



Vectren Energy Delivery Winter Outlook

Niel C. Ellerbrook, Chairman & CEO
Perry M. Pergola, Director, Gas Supply
Robbie Sears, Director, Conservation

October 20, 2009

Vectren's Indiana Footprint

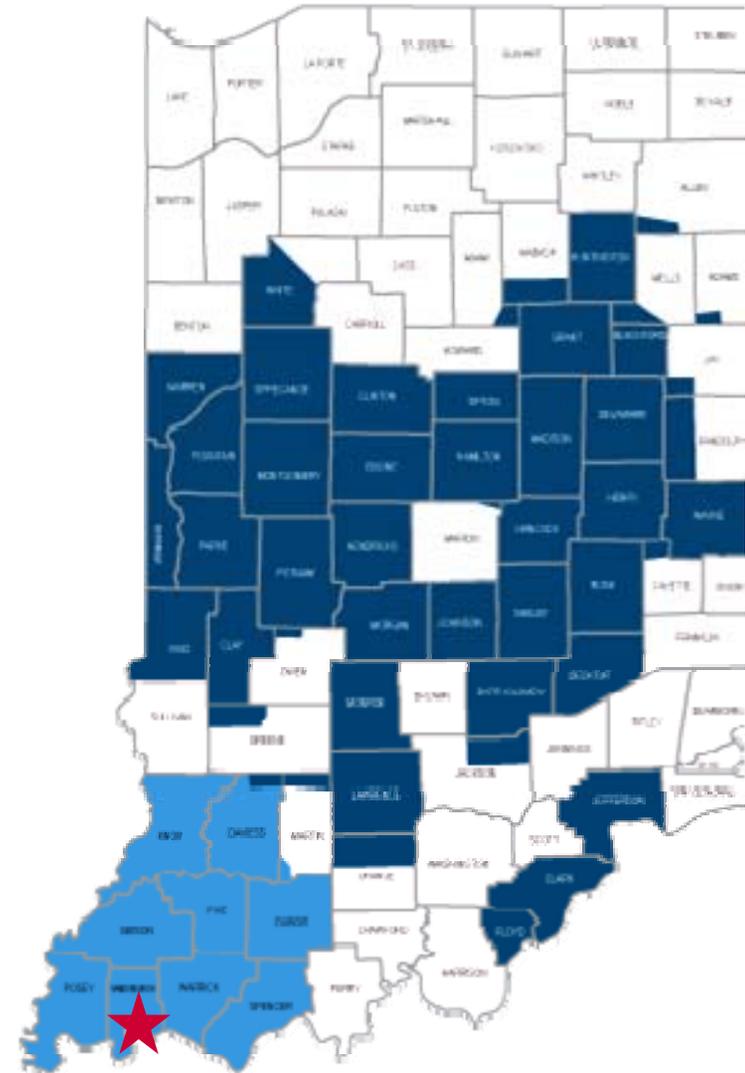
➤ Vectren Energy Delivery of Indiana – North

- 49 counties
- 568,000 gas customers

➤ Vectren Energy Delivery of Indiana – South

- 9 counties
- 111,000 gas customers
- 141,000 electric customers

Vectren in Indiana



Headquarters

Industry Challenges – Supply Side

➤ Shortage to glut

- The 2008 natural gas “shortage”, causing the price spike, turned into an oversupply in a matter of months
- More than 70% of the 2,000 rigs drilling in the U.S. in the summer of 2008 were successful finding ample amounts of natural gas. A year later lower commodity prices have reduced the number of active drilling rigs by 50 percent. This action portends future volatility

