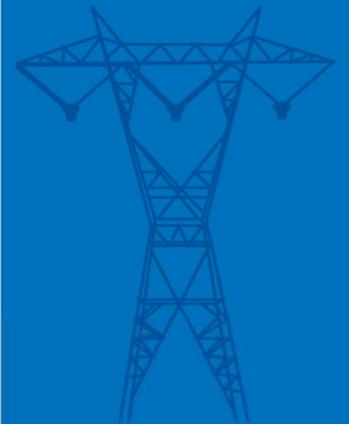


Vectren Energy Delivery Pipeline Safety & Winter Outlook

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Chairman, President and CEO



Agenda

- Pipeline safety – national perspective, recent and expected rule-making
- Pipeline safety and gas infrastructure modernization compliance at Vectren
- Pipeline capacity, reliability for the Vectren system
- Vectren and CNG
- Winter outlook
 - Gas purchasing strategy, supplies
 - Bill projections
 - Energy efficiency programs
 - Low-income programs
 - Billing, payment options

Pipeline safety – a national perspective

- January 2012 - President signs bill into law
- Requires Pipeline and Hazardous Materials Administration (PHMSA) to take action to consider or implement pipeline safety regulations
- Focuses on pipeline safety improvements that were pertinent in the transmission incident in San Bruno and the cast iron failures in Pennsylvania
- Increased focus on sharing pipeline data with key stakeholders, including PHMSA, emergency responders and our communities
- While the law prescribes certain requirements on either the industry or on PHMSA, this law only establishes the minimum requirements

Law's areas of focus

- **Automated or Remotely Controlled Shut off Valves** - Mandates PHMSA to require the use of automatic or remote-controlled shut-off valves on transmission pipeline facilities constructed or entirely replaced
- **Integrity Management** - Requires the PHMSA to evaluate whether Integrity Management requirements should be expanded beyond currently defined high consequence areas
- **Cast Iron Pipelines (CI)** - Requires PHMSA to conduct a survey to measure the progress that owners and operators have made in adopting and implementing plans for the safe management and replacement of CI pipelines
- **Excess Flow Valves (EFV)** - Requires PHMSA to evaluate and if appropriate, to issue regulations requiring the use of EFVs, or equivalent technology, on new and entirely replaced distribution services for multi-family facilities, and small commercial facilities
- **Maximum Allowable Operating Pressure** - Mandates PHMSA to require operators to conduct a verification of records related to gas transmission lines to ensure that the records accurately reflect the characteristics of the pipelines and confirm the established MAOP of the pipelines. For those pipelines without appropriate records, will require the operators to test those pipelines to verify MAOP

Expected requirements to come

Automated and remote-controlled shut-off valves (ACV/RCV)

- Regulation to include additional requirements (such as a risk assessment or response time) to determine placement
- New regulation is expected to take effect in 2014
- Language would include all main line valves replaced during an in-line inspection (ILI) retrofit and any valves installed with new or replaced facilities (such as during a public improvement project)
 - Requirements will take into account the economic and technical feasibility of mandated replacements (this will be defined)

Expected requirements to come

Cast iron pipelines (CI)

- Requirement of operators to have a formal plan for the management and replacement of CI pipelines and to demonstrate progress toward the replacement of the cast iron mains
- PHMSA study to be completed by end of 2012

Expected requirements to come

Excess flow valves (EFV)

- Requirement of operators to install EFVs on all service lines that meet the design capabilities of the valves, which will include branch services, multi-family facilities and small commercial facilities
- Final report due by January 2014 with formal regulations to follow

Expected requirements to come

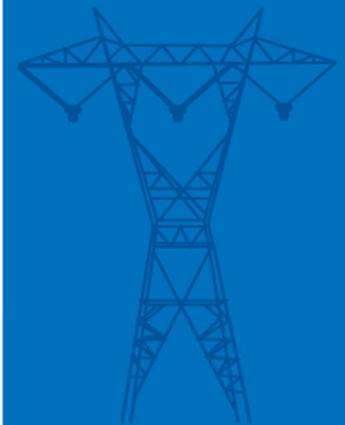
Maximum Allowable Operating Pressure (MAOP)

