obligations**

Commitments include minimum purchase obligations related to the Company's Natural Gas reportable segment and Electric reportable segment. A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on the Company and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Contracts with minimum payment provisions have various quantity requirements and durations and are not classified as non-trading derivative assets and liabilities in the

Company's Balance Sheets as of December 31, 2021 and 2020. These contracts meet an exception as "normal purchases contracts" or do not meet the definition of a derivative. Natural gas and coal supply commitments also include transportation contracts that do not meet the definition of a derivative.

On February 9, 2021, CEI South entered into a BTA with a subsidiary of Capital Dynamics. Pursuant to the BTA, Capital Dynamics, with its partner Tenaska, will build a 300 MW solar array in Posey County, Indiana through a special purpose entity, Posey Solar. Upon completion of construction, currently projected to be at the end of 2023, and subject to IURC approval, which was received on October 27, 2021, CEI South will acquire Posey Solar and its solar array assets for a fixed purchase price. Due to rising costs for the project, caused in part by supply chain disruptions and the rising cost of commodities, Capital Dynamics is planning to downsize the project to approximately 200 MWs to remain viable. CEI South collaboratively agreed to the scope change and is currently working through contract negotiations, contingent on further IURC review and approval.

As of December 31, 2021, minimum purchase obligations were approximately:

|                 | <u>Natural Gas and Coal Supply</u> |     | <u>Other (1)</u> |     |
|-----------------|------------------------------------|-----|------------------|-----|
|                 | (in millions)                      |     |                  |     |
| 2022            | \$                                 | 116 | \$               | 53  |
| 2023            |                                    | 77  |                  | 490 |
| 2024            |                                    | 43  |                  | 70  |
| 2025            |                                    | 42  |                  | 30  |
| 2026            |                                    | 36  |                  | 30  |
| 2027 and beyond |                                    | 152 |                  | 165 |

(1) The Company's undiscounted minimum payment obligations related to PPAs with commitments ranging from 15 to 25 years and its purchase commitment under its BTA in Posey County, Indiana at the original contracted amount, prior to any renegotiation, are included above. The remaining undiscounted payment obligations relate primarily to technology hardware and software agreements.

Excluded from the table above are estimates for cash outlays from other PPAs through CEI South that do not have minimum thresholds but do require payment when energy is generated by the provider. Costs arising from certain of these commitments are pass-through costs, generally collected dollar-for-dollar from retail customers through regulator-approved cost recovery mechanisms

**(b) AMAs**

The Company entered into a third-party AMA beginning in April 2021 through March 2024 associated with its utility distribution service in Indiana. Pursuant to the provisions of the agreement, the Company either sells natural gas to the asset manager and agrees to repurchase an equivalent amount of natural gas throughout the year at the same cost, or simply purchases its full natural gas requirements at each delivery point from the asset manager. Generally, AMAs are contracts between the Company and an asset manager that are intended to transfer the working capital obligation and maximize the utilization of the assets. In these agreements, the Company agrees to release transportation and storage capacity to other parties to manage natural gas storage, supply and delivery arrangements for the Company and to use the released capacity for other purposes when it is not needed for the Company. The Company may receive compensation from the asset manager through payments made over the life of the AMAs. The Company has an obligation to purchase their winter storage requirements that have been released to the asset manager under these AMAs.

**(c) Environmental and Other Matters**

**MGP Sites.** The Company and its predecessors operated MGPs in the past. The Company has accrued estimated costs for investigation, remediation, and ground water monitoring that it expects to incur to fulfill its respective obligations using assumptions based on actual costs incurred, the timing of expected future payments and inflation factors, among others. While the Company has recorded all costs which it presently is obligated to incur in connection with activities at these sites, it is possible that future events may require remedial activities which are not presently foreseen, and those costs may not be subject to PRP or insurance recovery.

*Indiana MGPs.* The Company has also identified its involvement in 5 manufactured gas plant sites in the Company's service territory, all of which are currently enrolled in the IDEM's VRP. The Company is currently conducting some level of remedial activities, including groundwater monitoring at certain sites.

Total costs that may be incurred in connection with addressing these sites cannot be determined at this time. The estimated accrued costs are limited to the Company's share of the remediation efforts and are therefore net of exposures of other PRPs. The estimated range of possible remediation costs for the sites for which the Company believes it may have responsibility was based on remediation continuing for the minimum time frame given in the table below.

|                                     | <u>December 31, 2021</u>           |    |
|-------------------------------------|------------------------------------|----|
|                                     | <u>(in millions, except years)</u> |    |
| Amount accrued for remediation      | \$                                 | 2  |
| Minimum estimated remediation costs |                                    | 1  |
| Maximum estimated remediation costs |                                    | 8  |
| Minimum years of remediation        |                                    | 5  |
| Maximum years of remediation        |                                    | 10 |

The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will depend on the number of sites to be remediated, the participation of other PRPs, if any, and the remediation methods used.

The Company does not expect the ultimate outcome of these matters to have a material adverse effect on the financial condition, results of operations or cash flows.

*CCR Rule.* In April 2015, the EPA finalized its CCR Rule, which regulates ash as non-hazardous material under the RCRA. The final rule allows beneficial reuse of ash, and the majority of the ash generated by CEI South's generating plants will continue to be reused. In July 2018, the EPA released its final CCR Rule Phase I Reconsideration which extended the deadline to October 31, 2020 for ceasing placement of ash in ponds that exceed groundwater protections standards or that fail to meet location restrictions. In August 2019, the EPA proposed additional "Part A" amendments to its CCR Rule with respect to beneficial reuse of ash and other materials. Further "Part B" amendments, which related to alternate liners for CCR surface impoundments and the surface impoundment closure process, were published in March 2020. The Part A amendments were finalized in August 2020 and extended the deadline to cease placement of ash in ponds to April 11, 2021, discussed further below. The EPA published the final Part B amendments in November 2020. The Part A amendments do not restrict the Company's current beneficial reuse of its fly ash. The Company evaluated the Part B amendments to determine potential impacts and determined that the Part B amendments did not have an impact on its current plans. Shortly after taking office in January 2021, President Biden signed an executive order requiring agencies to review environmental actions taken by the Trump administration, including the CCR Rule Phase I Reconsideration, the Part A amendments, and the Part B amendments; the EPA has completed its review of the Phase I Reconsideration, Part A amendments, and Part B amendments and determined that the most environmentally protective course is to implement the rules.

