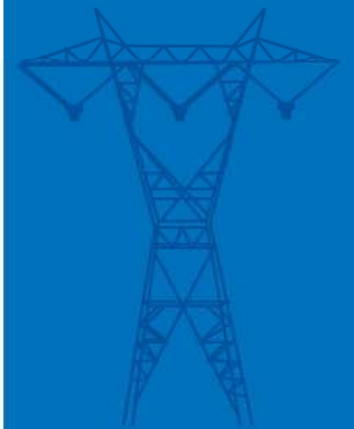


2014 Summer Reliability Outlook

Carl Chapman
Chairman, President and CEO



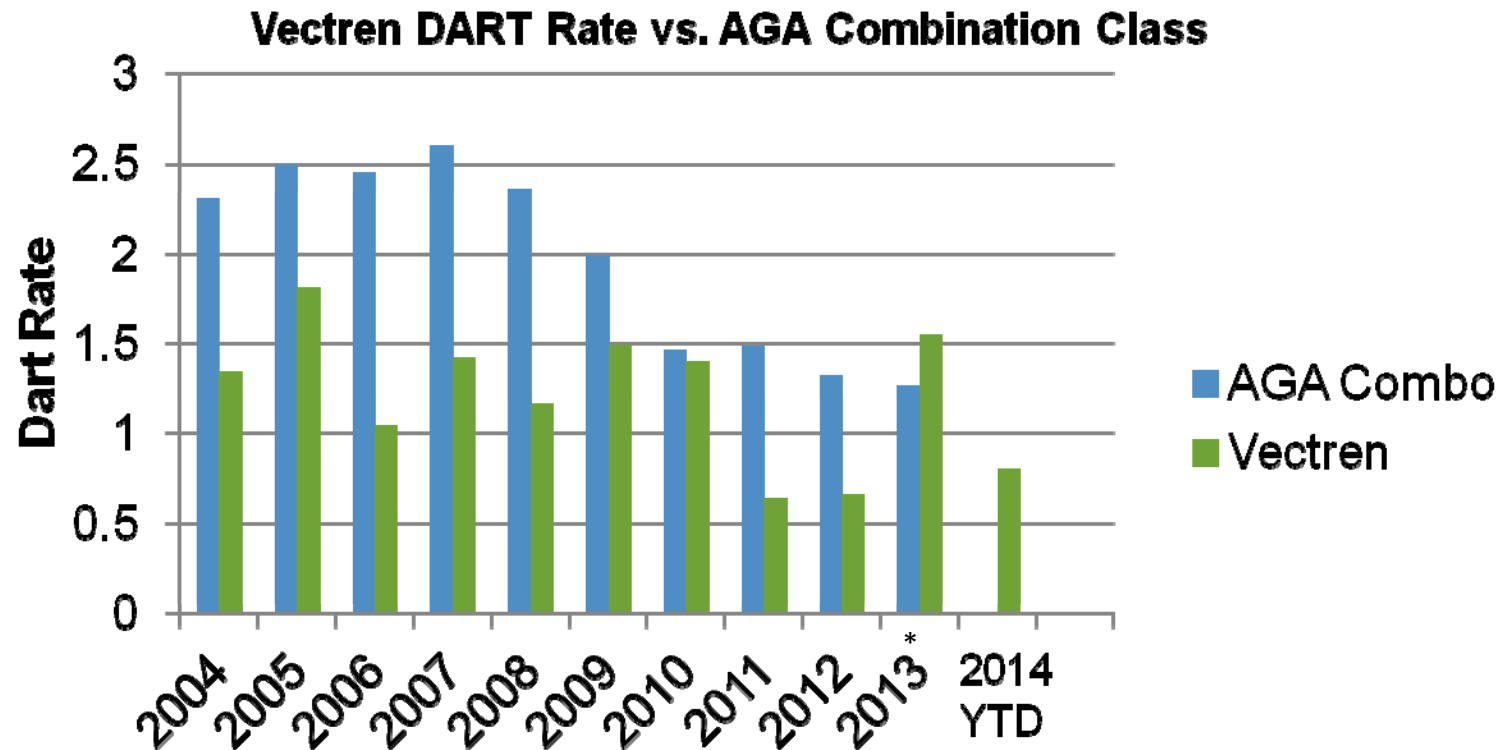
Attendees

Carl Chapman	<i>Chairman, President and Chief Executive Officer</i>
Brad Ellsworth	<i>President, Vectren South</i>
Bob Heidorn	<i>Senior Vice President, General Counsel, CCO & Asst. Secretary</i>
Wayne Games	<i>Vice President, Power Supply</i>
Scott Albertson	<i>Vice President, Regulatory Affairs & Gas Supply</i>
Mike Roeder	<i>Vice President, Government Affairs & President Vectren North</i>
Angila Retherford	<i>Vice President, Environmental Affairs & Corporate Sustainability</i>
Robbie Sears	<i>Vice President, Marketing & Conservation</i>
Lynnae Wilson	<i>Director, Electric Engineering & System Operations</i>