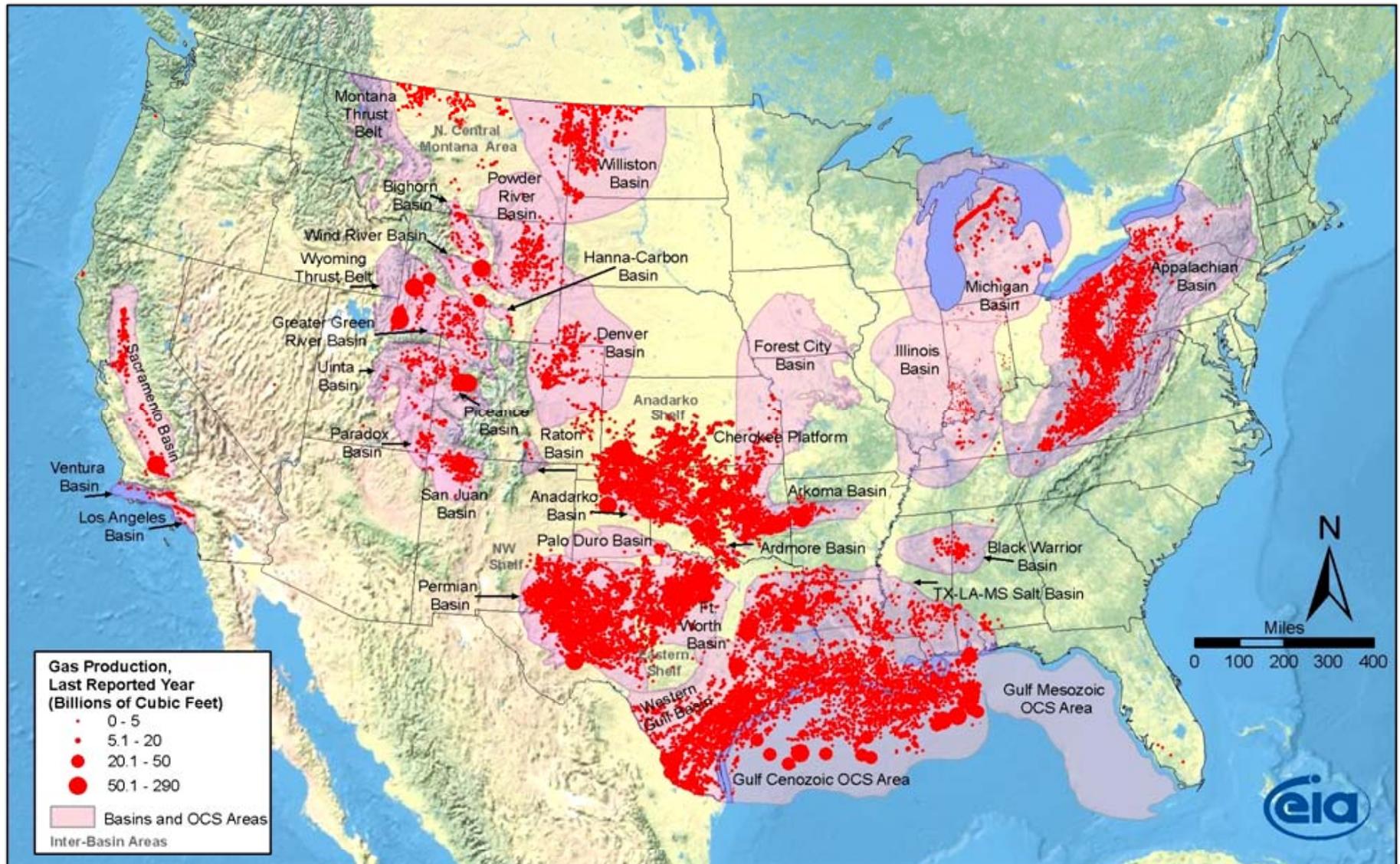
➤ Liquefied natural gas

- U.S. imports are volatile and driven, in part, by pricing opportunities. Imports peaked in 2007 at 770 Bcf, retreated to 350 Bcf in 2008, projected at 460 Bcf in 2009 and 660 Bcf in 2010