CEI South has three ash ponds, two at the F.B. Culley facility (Culley East and Culley West) and one at the A.B. Brown facility. Under the existing CCR Rule, CEI South is required to perform integrity assessments, including ground water monitoring, at its F.B. Culley and A.B. Brown generating stations. The ground water studies are necessary to determine the remaining service life of the ponds and whether a pond must be retrofitted with liners or closed in place. CEI South's Warrick generating unit is not included in the scope of the CCR Rule as this unit has historically been part of a larger generating station that predominantly serves an adjacent industrial facility. Preliminary groundwater monitoring indicates potential groundwater impacts very close to CEI South's ash impoundments, and further analysis is ongoing. The CCR Rule required companies to complete location restriction determinations by October 18, 2018. The Company completed its evaluation and determined that one F.B. Culley pond (Culley East) and the A.B. Brown pond fail the aquifer placement location restriction. As a result of this failure, CEI South was required to cease disposal of new ash in the ponds and commence closure of the ponds by April 11, 2021, unless approved for an extension. CenterPoint Energy has applied for the extensions available under the CCR Rule that would allow CEI South to continue to use the ponds through October 15, 2023. The EPA is still reviewing industry extension requests, including the Company's extension request. Companies can continue to operate ponds pending completion of the EPA's evaluation of the requests for extension. If the EPA denies a full extension request, that denial may result in increased and potentially significant operational costs in connection with the accelerated implementation of an alternative ash disposal system or may adversely impact CEI South's future operations. Failure to comply with a cease waste receipt could also result in an enforcement proceeding, resulting in the imposition of fines and penalties. On April 24, 2019, CEI South received an order from the IURC approving

recovery in rates of costs associated with the closure of the Culley West pond, which has already completed closure activities. On August 14, 2019, CEI South filed its petition with the IURC for recovery of costs associated with the closure of the A.B. Brown ash pond, which would include costs associated with the excavation and recycling of ponded ash. This petition was subsequently approved by the IURC on May 13, 2020. On October 28, 2020, the IURC approved CEI South's ECA proceeding, which included the initiation of recovery of the federally mandated project costs.

CEI South continues to refine site specific estimates of closure costs for its ten-acre Culley East pond. In July 2018, CEI South filed a Complaint for Damages and Declaratory Relief against its insurers seeking reimbursement of defense, investigation and pond closure costs incurred to comply with the CCR Rule, and has since reached confidential settlement agreements with its insurers. The proceeds of these settlements will offset costs that have been and will be incurred to close the ponds.

As of December 31, 2021, the Company has recorded an approximate \$90 million ARO, which represents the discounted value of future cash flow estimates to close the ponds at A.B. Brown and F.B. Culley. This estimate is subject to change due to the contractual arrangements; continued assessments of the ash, closure methods, and the timing of closure; implications of CEI South's generation transition plan; changing environmental regulations; and proceeds received from the settlements in the aforementioned insurance proceeding. In addition to these removal costs, CEI South also anticipates equipment purchases of between \$60 million and \$80 million to complete the A.B. Brown closure project.

*Clean Water Act Permitting of Groundwater Discharges.* In April 2021, the U.S. Supreme Court issued an opinion providing that indirect discharges via groundwater or other non-point sources are subject to permitting and liability under the Clean Water Act when they are the functional equivalent of a direct discharge. The Company is evaluating the extent to which this decision will affect Clean Water Act permitting requirements and/or liability for their operations.

*Other Environmental.* From time to time, the Company identifies the presence of environmental contaminants during operations or on property where predecessors have conducted operations. Other such sites involving contaminants may be identified in the future. The Company has and expects to continue to remediate any identified sites consistent with state and federal legal obligations. From time to time, the Company has received notices, and may receive notices in the future, from regulatory authorities or others regarding status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, the Company has been, or may be, named from time to time as defendants in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, the Company does not expect these matters, either individually or in the aggregate, to have a material adverse effect on their financial condition, results of operations or cash flows.

#### ***Other Proceedings***

The Company is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. From time to time, the Company is also defendant in legal proceedings with respect to claims brought by various plaintiffs against broad groups of participants in the energy industry. Some of these proceedings involve substantial amounts. The Company regularly analyzes current information and, as necessary, provides accruals for probable and reasonably estimable liabilities on the eventual disposition of these matters. The Company does not expect the disposition of these matters to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

### **(9) Regulatory Matters**

#### ***COVID-19 Regulatory Matters***

For information about COVID-19 regulatory matters, see Note 5 to the financial statements.

#### ***February 2021 Winter Storm Event***

The table below presents the incremental natural gas costs included in regulatory assets as of December 31, 2021 as a result of the February 2021 Winter Storm Event and the Company's requested recovery status as of March 2022.

| State | Recovery Status | Legislative Activity | Incremental Gas Cost in<br>Regulatory Assets (in<br>millions) |
|-------|-----------------|----------------------|---|
|-------|-----------------|----------------------|---|

|           |   |       |       |
|-----------|---|-------|-------|
| CEI South | IURC issued order July 28, 2021. Recovery began August 2021 with 50% of the February 2021 variance recovered evenly over the 12-month period August 2021 to July 2022, with the remainder of the variance recovered through a volumetric per-term allocation over the same 12-month period. | None. | 11    |
| Total     |   |       | \$ 11 |

### ***CEI South CPCN***

On February 9, 2021, CEI South entered into a BTA with a subsidiary of Capital Dynamics. Under the agreement, Capital Dynamics, with its partner Tenaska, contracted to build a 300 MW solar array in Posey County, Indiana through a special purpose entity, Posey Solar. Upon completion of construction, which is projected to be at the end of 2023, CEI South will acquire Posey Solar and its solar array assets for a fixed purchase price. On February 23, 2021, CEI South filed a CPCN with the IURC seeking approval to purchase the project. CEI South also sought approval for a 100 MW solar PPA with Clenera LLC in Warrick County, Indiana. The request accounted for increased cost of debt related to this PPA, which provides equivalent equity return to offset imputed debt during the 25 year life of the PPA. A hearing was conducted on June 21, 2021. On October 27, 2021, the IURC issued an order approving the CPCN, authorizing CEI South to purchase the Posey solar project through a BTA and approved recovery of costs via a levelized rate over the anticipated 35-year life. The IURC also approved the Warrick County solar PPA but denied the request to preemptively offset imputed debt in the PPA cost. The Posey solar project is expected to be in service by 2023. Due to rising costs for the project, caused in part by supply chain issues in the energy industry and the rising costs of commodities, we, along with Capital Dynamics, recently announced plans to downsize the project to approximately 200 MW. CEI South collaboratively agreed to the scope change and is currently working through contract negotiations, contingent on further IURC review and approval.

On June 17, 2021 CEI South filed a CPCN with the IURC seeking approval to construct two natural gas combustion turbines to replace portions of its existing coal-fired generation fleet. CEI South has also requested depreciation expense and post in-service carrying costs to be deferred in a regulatory asset until the date Indiana South's base rates include a return on and recovery of depreciation expense on the facility. A hearing was conducted on January 26 through 28, 2022. The estimated \$334 million turbine facility would be constructed at the current site of the A.B. Brown power plant in Posey County, Indiana and would provide a combined output of 460 MW. Construction of the turbines will begin following receipt of necessary regulatory approvals by the IURC and FERC, which are anticipated in the second half of 2022 and first quarter 2023, respectively. The turbines are targeted to be operational in first quarter of 2025. Subject to IURC approval, recovery of the proposed natural gas combustion turbines and regulatory asset will be requested in the next CEI South rate case expected in 2023.