- Removal of current “Grandfather Clause” for pre-1970 pipe that does not have traceable and verifiable test records. Language may limit requirement to certain transmission pipelines or broader to include transmission and high pressure pipelines
 - Requirement to hydrostatically test all pipelines within class 3 or 4 locations or within an HCA in a class 1 or 2 location, where the pipeline has a MAOP >30% specified minimum yield strength (SMYS) and does not presently have traceable and verifiable pressure test records
 - Requirement to hydrostatically test all transmission pipelines, as described above, regardless of a pipeline’s MAOP as a percentage of SMYS
 - New regulation expected to take effect in 2013, including establishing a timeline to complete

Summary

- Impacts of 2011 Pipeline Legislation to start in 2013 and continue
- Compliance will undoubtedly increase capital and O&M spending.
- New regulation will only enhance our industry's outstanding performance in safety
 - Additional positive impacts include jobs, additional tax base

Pipeline safety and gas infrastructure compliance at Vectren



Expected requirements to come

Integrity management (IM)

- Expansion of IM requirements to all class 3 and 4 locations (areas that have high population density), in addition to current HCAs and require the inclusion of seismicity into risk models to define HCAs
- Modification of current IM language to require assessments to be completed by ILI whenever technically and operationally feasible
- New regulation expected to take effect no later than 2015
- ILI seems the most cost effective and comprehensive assessment methodology

Vectren's gas footprint

Vectren Energy Delivery of Indiana – South

- 110,000 gas customers
- 9 counties

Vectren Energy Delivery of Indiana – North

- 570,000 gas customers
- 48 counties



Gas infrastructure compliance

Transmission Pipeline Integrity Management (IM)

- 56 miles (of 820 miles of transmission lines) are in HCAs
- All assessments completed by Nov. 2, 2012, two months ahead of the deadline
- Reassessments underway
- Proactive improvements to transmission regulator stations
- Monthly aerial patrols and encroachment management program on 100% of transmission pipelines
- Improved technologies to link Indiana 811 data with facility damage records and pipeline facility locations
- Verification of MAOPs to be completed by February 2013

Gas infrastructure improvements

Bare Steel and Cast Iron Replacement Program

- Retired 162 miles of BSCI main infrastructure (out of 1,100)
- Reduced system leakage, customer interruptions
- Invested in communities throughout Indiana

Economic impact of current gas infrastructure investments

- \$200 million invested in replacing and upgrading distribution and transmission pipelines since 2007
- 200 people working annually on pipeline projects

Public awareness and safety education

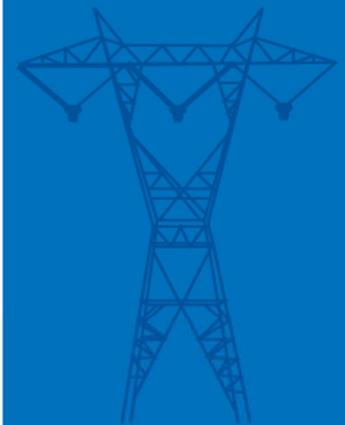
Public Awareness Program - educating our key stakeholders on pipeline safety and natural gas awareness

- Meetings with excavators and emergency responders
- Increased community events and grass root efforts
- Direct communications to customers and property owners
- Robust school program on gas safety
- Employee education through newsletters, training and intranet postings
- National and state involvement on damage prevention initiatives
- Completed a successful federal and state audit of the program

Pipeline safety summary

- Vectren's safety compliance measures are meeting (or exceeding) federal regulations
- Public awareness and education programs performing at best-in-class levels
- Preparations, budgeting for Pipeline Safety Act of 2011 already underway
- Focus on safety and bill affordability continues
 - Low, stable gas prices will help customers bear the rates pressure created by these capital investments

NGVs and 2012-2013 Winter Outlook



Natural gas vehicles

- Vectren South owns one fueling station – recently made an investment to increase capacity and redundancy in an effort to keep up with demand
- Demand is growing – consumption is up 80% year over year at Vectren’s fueling station
- Will soon file for a tariff change, which is designed to allow the market to develop