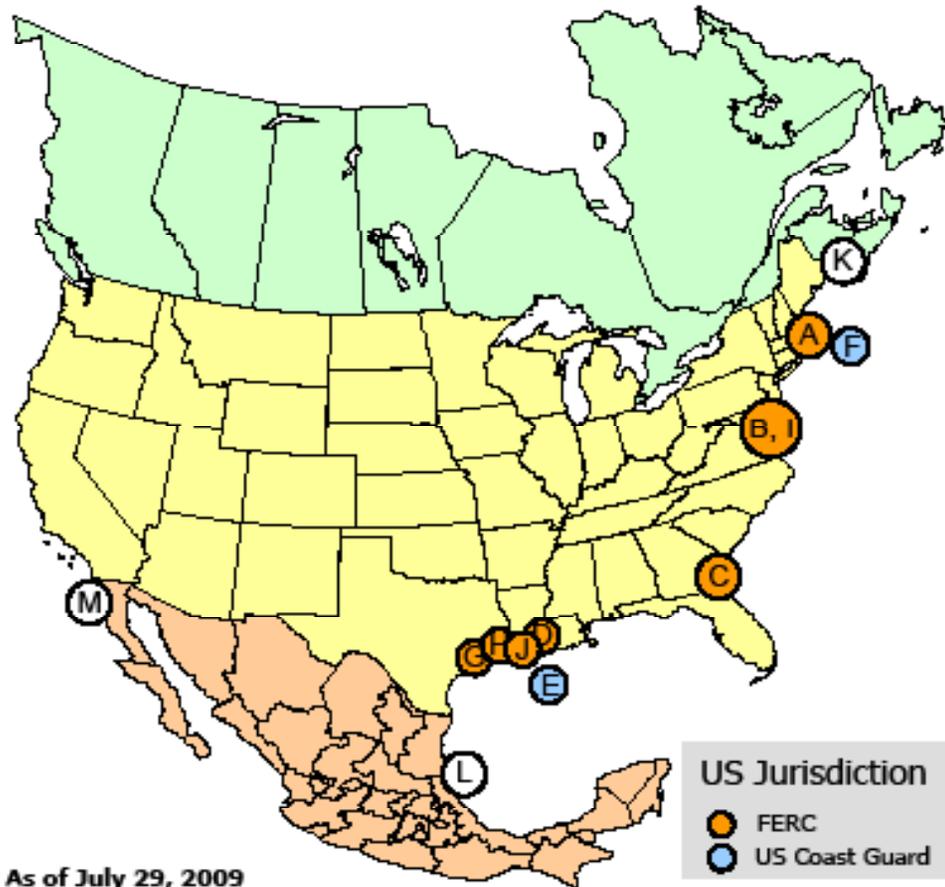
➤ Shale gas

- Could be a “game changer”

Gas Production in Conventional Fields – Lower 48 States



North American LNG Terminals



As of July 29, 2009

- A. Everett, MA: 1.035 Bcfd (SUEZ LNG – DOMAC)
- B. Cove Point, MD: 1 Bcfd (Dominion – Cove Point LNG)
- C. Elba Island, GA: 1.2 Bcfd (El Paso – Southern LNG)
- D. Lake Charles, LA: 2.1 Bcfd (Southern Union – Trunkline LNG)
- E. Gulf of Mexico: 0.5 Bcfd (Gulf Gateway Energy Bridge – Excelerate Energy)
- F. Offshore Boston: 0.8 Bcfd (Northeast Gateway – Excelerate Energy)
- G. Freeport, TX: 1.5 Bcfd (Cheniere/Freeport LND Dev.)
- H. Sabine, LA: 2.6 Bcfd (Sabine Pass Cheniere LNG)
- I. Cove Point, MD: 0.8 Bcfd (Dominion – Expansion)
- J. Hackberry, LA: 1.8 Bcfd (Cameron LNG – Sempra Energy)

Canada

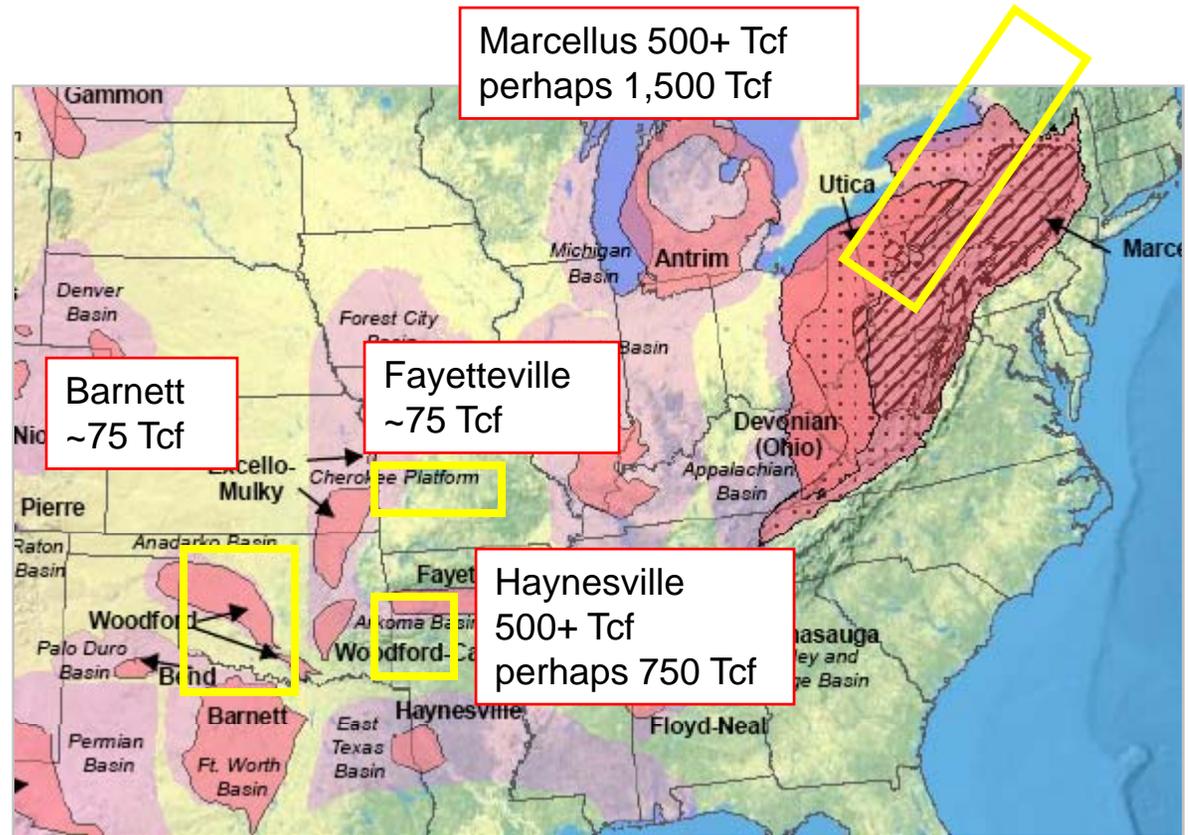
- K. St. Johns, NB: 1.0 Bcfd (Canaport – Irvin Oil)