On August 25, 2021, CEI South filed with the IURC seeking approval to purchase 185 MW of solar power, under a 15-year PPA, from Oriden LLC, which is developing a solar project in Vermillion County, Indiana, and 150 MW of solar power, under a 20-year PPA, from Origen Energy USA Inc., which is developing a solar project in Knox County, Indiana. Subject to necessary approvals, both solar arrays are expected to be in service by 2023.

### ***CEI South Securitization of Planned Generation Retirements***

The State of Indiana has enacted legislation, Senate Bill 386, that would enable the Company to request approval from the IURC to securitize the remaining book value and removal costs associated with generating facilities to be retired in the next twenty-four months. The Governor of Indiana signed the legislation on April 19, 2021. The Company intends to seek securitization in the future associated with planned retirements of coal generation facilities in 2022.

### ***Subsidiary Restructuring***

In July 2021, CEI North and CEI South filed petitions with the IURC for the approval of a new financial services agreement and the confirmation of CEI North's financing authority, and final orders were issued by the IURC on December 28, 2021. CEOH filed a similar application with the PUCO in September 2021 and the PUCO issued an order on January 26, 2022 adopting recommendations by PUCO staff. CenterPoint Energy is evaluating the transfer of CEI North and CEOH from VUHI to CERC in order to better align its organizational structure with management and financial reporting. Both the IURC and PUCO have approved the transaction. As a part of the restructuring, VUHI may approach certain of its debt holders with an offer to exchange existing VUHI debt for CERC debt. The orders allow the reissuance of existing debt of CEI North and CEOH to CERC, to continue to amortize existing issuance expenses and discounts, and to treat any potential exchange fees as discounts to be

amortized over the life of the debt. If CenterPoint Energy moves forward with the restructuring, including any VUHI debt exchanges, it is expected to be completed in 2022.

### ***CEI South Base Rate Case***

On October 30, 2020, and as subsequently amended, CEI South filed its base rate case with the IURC seeking approval for a revenue increase of approximately \$29 million. This rate case filing is required under Indiana TDSIC statutory requirements before the completion of Indiana South's capital expenditure program, approved in 2014 for investments starting in 2014 through 2020. The revenue increase is based upon a requested ROE of 10.15% and an overall after-tax rate of return of 5.99% on total rate base of approximately \$469 million. Indiana South has utilized a projected test year, reflecting its 2021 budget as the basis for the revenue increase requested and proposes to implement rates in two phases. On April 23, 2021, a Stipulation and Settlement Agreement was filed resolving all issues in the case. The settlement recommended a revenue increase of \$21 million based on a 9.7% ROE and an overall after-tax rate of return of 5.78% on total rate base of approximately \$469 million. A settlement hearing was held on June 24, 2021. On October 6, 2021, the IURC issued an order approving the settlement. Phase one rates, reflecting actual plant-in-service and cost of capital through June 2021, became effective in October 2021 and phase two rates, reflecting actual plant-in-service and cost of capital through December 2021 with certain adjustments, will become effective in March 2022.

### ***Rate Change Applications***

The Company is routinely involved in rate change applications before state regulatory authorities. Those applications include general rate cases, where the entire cost of service of the utility is assessed and reset. In addition, the Company is periodically involved in proceedings to adjust its capital tracking mechanisms in Indiana (CSIA for gas and TDSIC, ECA and CECA for Electric). The table below reflects significant applications pending or completed since the Company's 2020 financial statements were furnished to the SEC on Current Report 8-K dated March 26, 2021.

| <b>Mechanism</b>              | <b>Annual Increase (Decrease) (1) (in millions)</b> | <b>Filing Date</b> | <b>Effective Date</b> | <b>Approval Date</b> | <b>Additional Information</b>  |
|-------------------------------|---|--------------------|-----------------------|----------------------|--|
| <b>CEI South - Gas (IURC)</b> |   |                    |                       |                      |  |
| CSIA                          | (1)   | April 2021         | July 2021             | July 2021            | Represents an increase of \$11 million to rate base (investment period July 2020 through December 2020), which reflects a \$(1 million) annual decrease in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case, which was filed in December 2020. The mechanism also includes refunds associated with the TCJA, resulting in no change to the previous credit provided, and a change in the total (over)/under-recovery variance of less than \$1 million annually. |
| Rate Case                     | 21  | October 2020       | October 2021          | October 2021         | See discussion above under <b><i>CEI South Base Rate Case</i></b> .  |

| Mechanism                          | Annual Increase (Decrease) (1) (in millions) | Filing Date   | Effective Date | Approval Date  | Additional Information  |
|------------------------------------|--|---------------|----------------|----------------|---|
| <b>CEI South - Electric (IURC)</b> |  |               |                |                |   |
| TDSIC <sup>(1)</sup>               | 3  | February 2022 | TBD            | TBD            | Requested an increase of \$42 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million.                                    |
| CECA <sup>(1)</sup>                | (2)  | February 2022 | TBD            | TBD            | Requested a decrease of less than \$1 million to rate base, which reflects a \$3 million annual decrease in current revenues. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million. This mechanism includes a non-traditional rate making approach related to a 50 MW universal solar array placed in service in January 2021. |
| TDSIC                              | 3  | August 2021   | November 2021  | November 2021  | Requested an increase of \$35 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million.                                    |
| ECA                                | 2  | May 2021      | September 2021 | September 2021 | Requested an increase of \$39 million to rate base, which reflects a \$2 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also included a change in (over)/under-recovery variance of less than \$1 million annually.                           |
| TDSIC                              | 3  | February 2021 | May 2021       | May 2021       | Requested an increase of \$28 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million.                                    |
| CECA                               | 8  | February 2021 | June 2021      | May 2021       | Reflects an \$8 million annual increase in current revenues through a non-traditional rate making approach related to a 50 MW universal solar array placed in service in January 2021.  |

(1) Represents proposed increases (decreases) when effective date and/or approval date is not yet determined. Approved rates could differ materially from proposed rates.