Summer 2014 Reliability Outlook

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Vectren – A Culture of Safety



- Safety culture assessment conducted Q4 2013 (online surveys, focus groups, etc.)
 - Feedback session held 4/17 at One Vectren Square (co-facilitated by Culture Change Consultants (CCC) and Performance Management department)
 - Senior leadership, management and union leadership reviewed key survey findings together and prioritized next steps
 - Culture project teams / initiatives will be cross-functional to drive improvements
- (* Based on preliminary AGA data)

Vectren's Electric Footprint

Customers	142,000
2013 Retail Sales (GWh)	5,500
▪ Residential	1,426
▪ Commercial	1,318
▪ Industrial	2,735
▪ Other	21

Transmission System

- 994 miles of transmission lines
- 36 transmission substations

Distribution System

- More than 4,200 miles of distribution lines
- 29% of distribution underground
- 92 distribution substations

Vectren's Plant Sites

Vectren Energy Delivery of
Indiana – South

Power plants

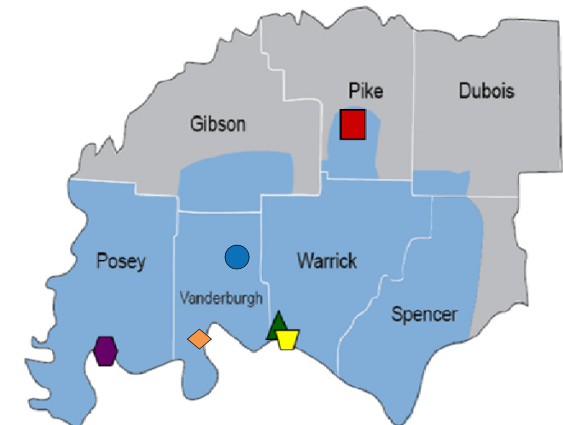
- AB Brown
- FB Culley
- Warrick Unit 4
- Blackfoot Clean Energy Plant
- Broadway Ave. Peaking Units
- Northeast Peaking Units