Mexico

- L. Altamira, Tamaulipas: 0.7 Bcfd (Shell/Total/Mitsui)
- M. Baja California, MX: 1.0 Bcfd (Sempra)

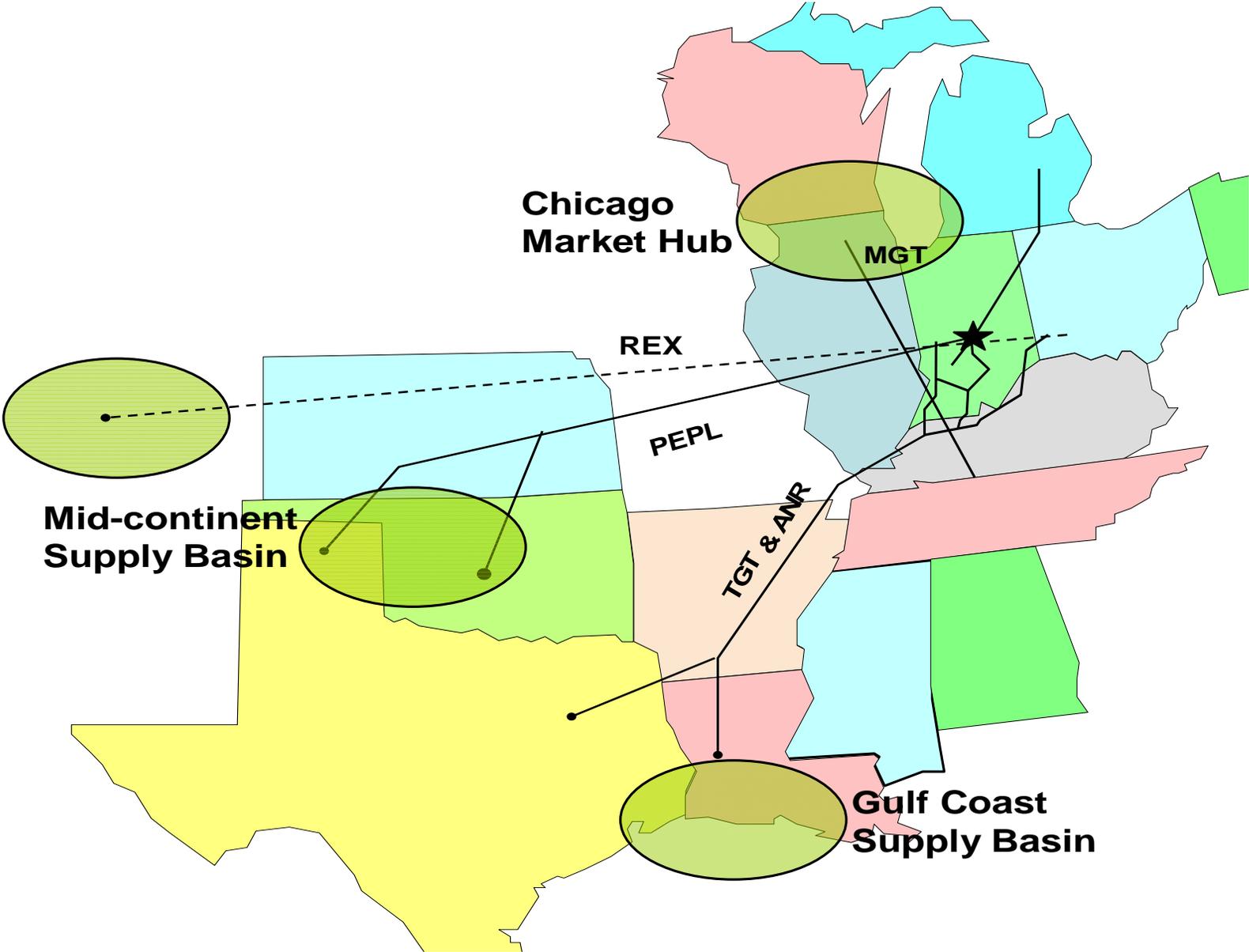
Shale Gas Opens Up North America

- Factors driving production:
 - Advances in drilling
 - Advances in hydraulic fracturing
 - Natural gas prices
- Barnett formation already contributes 6% of supply in lower 48 states