## (10) Environmental and Sustainability Matters

### Global Climate Change

There is increasing attention being paid in the United States and worldwide to the issue of climate change. As a result, from time to time, regulatory agencies have considered the modification of existing laws or regulations or the adoption of new laws or regulations addressing the emissions of GHG on the state, federal, or international level. On August 3, 2015, the EPA released its CPP rule, which required a 32% reduction in carbon emissions from 2005 levels. The final rule was published in the Federal Register on October 23, 2015, and that action was immediately followed by litigation ultimately resulting in the U.S. Supreme Court staying implementation of the rule. On July 8, 2019, the EPA published the ACE rule, which (i) repealed the CPP rule; (ii) replaced the CPP rule with a program that requires states to implement a program of energy efficiency improvement targets for individual coal-fired electric generating units; and (iii) amended the implementing regulations for Section 111(d) of the Clean Air Act. On January 19, 2021, the majority of the ACE rule — including the CPP repeal, CPP replacement, and the timing-related portions of the Section 111(d) implementing rule — was struck down by the U.S. Court of Appeals for the D.C. Circuit and on



October 29, 2021, the U.S. Supreme Court agreed to consider four petitions filed by various coal interests and a coalition of 19 states that seek review of the lower court's decision vacating the ACE rule. The Company is currently unable to predict what a replacement rule for either the ACE rule or CPP would require.

The Biden administration recommitted the United States to the Paris Agreement, which can be expected to drive a renewed regulatory push to require further GHG emission reductions from the energy sector and proceeded to lead negotiations at the global climate conference in Glasgow, Scotland. On April 22, 2021, President Biden announced new goals of 50% reduction of economy-wide GHG emissions, and 100% carbon-free electricity by 2035, which formed the basis of the United States' commitments announced in Glasgow. In September 2021, CenterPoint Energy announced its new net zero emissions goals for both Scope 1 and Scope 2 emissions by 2035 as well as a goal to reduce Scope 3 emissions by 20% to 30% by 2035. The Company's revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of its operations or would have the effect of reducing the consumption of natural gas. In addition, the EPA has indicated that it intends to implement new regulations targeting reductions in methane emissions, which are likely to increase costs related to production, transmission and storage of natural gas. Incentives to conserve energy or to use energy sources other than natural gas could result in a decrease in demand for the Company's services. Further, certain local government bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain specified dates. These initiatives could have a significant impact on the Company and its operations, and this impact could increase if other cities and jurisdictions in its service area enact similar initiatives. Further, our third party suppliers, vendors and partners may also be impacted by climate change laws and regulations, which could impact the Company's business by, among other things, causing permitting and construction delays, project cancellations or increased project costs passed on to the Company. Conversely, regulatory actions that effectively promote the consumption of natural gas because of its lower emissions characteristics would be expected to benefit the Company. At this time, however, the Company cannot quantify the magnitude of the impacts from possible new regulatory actions related to GHG emissions, either positive or negative, on the Company's business.

### **Climate Change Trends and Uncertainties**

As a result of increased awareness regarding climate change, coupled with adverse economic conditions, availability of alternative energy sources, including private solar, microturbines, fuel cells, energy-efficient buildings and energy storage devices, and new regulations restricting emissions, including potential regulations of methane emissions, some consumers and companies may use less energy, meet their own energy needs through alternative energy sources or avoid expansions of their facilities, including natural gas facilities, resulting in less demand for the Company's services. As these technologies become a more cost-competitive option over time, whether through cost effectiveness or government incentives and subsidies, certain customers may choose to meet their own energy needs and subsequently decrease usage of the Company's systems and services, which may result in, among other things, CEI South's generating facilities becoming less competitive and economical. Further, evolving investor sentiment related to the use of fossil fuels and initiatives to restrict continued production of fossil fuels have had significant impacts on the Company's electric generation and natural gas businesses. For example, because CEI South's current generating facilities substantially rely on coal for their operations, certain financial institutions choose not to participate in the Company's financing arrangements. Conversely, demand for the Company's services may increase as a result of customer changes in response to climate change. For example, as the utilization of electric vehicles increases, demand for electricity may increase, resulting in increased usage of the Company's systems and services. Any negative opinions with respect to the Company's environmental practices or its ability to meet the challenges posed by climate change formed by regulators, customers, legislators or other stakeholders could harm its reputation.

To address these developments, CenterPoint Energy announced its new net zero emissions goals for both Scope 1 and Scope 2 emissions by 2035. In June of 2020, CEI South identified a preferred generation resource in its most recent IRP submitted to the IURC that aligns with its new net zero emission goals and includes the replacement of 730 MW of coal-fired generation facilities with a significant portion comprised of renewables, including solar and wind, supported by dispatchable natural gas combustion turbines, including a pipeline to serve such natural gas generation, as well as storage. The Company believes its planned investments in renewable energy generation and corresponding planned reduction in its GHG emissions as part of its newly adopted net zero emissions goals support global efforts to reduce the impacts of climate change.

To the extent climate changes result in warmer temperatures in the Company's service territory, financial results from its business could be adversely impacted. For example, the Company could be adversely affected through lower natural gas sales. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes and flooding, including such storms as the February 2021 Winter Storm Event. To the extent adverse weather conditions affect the Company's suppliers, results from their natural gas business may suffer. When the Company cannot deliver natural gas to customers, or customers cannot receive services, the Company's financial results can be impacted by lost revenues, and it generally

must seek approval from regulators to recover restoration costs. To the extent the Company is unable to recover those costs, or if higher rates resulting from recovery of such costs result in reduced demand for services, the Company's future financial results may be adversely impacted. Further, as the intensity and frequency of significant weather events continues, it may impact the Company's ability to secure cost-efficient insurance.

### ***Effluent Limitation Guidelines (ELG)***

In 2015, the EPA finalized revisions to the existing steam electric wastewater discharge standards which set more stringent wastewater discharge limits and effectively prohibited further wet disposal of coal ash in ash ponds. These new standards are applied at the time of permit renewal and an affected facility must comply with the wastewater discharge limitations no later than December 31, 2023, and the prohibition of wet sluicing of bottom ash no later than December 31, 2025. In February 2019, the IURC approved CEI South's ELG compliance plan for its F.B. Culley Generating Station, and CEI South is currently finalizing its ELG compliance plan for the remainder of its affected units as part of its ongoing IRP process.

### ***Cooling Water Intake Structures***

Section 316 of the federal Clean Water Act requires steam electric generating facilities use "best technology available" to minimize adverse environmental impacts on a body of water. In May 2014, the EPA finalized a regulation requiring installation of "best technology available" to mitigate impingement and entrainment of aquatic species in cooling water intake structures. CEI South is currently completing the required ecological studies and anticipates timely compliance in 2022-2023.