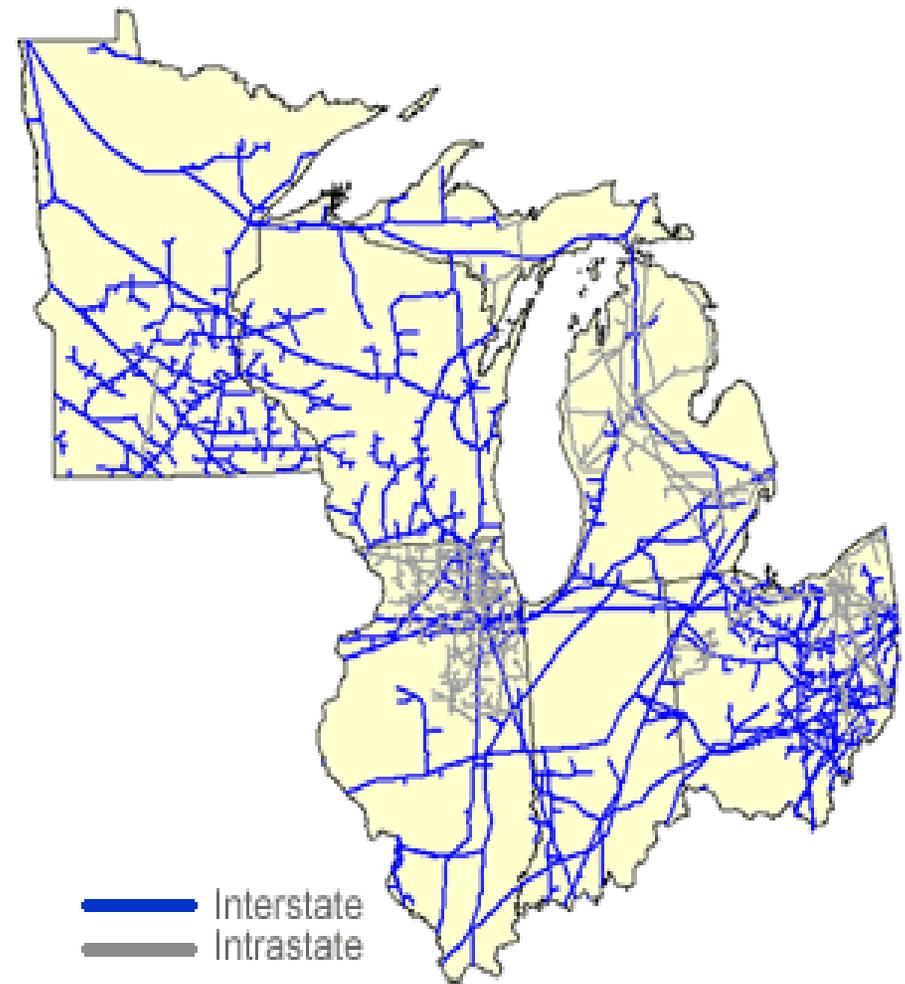


Midwest regional natural gas pipeline network

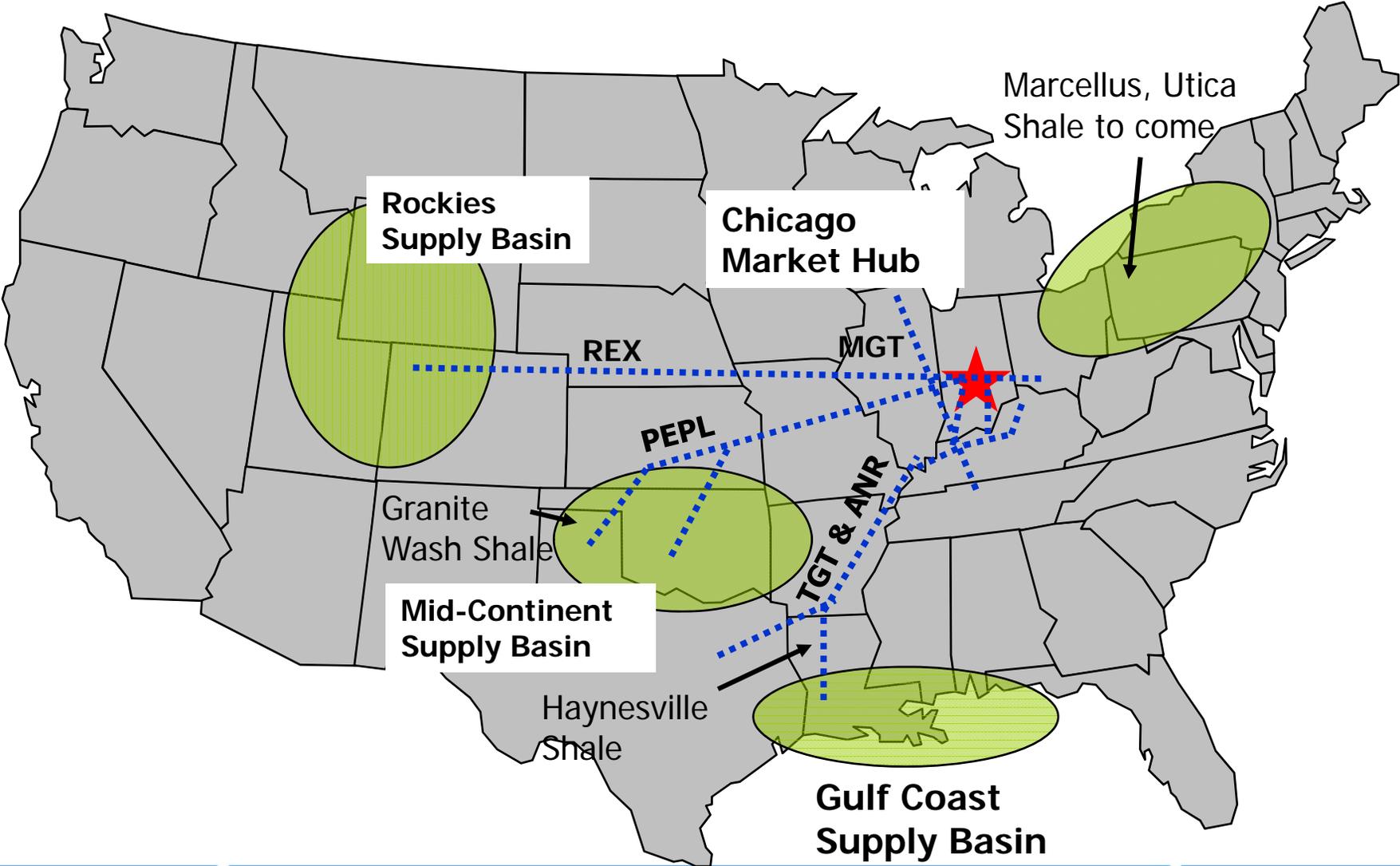
- Currently there are pipelines from the Rockies, Mid-Continent, Gulf Coast and Chicago that serve Indiana
- Proposed pipeline projects from the Marcellus and Utica shale will provide new sources of supply for Indiana customers