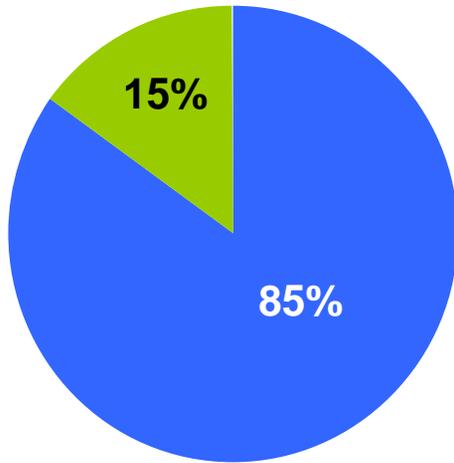
The breakeven NYMEX gas price for a core area horizontal well is \$5.50 - \$6.00+/- in the Barnett formation

Gas Supply Sources for Vectren



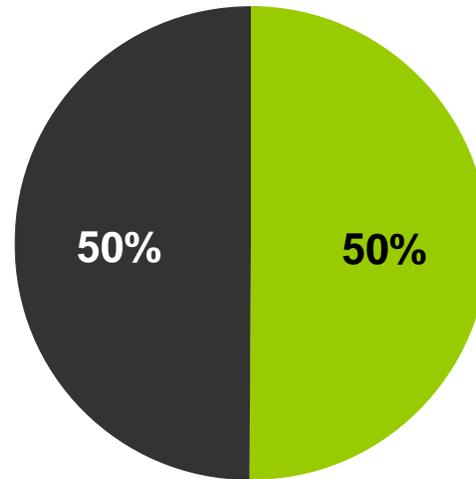
Annual Gas Supply Purchases - Sources

Vectren North



■ Mid-Continent (PEPL) ■ Gulf Coast (TGT)

Vectren South



■ Chicago Hub (MGT) ■ Gulf Coast (TGT)

Vectren's Gas Purchasing Strategy

➤ Objectives

- Mitigate price volatility for the gas sold to customers
- Purchase reliable gas supply

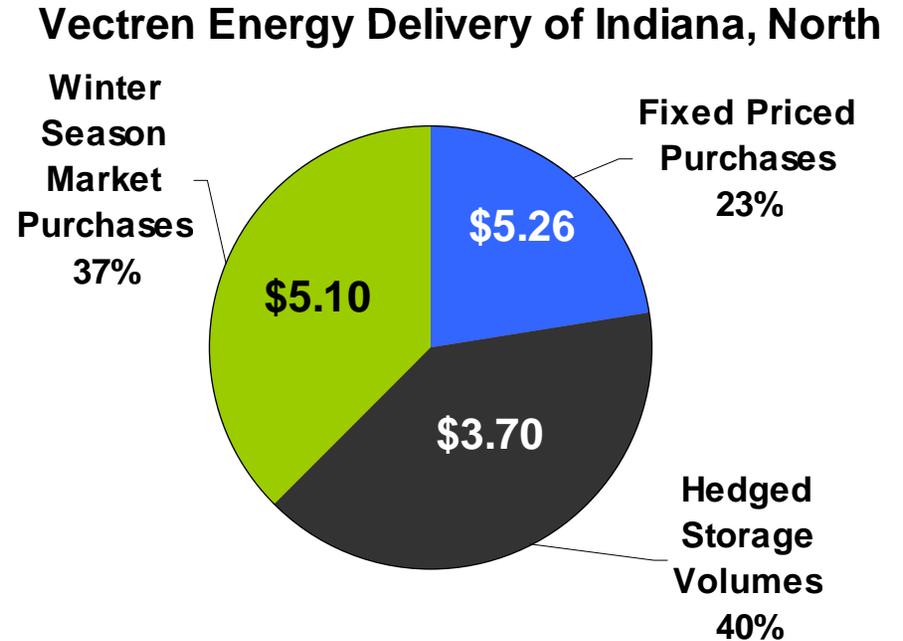
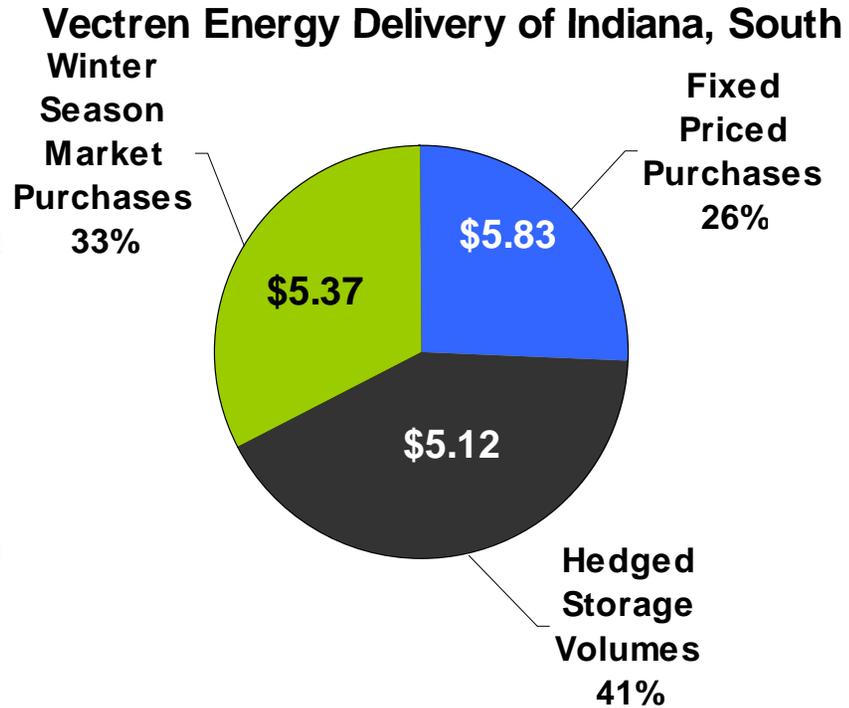
➤ Targets