### **(11) Fair Value Measurements**

Certain methods and assumptions must be used to estimate the fair value of financial instruments. The fair value of the Company's long-term debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments with similar characteristics. Because of the maturity dates and variable interest rates of short-term borrowings and cash & cash equivalents, those carrying amounts approximate fair value. Because of the inherent difficulty of estimating interest rate and other market risks, the methods used to estimate fair value may not always be indicative of actual realizable value, and different methodologies could produce different fair value estimates at the reporting date. The carrying values and estimated fair values using primarily Level 2 assumptions of the Company's other financial instruments follow:

|  | December 31,    |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021            |                 | 2020            |                 |
|  | Carrying Amount | Est. Fair Value | Carrying Amount | Est. Fair Value |
|  | (in millions)   |                 |                 |                 |
| Long-term debt payable to third parties                    | \$ 293          | \$ 316          | \$ 293          | \$ 324          |
| Long-term debt payable - affiliated companies              | 640             | 686             | 570             | 654             |
| Cash & cash equivalents                                    | 2               | 2               | 3               | 3               |
| Natural gas purchase instrument assets <sup>(1)</sup>      | 2               | 2               | —               | —               |
| Natural gas purchase instrument liabilities <sup>(2)</sup> | —               | —               | 2               | 2               |
| Interest rate swap liabilities <sup>(2) (3)</sup>          | 14              | 14              | 20              | 20              |

(1) Presented in Prepaid expenses and other current assets and Other non-current assets on the Balance Sheets.

(2) Presented in Accrued liabilities and Other non-current liabilities on the Balance Sheets.

(3) The interest rate swaps contain provisions that require the Company to maintain an investment grade credit rating on its long-term unsecured unsubordinated debt from S&P and Moody's. If the Company's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the interest rate swaps could request immediate payment. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on December 31, 2021, is approximately \$14 million for which the Company has posted collateral of \$7 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2021, the Company would be required to post an additional \$7 million of collateral to its counterparties. The maximum collateral required if further escalating collateral is triggered would equal the net liability position.

Under current regulatory treatment, call premiums on reacquisition of utility-related long-term debt are generally recovered in customer rates over the life of the refunding issue. Accordingly, any reacquisition of this debt would not be expected to have a material effect on the Company's results of operations.

The Company entered into two five-year forward purchase arrangements to hedge the variable price of natural gas for a portion of the Company's gas supply. These arrangements, approved by the IURC, replaced normal purchase or normal sale long-term physical fixed-price purchases. The Company values these contracts using a pricing model that incorporates market-based information, and are classified within Level 2 of the fair value hierarchy. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are refunded to or collected from customers through the Company's gas cost recovery mechanism.

## (12) Segment Reporting

The Company's determination of reportable segments considers the strategic operating units under which its CODM manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. The Company's CODM views net income as the measure of profit or loss for the reportable segments.

As of December 31, 2021, reportable segments are as follows:

- The Natural Gas segment provides natural gas distribution and transportation services to primarily southwestern Indiana.
- The Electric segment provides electric generation, transmission and distribution services primarily to southwestern Indiana, and includes the Company's power generating and wholesale power operations.

Information related to the Company's business segments is summarized below:

|  | Revenues from External<br>Customers | Depreciation and<br>Amortization | Net Income    |
|--|-------------------------------------|----------------------------------|---------------|
|  | (in millions)                       |                                  |               |
| <b>For the year ended December 31, 2021:</b> |                                     |                                  |               |
| Natural Gas                                  | \$ 134                              | \$ 19                            | \$ 15         |
| Electric                                     | 629                                 | 116                              | 91            |
| Total  | <u>\$ 763</u>                       | <u>\$ 135</u>                    | <u>\$ 106</u> |
| <b>For the year ended December 31, 2020:</b> |                                     |                                  |               |
| Natural Gas                                  | \$ 100                              | \$ 16                            | \$ 9          |
| Electric                                     | 554                                 | 104                              | 73            |
| Total  | <u>\$ 654</u>                       | <u>\$ 120</u>                    | <u>\$ 82</u>  |
|  |                                     | <b>Year Ended December 31,</b>   |               |
|  |                                     | 2021                             | 2020          |
|  |                                     | (in millions)                    |               |
| <b>Capital Expenditures</b>                  |                                     |                                  |               |
| Natural Gas                                  | \$                                  | 73                               | \$ 48         |
| Electric                                     |                                     | 254                              | 260           |
| Non-cash costs & changes in accruals         |                                     | (18)                             | (9)           |
| Total capital expenditures                   | \$                                  | <u>309</u>                       | <u>\$ 299</u> |

|               | December 31,    |                 |
|---------------|-----------------|-----------------|
|               | 2021            | 2020            |
|               | (in millions)   |                 |
| <b>Assets</b> |                 |                 |
| Natural Gas   | \$ 626          | \$ 552          |
| Electric      | 2,448           | 2,255           |
| Total assets  | <u>\$ 3,074</u> | <u>\$ 2,807</u> |

### (13) Additional Balance Sheet & Operational Information

Prepaid expenses and other current assets in the Balance Sheets consist of the following:

|  | December 31,  |             |
|--|---------------|-------------|
|  | 2021          | 2020        |
|  | (in millions) |             |
| Prepaid taxes                            | \$ 16         | \$ —        |
| Other                                    | 13            | 8           |
| Total prepayments & other current assets | <u>\$ 29</u>  | <u>\$ 8</u> |

Accrued liabilities in the Balance Sheets consist of the following:

|  | December 31,  |              |
|--|---------------|--------------|
|  | 2021          | 2020         |
|  | (in millions) |              |
| Accrued taxes                            | \$ 21         | \$ 13        |
| Refunds to customers & customer deposits | 11            | 11           |
| Accrued interest                         | 5             | 5            |
| Tax collections payable                  | —             | 1            |
| Accrued salaries & other                 | 14            | 7            |
| Total accrued liabilities                | <u>\$ 51</u>  | <u>\$ 37</u> |

Supplemental Cash Flow Information:

|  | Year Ended December 31, |         |
|--|-------------------------|---------|
|  | 2021                    | 2020    |
|  | (in millions)           |         |
| <b>Cash Payments/Receipts:</b>                   |                         |         |
| Income tax refunds                               | \$ (6)                  | \$ (31) |
| Interest   | 32                      | 32      |
| <b>Non-cash transactions:</b>                    |                         |         |
| Accounts payable related to capital expenditures | \$ 14                   | \$ 8    |

### (14) Impact of Recently Issued Accounting Standards

Management believes that other recently adopted standards and recently issued standards that are not yet effective will not have a material impact on the Company's financial position, results of operations or cash flows upon adoption.

## (15) Leases

An arrangement is determined to be a lease at inception based on whether the Company has the right to control the use of an identified asset. ROU assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, including payments at commencement that depend on an index or rate. Most leases in which the Company is lessee do not have a readily determinable implicit rate, so an incremental borrowing rate, based on the information available at the lease commencement dates, is utilized to determine the present value of lease payments. When a secured borrowing rate is not readily available, unsecured borrowing rates are adjusted for the effects of collateral to determine the incremental borrowing rate. Lease expense and lease income are recognized on a straight-line basis over the lease term for operating leases.

The Company has lease agreements with lease and non-lease components and has elected the practical expedient to combine lease and non-lease components for certain classes of leases, such as office buildings. For classes of leases in which lease and non-lease components are not combined, consideration is allocated between components based on the stand-alone prices.