Fowler Ridge &
Benton County
Wind Farms

Vectren's Electric Service Territory



Benton County, IN



Vectren Generating Facilities

A.B. Brown Power Plant – Mt. Vernon, Ind., Posey County

- 4 units (2 base load coal, 2 natural gas peaking units) – 640 MW

F.B. Culley Power Plant – Newburgh, Ind., Warrick County

- 2 units (base load coal) – 360 MW

Warrick Unit 4 – Newburgh, Ind., Warrick County

- 1 Unit shared with Alcoa (base load coal) – 150 MW of 300 MW

Natural Gas Peaking Units – Evansville, Ind., Vanderburgh County

- 3 units – 85 MW



Vectren Capacity

Vectren Installed Capacity

Coal - 1,000 MW

Gas Peaking - 235 MW

Landfill Gas - 3 MW

Vectren Installed - 1,238 MW

Other Capacity

Wind Purchase - 80 MW

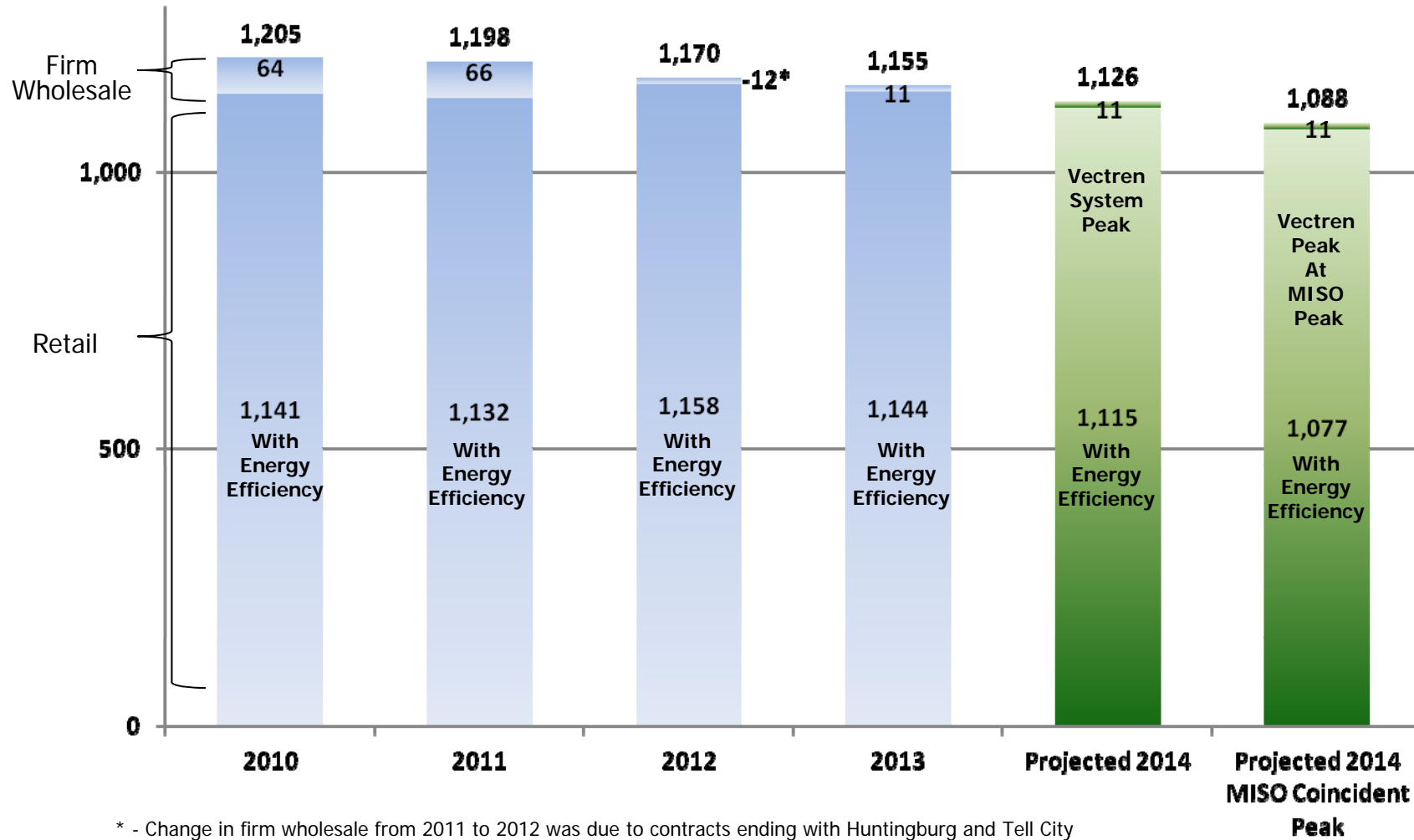
OVEC - 32 MW

Total Other - 112 MW

Total Capacity 1,350 MW

Vectren Peak Load

Weather Normalized Peak Load (MW)



Vectren Resources at Peak

MISO Coincident Peak Demand & Requirements

Peak Demand	MW
Vectren Retail	1,080
Blackfoot Landfill Gas Generator	-3
Vectren Retail (net)	1,077
Firm Wholesale Obligations	11
Demand Response	
Interruptible Load	-46
Direct Load Control	-17

Total Demand	1,025
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MISO PRM of 7.3%	75
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Total Requirements	1,100
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Supply exceeds MISO Coincident Peak Demand by 168 MW (16%)
Supply exceeds Requirements by 93 MW (8%)

Vectren Retail Peak Demand & Requirements

Peak Demand	MW
Vectren Retail	1,118
Blackfoot Landfill Gas Generator	-3
Vectren Retail (net)	1,115
Firm Wholesale Obligations	11
Demand Response	
Interruptible Load	-46
Direct Load Control	-17

Total Demand	1,063
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MISO PRM of 7.3%	78
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Total Requirements	1,141
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Supply exceeds Vectren Retail Peak Demand by 130 MW (12%)
Supply exceeds Requirements by 52 MW (5%)

Supply

Steam Generation	UCAP MW
Brown 1	227.8
Brown 2	233.1
Culley 2	83.3
Culley 3	257.3
Warrick 4	134.8
Total Steam	936.3