Vectren is proactively working to ensure gas customers are protected:

- Serving as an active participant in the FERC panels on gas and electric industry coordination
- Working to ensure traditional LDC customers are not burdened with incremental costs or a degradation of service



Gas supply sources for Vectren



Vectren's gas purchasing strategy

Objectives

- Mitigate price volatility for the gas sold to customers
- Purchase reliable gas supply at the lowest, reasonable cost possible

Targets

- Hedge approximately 50% of annual purchases and approximately 70% of winter deliveries to customers

Hedging Components

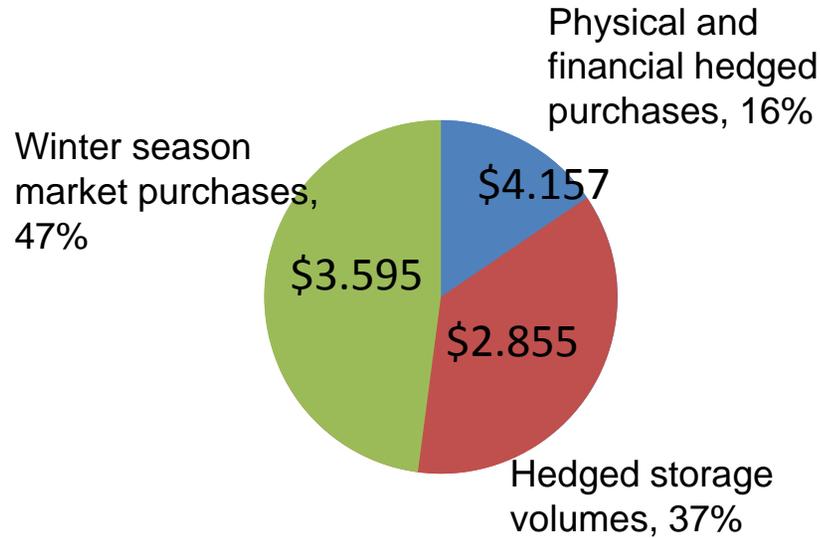
- Storage gas
- Fixed priced advance purchases
- Financial hedges
- Long-term fixed priced purchases