The Company's lease agreements do not contain any material residual value guarantees, material restrictions or material covenants. There are no material lease transactions with related parties. Because risk is minimal, the Company does not take any significant actions to manage risk associated with the residual value of their leased assets.

The Company's lease agreements are primarily equipment and real property leases, including land and office facility leases. The Company's lease terms may include options to extend or terminate a lease when it is reasonably certain that those options will be exercised. The Company has elected an accounting policy that exempts leases with terms of one year or less from the recognition requirements of ASC 842.

The components of lease cost, included in Operation and maintenance on the Company's Statements of Income, were as follows:

|                       | Year Ended December 31, |             |
|-----------------------|-------------------------|-------------|
|                       | 2021                    | 2020        |
|                       | (in millions)           |             |
| Operating lease cost  | \$ 1                    | \$ 1        |
| Short-term lease cost | 1                       | 1           |
| Total lease cost      | <u>\$ 2</u>             | <u>\$ 2</u> |

Supplemental balance sheet information related to leases is as follows:

|   | December 31,                                       |        |
|---|--|--------|
|   | 2021   | 2020   |
|   | (In millions, except lease term and discount rate) |        |
| Assets:   |  |        |
| Operating ROU assets <sup>(1)</sup>                                 | \$ 2   | \$ 2   |
| Total leased assets   | \$ 2   | \$ 2   |
| Liabilities:  |  |        |
| Current operating lease liability <sup>(2)</sup>                    | \$ 1   | \$ 1   |
| Non-current operating lease liability <sup>(3)</sup>                | 1  | 1      |
| Total lease liabilities   | \$ 2   | \$ 2   |
| Weighted-average remaining lease term (in years) - operating leases | 13.0   | 6.0    |
| Weighted-average discount rate - operating leases                   | 3.6 %  | 3.62 % |

(1) Reported within Other non-current assets in the Balance Sheets.

- (2) Reported within Accrued liabilities in the Balance Sheets.
- (3) Reported within Other non-current liabilities in the Balance Sheets.

As of December 31, 2021, maturities of operating lease liabilities were as follows:

|                                    | (in millions) |   |
|------------------------------------|---------------|---|
| 2022                               | \$            | 1 |
| 2023                               |               | 1 |
| 2024                               |               | — |
| 2025                               |               | — |
| 2026                               |               | — |
| 2027 and beyond                    |               | 1 |
| Total lease payments               | \$            | 3 |
| Less: Interest                     |               | 1 |
| Present value of lease liabilities | \$            | 2 |

Other information related to leases is as follows:

|   | Year Ended December 31, |      |    |   |
|---|-------------------------|------|----|---|
|   | 2021                    | 2020 |    |   |
|   | (in millions)           |      |    |   |
| Operating cash flows from operating leases included in the measurement of lease liabilities | \$                      | 1    | \$ | 1 |

#### (16) Subsequent Events

Management performs a review of subsequent events for any events occurring after the balance sheet date but prior to the date the financial statements are issued. The Company's management has performed a review of subsequent events through March 16, 2022, the date the financial statements were issued.

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***The following discussion and analysis provides additional information regarding Southern Indiana Gas and Electric Company's (the Company) results of operations that is supplemental to, and should be read in conjunction with, the information provided in the Company's 2021 financial statements and notes thereto. The following discussion and analysis should also be read in conjunction with CenterPoint Energy Inc.'s 2021 Annual Report on Form 10-K as it relates to the Company, which includes risk factors and forward looking statements.***

The Company generates revenue primarily from the delivery of natural gas and electric service to its customers, and the Company's primary source of cash flow results from the collection of customer bills and the payment for goods and services procured for the delivery of gas and electric services.

## **Executive Summary of Results of Operations**

### **Operating Results**

In 2021, the Company's earnings were \$106 million compared to \$82 million in 2020, an increase of \$24 million. The favorable variance is primarily due to an increase in margin resulting from the Clean Energy Cost Adjustment and Environmental Cost Adjustment (CECA and ECA), the Transmission, Distribution and Storage System Improvement Charge (TDSIC), the Compliance and System Improvement Adjustment (CSIA), and wholesale power marketing.

### **The Regulatory Environment**

Gas and electric operations, with regard to retail rates and charges, terms of service, accounting matters, financing, and certain other operational matters, are regulated by the Indiana Utility Regulatory Commission (IURC).

In the Company's natural gas service territory, normal temperature adjustment (NTA) and decoupling mechanisms largely mitigate the effect that would otherwise be caused by variations in volumes sold to residential and commercial customers due to weather and changing consumption patterns. In addition to these mechanisms, the commission has authorized gas and electric infrastructure replacement programs, which allow for recovery of these investments outside of a base rate case proceeding. Further, rates charged to natural gas customers contain a gas cost adjustment (GCA) and electric rates contain a fuel adjustment clause (FAC). Both of these cost tracker mechanisms allow for the timely adjustment in charges to reflect changes in the cost of gas and cost for fuel. The Company utilizes similar mechanisms for other material operating costs, which allow for changes in revenue outside of a base rate case.

#### *Rate Design Strategies*

Sales of natural gas and electricity to residential and commercial customers are largely seasonal and are impacted by weather. Trends in the average consumption among natural gas residential and commercial customers have tended to decline as more efficient appliances and furnaces are installed and the Company's utilities have implemented conservation programs. In the Company's natural gas service territory, NTA and decoupling mechanisms largely mitigate the effect that would otherwise be caused by variations in volumes sold to these customers due to weather and changing consumption patterns.

In the Company's natural gas service territory, the commission has authorized bare steel and cast iron replacement programs. State laws were passed in 2012 and 2013 that expand the ability of utilities to recover, outside of a base rate proceeding, certain costs of federally mandated projects and other significant gas distribution and transmission infrastructure replacement investments. The Company has received approval to implement these mechanisms.

In 2017, the Company's electric service territory started recovering certain costs of electric distribution and transmission infrastructure replacement investments. The electric service territory also currently recovers certain transmission investments outside of base rates. The electric service territory has neither an NTA nor a decoupling mechanism; however, rate designs provide for a lost margin recovery mechanism that works in tandem with conservation initiatives.

#### *Tracked Operating Expenses*

Gas costs and fuel costs incurred to serve customers are two of the Company's most significant operating expenses. Rates charged to natural gas customers contain a GCA. The GCA allows the Company to timely charge for changes in the cost of

purchased gas, inclusive of unaccounted for gas expense based on actual experience and subject to caps that are based on historical experience. Electric rates contain a FAC that allows for timely adjustment in charges for electric energy to reflect changes in the cost of fuel. The net energy cost of purchased power, subject to an approved variable benchmark based on The New York Mercantile Exchange (NYMEX) natural gas prices, is also timely recovered through the FAC.

GCA and FAC procedures involve periodic filings and IURC hearings to establish price adjustments for a designated future period. The procedures also provide for inclusion in later periods of any variances between actual recoveries representing the estimated costs and actual costs incurred.