- Hedge up to 60% of annual purchases and up to 75% of winter deliveries to customers

➤ Components

- Storage Gas
- Fixed Priced Advance Purchases
- Financial Hedges
- Long Term Fixed Priced Purchases
- Market Purchases in Month of Delivery

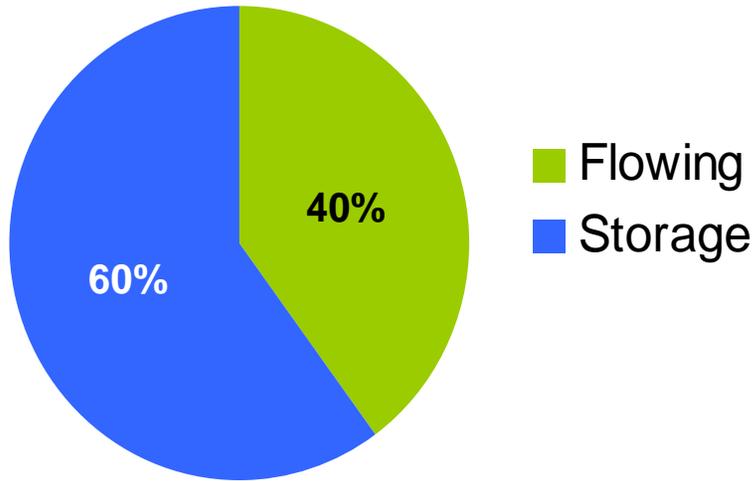
Supply Pricing for Winter Deliveries



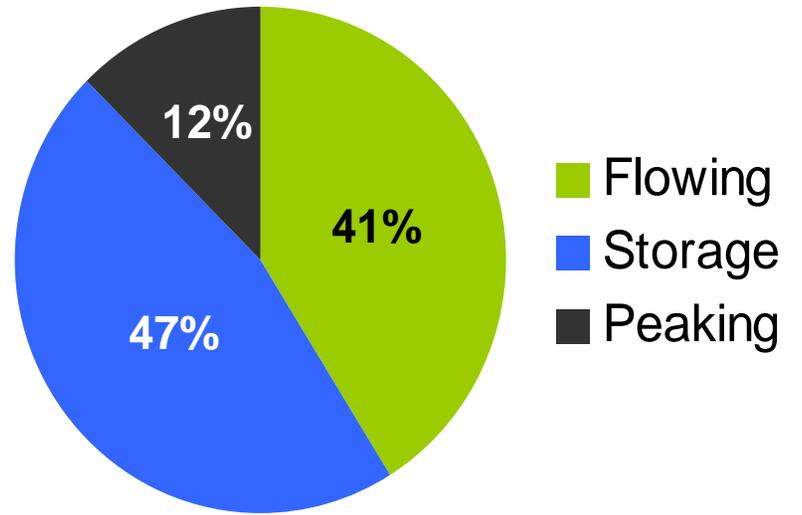
Supply for Peak Days



Vectren South Peak Day Supply



Vectren North Peak Day Supply



Current Status of Vectren Storage

	<u>Vectren North</u>	<u>Vectren South</u>
Company Storage	85%	85%
Contract Storage	87%	85%
Total Storage		
Contract Capacity	22.5 BCF	3.9 BCF
Normal Winter		
Season Withdrawals	19.2 BCF	3.3 BCF