Peaking Generation	
Brown 3	72.9
Brown 4	69.2
Broadway 1	0.0
Broadway 2	59.2
Northeast 1 & 2	18.0
Total Peaking	219.3

Purchases	
Firm	30.1
Wind	7.3

Total Supply	1,193
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Renewable Energy and Energy Efficiency

- In 2013 Renewable Energy and Energy Efficiency accounted for 6.2% of Vectren's retail sales
 - Wind PPA's
 - 195,734 MWh
 - Blackfoot Landfill gas project
 - 16,030 MWh
 - Energy Efficiency
 - 127,000 MWh (gross)
- Voluntary Clean Energy Portfolio Standard (SB 251)
 - Vectren would exceed the 2013-2018 goal of 4%.



Energy Efficiency Programs - Performance

Historical Program Savings

- Aggressive ramp up of Energy Efficiency programs since 2010
- Significant progress made by capturing savings from low-hanging fruit
- Captured lost opportunities related to low cost energy savings

Investor Owned Utilities Support and are Committed to DSM Efforts

- Indiana IOUs plan to continue offering programs designed to encourage and incent customers to save energy and manage energy demand
- Important role in the short and long-term for meeting customers' future energy needs

Indiana EE Programs (2010 - 2013)	
Gross MWH Saved	1,740,047
Percent Savings from 2009 Baseline (%)	2.68%
Program Expenditures (\$000's)	230,300

Changing Landscape Impacting DSM Planning

Several factors have changed since the issuance of the 2009 Phase II DSM Order which going forward make incremental EE savings from utility programs more difficult and costly to achieve:

Flat Demand and Energy Growth

- Economic recession reduced the demand for electricity
 - Flat to modest load growth is still currently being experienced and planned for the future
- The State Utility Forecast Group's (SUFG) 2013 projected a 20 year growth rate of 0.75% for energy use and 0.90% growth rate for electric demand
 - Considerably lower than the 2011 SUFG projections of 1.30% energy growth rate
 - Less than half the 2009 SUFG projection of 1.55% at the time of the Phase II DSM Order

Changing Landscape Impacting DSM Planning

New Appliance Efficiency Standards and Building Codes

- Aggressive new appliance and lighting efficiency standards and building codes have been implemented since the IURC DSM investigation and Phase II Order
 - Experts like the Edison Foundation and ACEEE estimate that these new standards and codes will result in 2.3% to 2.5% in annual energy savings by 2020, compared to a baseline energy usage from 2009
- Aggressive implementation of new appliance efficiency codes and standards is projected to continue
 - Edison Foundation estimates that efficiency codes and standards will result in energy savings (beyond 2010) of 6.8% by 2025 and 9.5% by 2035
- These savings would likely have been achieved by utility-sponsored EE programs but cannot be counted as part of a utility sponsored EE program

Changing Landscape Impacting DSM Planning

Least Cost Planning Challenges

- The cost-effectiveness of EE programs becomes more challenging as the low-hanging fruit is captured
- DSM levels should be derived from the IRP process to ensure “least cost” options for meeting future energy requirements are pursued

Customer Rate Impacts

- Need to manage near term higher rates resulting from aggressive EE programs for non-adopting customers

Increasing need to Consider Demand Response

- Demand Response is closely connected to IRP planning and capacity expansion (based primarily on the need to meet customers' peak demand load requirements including a reasonable amount of reserves)
- Cost-effective demand response programs offer a means to meet future capacity requirements and can mitigate rate impacts on customers

IOUs Support and are Committed DSM Efforts

Current Thoughts

- IOUs plan to file post 2014 Program Plans with IURC in the 2nd Quarter
- Use cost-effectiveness tests as outlined in IRP rules
- Opt-out of large customers in accordance with I.C. 8-1-8.5.9
- Utilities will likely implement some programs that are similar to existing programs with nuances designed to accommodate the utility's individual customer and portfolio needs
- Utilities will be responsible for program delivery and administration
- Each utility will have a process for obtaining stakeholder input on utility's DSM programs
- Utilities will continue to have Evaluation, Measurement and Verification (EM&V) of their programs

Vectren 2014 Energy Efficiency Programs

Energizing Indiana programs

Core programs currently offered

- Residential Lighting
- Residential Home Energy Assessment
- Residential Low Income Weatherization
- School Energy Efficiency
- Commercial & Industrial Prescriptive