The IURC has also applied the statute authorizing GCA and FAC procedures to reduce rates when necessary to limit net operating income to a level authorized in its last general rate order through the application of an earnings test. In the periods presented, the Company has not been impacted by the earnings test.

MISO charges and other reliability costs and revenues incurred to serve retail electric customers are recovered through the RCRA and MCRA. MISO charges include specific charges under the MISO's FERC approved tariff for items such as reactive power, scheduling, and transmission network charges that are socialized among various MISO members. Reliability costs and revenues include non-fuel costs of purchased power and costs and credits associated with certain interruptible customers.

Gas pipeline integrity management operating costs, costs to fund energy efficiency programs, MISO costs, and the gas cost component of uncollectible accounts expense based on historical experience are recovered by mechanisms outside of typical base rate recovery. In addition, certain operating costs, including depreciation associated with federally mandated investments, gas and electric distribution and transmission infrastructure replacement investments, and regional electric transmission assets not in base rates are also recovered by mechanisms outside of typical base rate recovery.

Revenues and margins are also impacted by the collection of state mandated taxes, which primarily fluctuate with gas and fuel costs.

#### *Base Rate Orders*

The Company's electric territory received an order in April 2011, with rates effective May 2011, and its gas territory received an order and implemented rates in October 2021. The orders authorize a return on equity of 10.40% on the electric operations and 9.7% for the gas operations. The authorized returns reflect the impact of rate design strategies that have been authorized by the IURC.

On October 30, 2020, and as subsequently amended, CEI South filed its gas base rate case with the IURC seeking approval for a revenue increase of approximately \$29 million. This rate case filing is required under Indiana TDSIC statutory requirements before the completion of CEI South's capital expenditure program, approved in 2014 for investments starting in 2014 through 2020. The revenue increase is based upon a requested ROE of 10.15% and an overall after-tax rate of return of 5.99% on total rate base of approximately \$469 million. CEI South has utilized a projected test year, reflecting its 2021 budget as the basis for the revenue increase requested and proposes to implement rates in two phases. On April 23, 2021, a Stipulation and Settlement Agreement was filed resolving all issues in the case. The settlement recommended a revenue increase of \$21 million based on a 9.7% ROE and an overall after-tax rate of return of 5.78% on total rate base of approximately \$469 million. A settlement hearing was held on June 24, 2021. On October 6, 2021, the IURC issued an order approving the settlement. Phase one rates, reflecting actual plant-in-service and cost of capital through June 2021, became effective in October 2021 and phase two rates, reflecting actual plant-in-service and cost of capital through December 2021 with certain adjustments, became effective in March 2022.

See Note 9 to the financial statements for more specific information on the significant regulatory proceedings involving the Company.

## Operating Trends

### Margin

Throughout this discussion, the terms Natural Gas margin and Electric margin are used. Natural Gas margin is calculated as *Natural Gas revenues* less the *Cost of gas sold*. Electric margin is calculated as *Electric revenues* less *Cost of fuel & purchased power*. The Company believes Natural Gas and Electric margins are better indicators of relative contribution than revenues since



gas prices and fuel and purchased power costs can be volatile and are generally collected on a dollar-for-dollar basis from customers.

In addition, the Company separately reflects regulatory expense recovery mechanisms within Natural Gas margin and Electric margin. These amounts represent dollar-for-dollar recovery of other operating expenses. The Company utilizes these approved regulatory mechanisms to recover variations in operating expenses from the amounts reflected in base rates and are generally expenses that are subject to volatility. Following is a discussion and analysis of margin.

*Electric Margin (Electric revenues less Cost of fuel & purchased power)*

Electric margin and volumes sold by customer type follows:

| <i>(In thousands)</i>                       | Year Ended December 31, |                   |
|---|-------------------------|-------------------|
|   | 2021                    | 2020              |
| Electric revenues                           | \$ 629,314              | \$ 554,511        |
| Cost of fuel & purchased power              | 186,094                 | 147,369           |
| <b>Total Electric margin</b>                | <b>\$ 443,220</b>       | <b>\$ 407,142</b> |
| Margin attributed to:                       |                         |                   |
| Residential & commercial customers          | \$ 277,036              | \$ 257,432        |
| Industrial customers                        | 98,670                  | 91,640            |
| Other                                       | 5,685                   | 5,182             |
| Regulatory expense recovery mechanisms      | 24,275                  | 21,155            |
| <b>Subtotal: Retail</b>                     | <b>405,666</b>          | <b>375,409</b>    |
| Wholesale margin                            | 37,554                  | 31,733            |
| <b>Total Electric margin</b>                | <b>\$ 443,220</b>       | <b>\$ 407,142</b> |
| Electric volumes sold in MWh attributed to: |                         |                   |
| Residential & commercial customers          | 2,582,437               | 2,502,396         |
| Industrial customers                        | 2,040,869               | 1,971,237         |
| Other customers                             | 20,665                  | 20,915            |
| <b>Total retail volumes</b>                 | <b>4,643,971</b>        | <b>4,494,548</b>  |
| Wholesale                                   | 1,457,358               | 384,752           |
| <b>Total volumes sold</b>                   | <b>6,101,329</b>        | <b>4,879,300</b>  |

*Retail*

Electric retail utility margins were \$405.7 million for the year ended December 31, 2021, compared to \$375.4 million in 2020, an increase of \$30.3 million. Results primarily reflect an increase in margin of \$12.4 million as a result of the CECA and ECA, a \$6.3 million increase resulting from the TDSIC, a \$3.0 million increase in margin resulting from an increase in large industrial customer usage and pricing, a \$2.7 million increase in margin due to more favorable weather and a \$0.5 million increase in margin due to residential and commercial customer pricing. Heating degree days were 88 percent of normal in 2021 compared to 89 percent of normal in 2020, and cooling degree days were 114 percent of normal in 2021 compared to 106 percent of normal in 2020.

*Margin from Wholesale Electric Activities*

The Company earns a return on electric transmission projects constructed by the Company in its service territory that meet the criteria of the MISO's regional transmission expansion plans and also markets and sells its generating and transmission capacity to optimize the return on its owned assets. Substantially all off-system sales are generated in the MISO Day Ahead and Real Time markets when sales into the MISO in a given hour are greater than amounts purchased for native load. Further detail of MISO off-system margin and transmission system margin follows:

| <i>(In thousands)</i>           | Year Ended December 31, |                  |
|---------------------------------|-------------------------|------------------|
|                                 | 2021                    | 2020             |
| MISO transmission system margin | \$ 24,128               | \$ 26,246        |
| MISO off-system margin          | 13,426                  | 5,487            |
| <b>Total wholesale margin</b>   | <b>\$ 37,554</b>        | <b>\$ 31,733</b> |

Transmission system margin associated with qualifying projects, including the reconciliation of recovery mechanisms and other transmission system operations, totaled \$24.1 million during 2021 compared to \$26.2 million in 2020, a decrease of \$2.1 million.