* Denotes Percent of Full Storage Quantity as of 10/1/2009

Average Wellhead Price

➤ \$2.95 per Mcf 2002

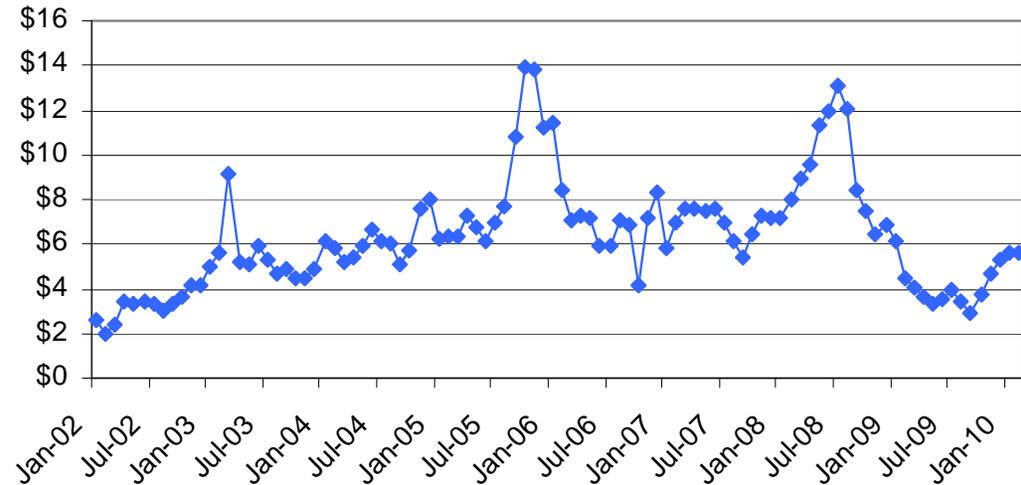
➤ \$6.37 per Mcf 2007

➤ \$9.13 per Mcf 2008
(+42%)

➤ \$3.92 per Mcf 2009
estimated (-57%)

➤ \$5.48 per Mcf 2010 estimated (+40%)

➤ EIA further anticipates 2.6% natural gas consumption decline in 2009 compared to 2008, with only a slight increase (0.5 %) in 2010



Source: Energy Information Administration, *Short-term Energy Outlook*, Aug. 11, 2009.



Customer Communications & Solutions to Manage Bills

Winter Bill Projections

Projections released on Oct. 6

- Vectren North – 25% to 30% decrease
 - 5-month bill averages \$550 to \$600
- Vectren South – 30% to 35% decrease
 - 5-month bill averages \$460 to \$500

Key messages

- Significantly lower gas prices are easing winter bills
- Customers should still be mindful of conservation and energy efficiency
- These prices will likely rebound; \$3 and \$4 gas is not the new norm
- In this economy, many Hoosiers are challenged to pay; reach out to Vectren before you get behind

Solutions to Manage Costs

Energy efficiency program - Conservation Connection

➤ Rebates on energy efficient equipment/improvements

- Top programs
 - Multi-family direct install of low flow water fixtures
 - 92% furnace rebates
 - Commercial boiler tune-up
 - On-line audit conservation kits
 - Commercial boiler rebate