Vectren annual energy savings

- 2013 (actual gross) – 62,473 MWh
- 2014 (projected gross) – 64,031 MWh

Vectren programs

Core Plus programs currently offered

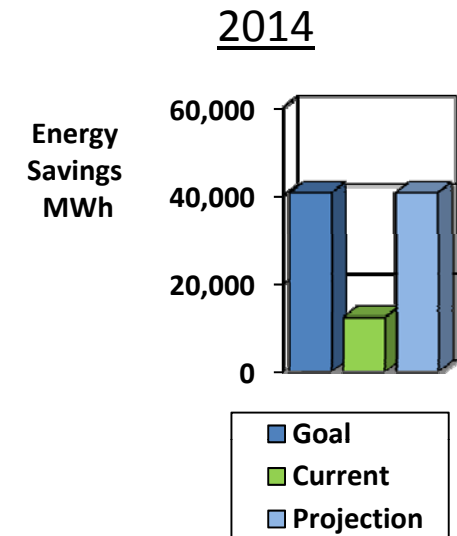
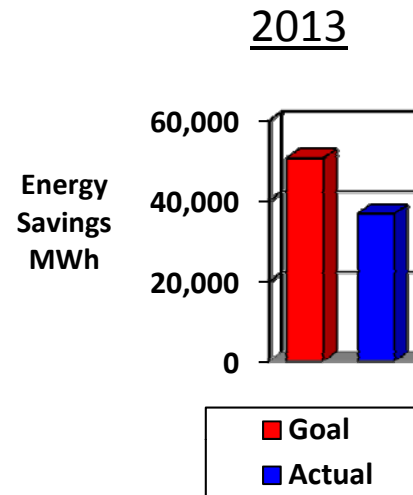
- Residential Refrigerator & Window A/C Recycling
- Residential HVAC
- Residential Behavioral Savings
- Residential Multi-Family Direct Install
- Residential New Construction
- Commercial & Industrial Audit & Custom Efficiency
- Commercial & Industrial New Construction
- Small Business Direct Install

Vectren Electric DSM Program Performance		
Program Year	Percent of Core Goals Achieved	Percent of Core Plus Goals Achieved
2010 (Evaluated)	NA	142%
2011 (Evaluated)	NA	183%
2012 (Evaluated)	71%	98%
2013 (Reported)	73%	124%

Vectren 2014 Energy Efficiency Programs

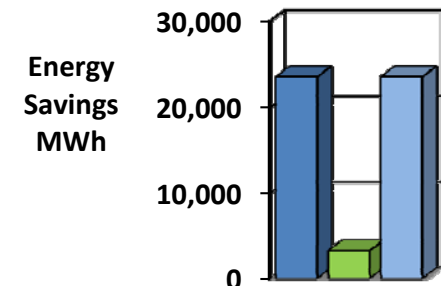
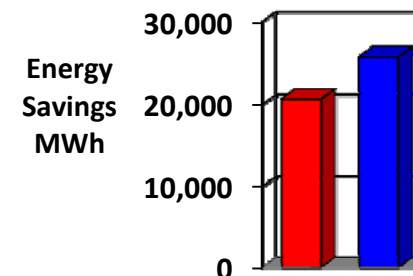
Core Programs

- Most programs currently operating at expected levels of participation but will not make up any shortfalls from 2012 and 2013



Core Plus Programs

- The C&I Custom program and Opower Residential Behavior program are projected to provide the bulk of savings for the Core Plus set of programs
- Currently projected to meet 2014 savings target of 23,498 MWh (gross)



Vectren Future DSM Planning

Vectren Point of View on Future DSM Efforts

- Fundamental part of what we do to serve customers and help customers manage their energy bills
- Vectren considers an ongoing level of cost-effective DSM as part of our IRP base case load forecast and also a resource for meeting future generation based upon need
- Offered gas DSM programs since 2006 and began offering electric DSM during the 1990s with demand response components continuing today along with new energy efficiency programs in 2010