For the year ended December 31, 2021, margin from off-system sales was \$13.4 million compared to \$5.5 million in 2020, an increase of \$7.9 million. The base rate changes implemented in May 2011 require wholesale margin from off-system sales earned above or below \$7.5 million per year to be shared equally with customers.

*Natural Gas Margin (Natural Gas revenues less Cost of gas sold)*

Natural Gas margin and throughput by customer type follows:

| <i>(In thousands)</i>                             | Year Ended December 31, |                  |
|---|-------------------------|------------------|
|   | 2021                    | 2020             |
| Natural Gas revenues                              | \$ 134,345              | \$ 99,510        |
| Cost of gas sold                                  | 54,728                  | 27,999           |
| <b>Total Natural Gas margin</b>                   | <b>\$ 79,617</b>        | <b>\$ 71,511</b> |
| Margin attributed to:                             |                         |                  |
| Residential & commercial customers                | \$ 57,941               | \$ 49,501        |
| Industrial customers                              | 12,788                  | 11,435           |
| Other   | 889                     | 630              |
| Regulatory expense recovery mechanisms            | 7,999                   | 9,945            |
| <b>Total Natural Gas margin</b>                   | <b>\$ 79,617</b>        | <b>\$ 71,511</b> |
| Sold & transported volumes in MDth attributed to: |                         |                  |
| Residential & commercial customers                | 9,955                   | 9,712            |
| Industrial customers                              | 29,115                  | 26,461           |
| <b>Total sold &amp; transported volumes</b>       | <b>39,070</b>           | <b>36,173</b>    |

Natural Gas margin was \$79.6 million for the year ended December 31, 2021 compared to \$71.5 million in 2020, an increase of \$8.1 million. The increase in margin was largely due to increased returns on the Compliance and System Improvement Adjustment (CSIA) along with a new rate order implemented in October 2021. Weather has relatively no impact on customer margin due to the Company's rate design. The increase in sold and transported volumes was primarily due to weather. Heating degree days were 88 percent of normal in 2021 compared to 89 percent of normal in 2020.

## Operating Expenses

### Operation and Maintenance

For the year ended December 31, 2021, Operation and maintenance expenses were \$215.4 million compared to \$216.6 million in 2020, a decrease of \$1.2 million. Operating expenses primarily reflect a decrease in contract services and support services partially offset by an increase in material costs due to higher generation.

### Depreciation & Amortization

Depreciation and amortization expense was \$134.8 million in 2021, compared to \$119.6 million in 2020, an increase of \$15.2 million. The increase resulted from additional utility plant investments placed into service, including property, plant and equipment assets purchased from VUHI at its net carrying value as of the purchase date.

## SELECTED ELECTRIC OPERATING STATISTICS

|  | For the Year Ended December 31, |           |
|--|---------------------------------|-----------|
|  | 2021                            | 2020      |
| <b>OPERATING REVENUES (in millions):</b> |                                 |           |
| Residential                              | \$ 225.2                        | \$ 209.0  |
| Commercial                               | 159.2                           | 144.3     |
| Industrial                               | 165.6                           | 153.2     |
| Other                                    | 9.5                             | 8.1       |
| Total Retail                             | 559.5                           | 514.7     |
| Net Wholesale Revenues                   | 45.7                            | 39.9      |
| Transmission Revenues                    | 24.1                            | —         |
|  | \$ 629.3                        | \$ 554.5  |
| <b>MARGIN (In millions):</b>             |                                 |           |
| Residential                              | \$ 167.7                        | \$ 157.4  |
| Commercial                               | 109.3                           | 100.0     |
| Industrial                               | 98.7                            | 91.6      |
| Other                                    | 5.7                             | 5.2       |
| Regulatory expense recovery mechanisms   | 24.3                            | 21.2      |
| Total Retail                             | 405.7                           | 375.4     |
| Wholesale power & transmission system    | 37.5                            | 31.7      |
|  | \$ 443.2                        | \$ 407.1  |
| <b>ELECTRIC SALES (In MWh):</b>          |                                 |           |
| Residential                              | 1,416,843                       | 1,385,114 |
| Commercial                               | 1,165,594                       | 1,117,282 |
| Industrial                               | 2,040,869                       | 1,971,237 |
| Other Sales - Street Lighting            | 20,665                          | 20,915    |
| Total Retail                             | 4,643,971                       | 4,494,548 |
| Wholesale                                | 1,457,358                       | 384,752   |
|  | 6,101,329                       | 4,879,300 |
| <b>CUSTOMER COUNT:</b>                   |                                 |           |
| Residential                              | 131,125                         | 130,159   |
| Commercial                               | 19,143                          | 19,014    |
| Industrial                               | 114                             | 116       |
|  | 150,382                         | 149,289   |
| <b>WEATHER AS A % OF NORMAL:</b>         |                                 |           |
| Cooling Degree Days                      | 114 %                           | 106 %     |
| Heating Degree Days                      | 88 %                            | 89 %      |

## SELECTED GAS OPERATING STATISTICS

For the Year Ended December 31,

|  | 2021            |                      | 2020           |
|--|-----------------|----------------------|----------------|
| <b>OPERATING REVENUES (in millions):</b>     |                 |                      |                |
| Residential                                  | \$ 90.3         |                      | \$ 64.4        |
| Commercial                                   | 30.8            |                      | 22.2           |
| Industrial                                   | 12.5            |                      | 12.9           |
| Other  | 0.5             |                      | —              |
|  | <b>\$ 134.1</b> | <b>\$134,100,000</b> | <b>\$ 99.5</b> |
| <b>MARGIN (In millions):</b>                 |                 |                      |                |
| Residential                                  | \$ 45.8         |                      | \$ 39.0        |
| Commercial                                   | 12.1            |                      | 10.5           |
| Industrial                                   | 12.8            |                      | 11.4           |
| Other  | 0.9             |                      | 0.6            |
| Regulatory expense recovery mechanisms       | 8.0             |                      | 9.9            |
|  | <b>\$ 79.6</b>  | <b>\$ 79,600,000</b> | <b>\$ 71.5</b> |
| <b>GAS SOLD &amp; TRANSPORTED (In MDth):</b> |                 |                      |                |
| Residential                                  | 6,380           |                      | 6,268          |
| Commercial                                   | 3,575           |                      | 3,444          |
| Industrial                                   | 29,115          |                      | 26,461         |
|  | <b>39,070</b>   |                      | <b>36,173</b>  |
| <b>CUSTOMER COUNT</b>                        |                 |                      |                |
| Residential                                  | 104,043         |                      | 103,560        |
| Commercial                                   | 10,517          |                      | 10,452         |
| Industrial                                   | 111             |                      | 113            |
|  | <b>114,671</b>  |                      | <b>114,125</b> |