➤ Online energy audit and bill analysis tools

➤ Conservation Connection call center



Solutions to Manage Costs

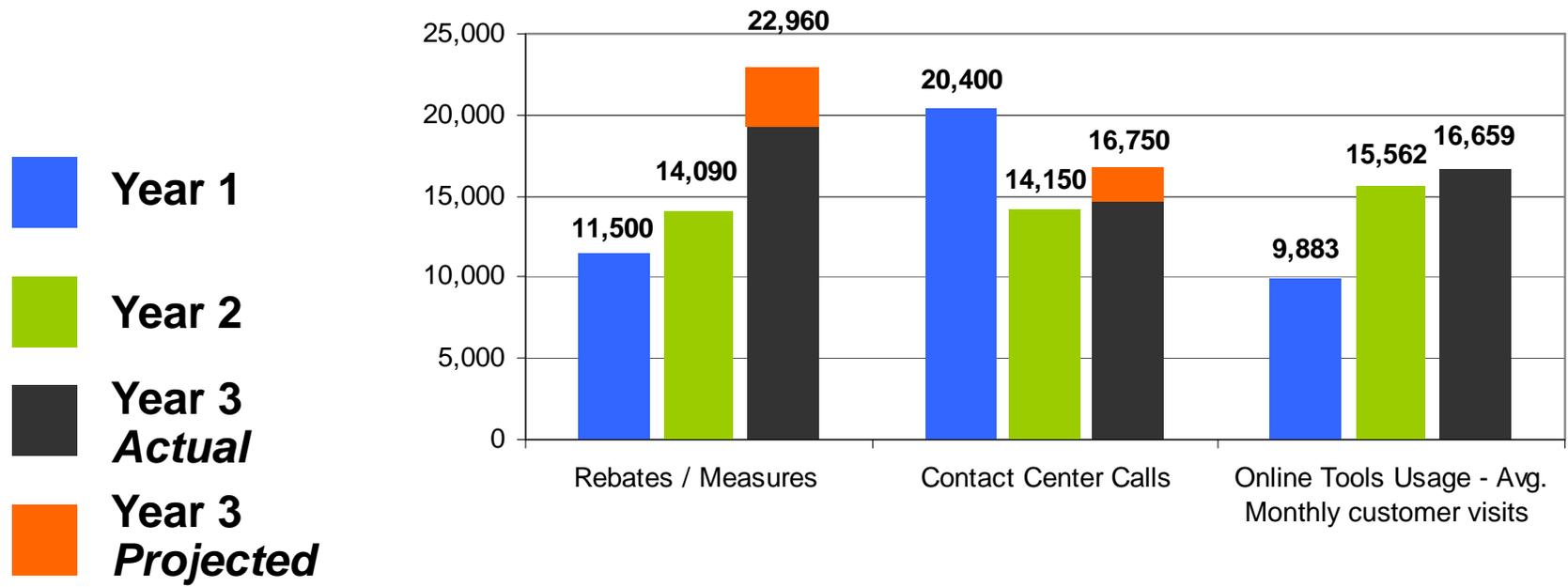
Program offering additions for 2009

- Direct install of low-flow fixtures to reduce water-heating consumption for 6,500 multi-family dwellings
- Online energy audit incentive: Offered 3,000 water heating savings kits for customers completing the highest audit level
- Home performance and retrofit program for 275 homes
- Increased school education and efficiency program by 100% (from 1,000 students to 2,000 students)
- Program Year 2 vs. Program Year 3 at 9/30:
 - Residential rebates/ measures implemented increased by 62% due to new program offerings
 - Commercial rebates / measure implemented increased by 100%



Solutions to Manage Costs

Conservation Connection – Program Results



YTD Program Therm Savings

1,298,610 therms actual

1,422,735 therms goal

Solutions to Manage Costs

Budget Bill

- Nearly 20% of customers are enrolled
 - 8% of South customers
 - 21% of North customers

Payment arrangements – FREE for all customers

- Make smaller payments over a set period of time
- Arrangements were up 5% (North) in comparing the 2008-2009 winter to the 2007-2008; flat in South

Energy Assistance Program (EAP)

- Continue to direct customers toward energy assistance dollars and weatherization programs



Solutions to Manage Costs

Furnace filter reminders/alerts

- Customers can sign to up receive a text or e-mail alert to remind them to check (or replace) their furnace filter

VectrenLiveSmart.com; New multi-media web site

- Offers how-to videos and blog-like stories on home energy efficiency or energy safety
- Allow customers to ask questions, post energy efficiency success stories and share conservation tips
- Serves as an extension to the *Live Smart* electronic newsletter
 - Sent to registered Vectren.com users bi-monthly
 - Promotes rebates, energy efficiency and safety information

VectrenLiveSmart.com

[VECTREN.COM](#)
[RESOURCES](#)
[ARCHIVES](#)
[CONTACT US](#)

Providing our customers with the tools to *Live Smart*

Subscribe to the VectrenLiveSmart.com e-Newsletter! [Learn More](#)

SEARCH

Free and low-cost energy-saving tips for the winter

There are dozens of free and low-costs ways to keep your energy costs under control during the winter heating season. Keep in mind - nearly half of your energy bill in the winter goes toward heating your home. Therefore, maintaining your furnace and keeping the thermostat dialed down are the two most important ways to save. [Read More](#)

+ SHARE

Top Stories [More stories](#)

- [Ohio customers can choose their natural gas supplier](#)
- [Vectren's gas purchasing strategy for Indiana customers](#)
- [Using your appliances efficiently: Water heaters](#)

Feedback [Click here to submit your question or energy tip!](#)

?

QUESTION: How does Vectren buy natural gas in preparation for the winter heating season?

Our answer: In Indiana, Vectren buys natural gas on behalf of its customers using a multi-pronged approach. Our goal ultimately is to obtain gas at the best possible price while reducing the impact of market volatility. We typically go into the heating season with about 75% of our gas supply already secured, which will help reduce the risk of any unexpected price increases during the heating season. [Watch the video](#) on Vectren's gas purchasing strategy in Indiana to learn how the price you pay is determined.

Video Library [More videos](#)

TOP VIDEOS

- [Annual furnace inspections save money](#)
- [Caulking and weather stripping are worth the effort](#)
- [Call Before You Dig: It's as easy as 811](#)
- [Install low-flow faucet aerators and save \\$100 a year](#)

HOW-TO VIDEOS

- [Install a programmable thermostat](#)
- [Install energy efficient shower heads](#)

+ SHARE

Summary

- Vectren's gas purchasing strategy is still the right option to mitigate volatility
- Lower gas prices are welcomed news for Hoosiers
- Given the economy, many customers, some for the first time, will still find themselves challenged to pay
- Conservation and energy efficiency investments are still the smart initiatives to undertake



Questions?