Vectren DSM Assumptions in 2014 IRP Planning Process

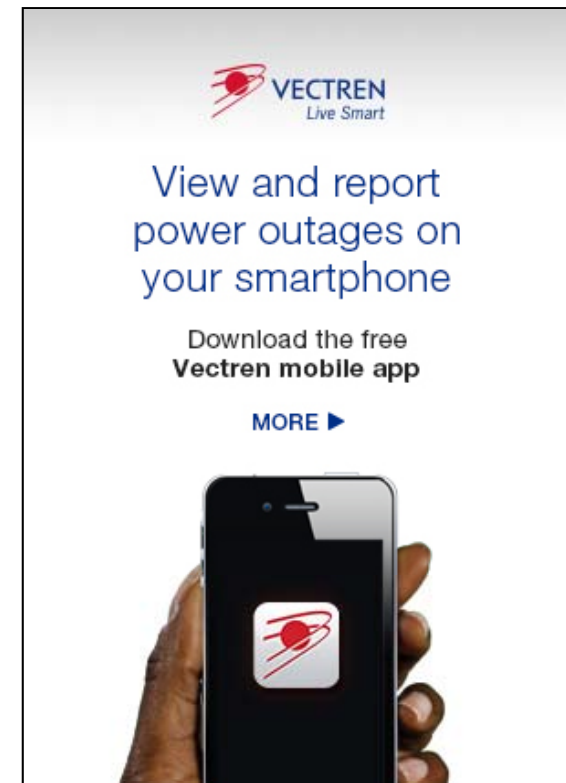
- DSM savings levels in the load forecast include:
 - DSM energy efficiency programs available to all customer classes
 - Annual savings target of 1% of eligible customer sales for 2015 – 2019 and 0.5% annually thereafter
 - Assumes that 50% of large customer load will opt-out of DSM programs

Vectren Concerns

1. **Major weather event**
2. **MISO Transmission cost allocation for Multi-Value Projects (MVP)**
 - Customer cost impacts versus benefits
 - Vectren engaged to protect customers
3. **Subsidization of Distributed Generation**
4. **Physical & Cyber Security**
 - Additional resources will be needed
5. **Environmental regulation**
 - Continued regulatory uncertainty and pressure
 - Compliance with one rule may create potential compliance concerns with other rules
6. **MSHA Regulations and the impact on fuel costs**

Continued improvements in and promotion of outage communications and reporting

- **Will continue to promote outage communications tools each spring (May and June)**
 - Updated Vectren.com mobile site to debut in May
- **Campaign highlights online tools (and the app) to report an outage or get updates on restoration, including Twitter account**
 - Television, radio ads (run more when a storm is forecasted or in progress)
 - Social media
 - Customer, employee contests for downloading the app or following us on Twitter
 - Outage/storm kits



@VectrenStorm

Commitment to Continuous Improvement

System Reliability

- SAIDI 3 year rolling average reduction of 14 minutes from 2012 to 2013 - 89 minutes

System Automation

- Expansion of distribution substation SCADA - 64% of customers served
 - All distribution substations planned to be completed in the next 5 -8 years
- First distribution circuit automation project completed – 1,600 customers impacted
 - Additional 3,200 customers impacted in 2014
 - Up to 10% of customer base will be impacted within the next 5 years
- Addition of breakers and auto-sectionalizing schemes to transmission substations

System Hardening

- Rebuilt/upgraded 30 miles of transmission and 14 miles of distribution lines
 - 12,600 customers impacted
- Four year cycle on distribution line clearance

Employee Engagement

- Joint hourly/management teams working together on continuous improvement initiatives

Discussion Questions

- **Restructured Retail Electric Market**
 - Loss of state regulatory oversight
 - Loss of capacity increases rates and reduces reliability
 - MISO market provides reliable and economic dispatch

- **Outlook for Industrial Rates**
 - Vectren has completed the majority of environmental investments
 - No planned rate cases
 - Industrial opt-out of energy efficiency program

- **Drivers Behind Increasing Rates**
 - Environmental investments in current fleet
 - Unit retirements and new builds

- **Impact of Low Growth in Electric Usage (SUFGE Projection)**
 - Growth reduces the need for rate increases (need for focus on economic development)
 - Fair method for dealing with future increase in distributed generation

Conclusion

Vectren is prepared and confident in our ability to meet the electric needs of our customers in Southwest Indiana

High plant availability

- Plant summer Equivalent Availability has averaged close to 93% for the last five years

Generation resources in excess of requirements

- Supply resources exceed MISO Coincident projected peak requirements by 168 MW (16%) and exceed PRM requirements by 93 MW or 8%
- Supply resources exceed Vectren retail projected peak requirements by 130 MW (12%) and exceed PRM requirements by 52 MW or 5%

Questions