Other Component

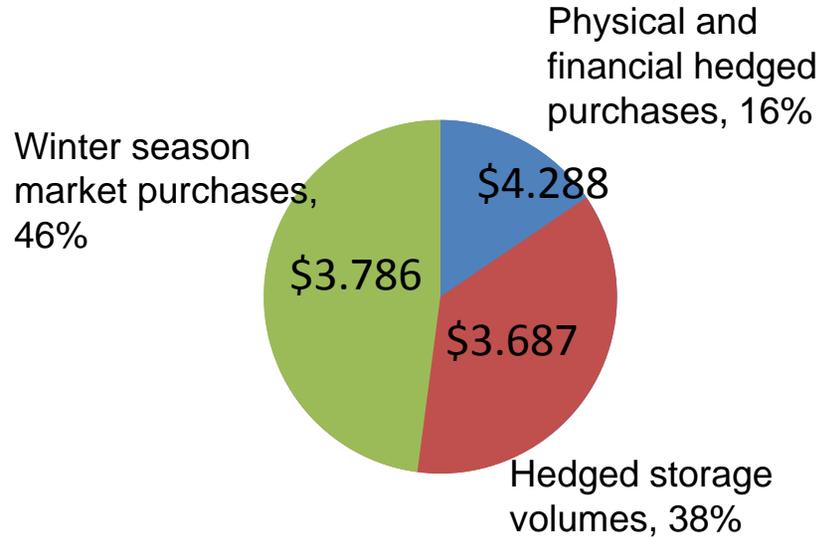
- Market purchases in month of delivery

Supply pricing: Nov. 2012 – Mar. 2013 deliveries

Vectren North



Vectren South

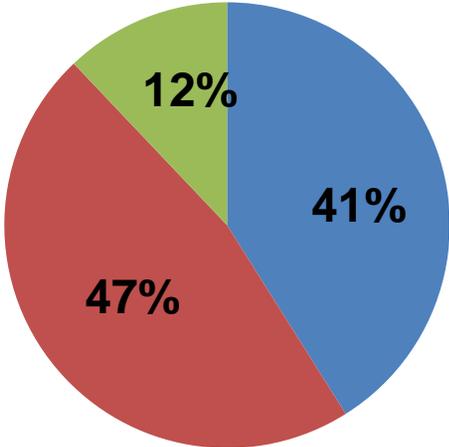


	Vectren North	Vectren South
Commodity Cost per dth	\$3.48	\$3.70
Demand Cost per dth	\$0.96	\$0.61
Total Cost per dth*	\$4.44	\$4.31

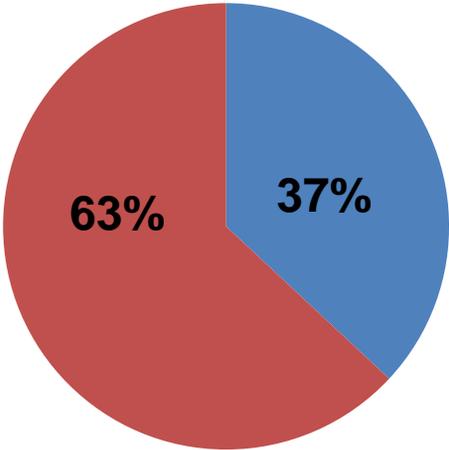
* Includes the variable costs to transport gas to Vectren’s distribution system.

2011 – 2012 peak day supplies

Vectren North Peak Day Supply



Vectren South Peak Day Supply



- Flowing
- Storage
- Peaking

Winter bill projections – forecasting a decrease as much as 5%

North	Nov	Dec	Jan	Feb	Mar	Total
This Winter	\$72	\$109	\$138	\$109	\$84	\$514
Last Winter	\$77	\$118	\$143	\$111	\$83	\$532
Usage (Therms)	84	138	175	134	98	629

South	Nov	Dec	Jan	Feb	Mar	Total
This Winter	\$49	\$78	\$102	\$83	\$59	\$371
Last Winter	\$54	\$89	\$108	\$81	\$57	\$389
Usage (Therms)	60	111	140	110	71	492

Energy efficiency programs

New 4-year program launched in December 2011

- Portfolio includes increased focus on delivery of integrated gas/electric programs (with Energizing Indiana)
- 2012 savings expected to exceed initial operating plan goal of 2.8M gross therms

Home weatherization

- 2006 to 2011 - Weatherized 220 homes; energy savings of 340 therms per home
- 2012 – Will weatherize 100 homes in Vectren North and approximately 400 gas heated homes in Vectren South as part of integrated gas/electric program (partnership with Energizing Indiana)

Helping those challenged to pay

Universal Service Program (USP) (at or below 150% of the Federal poverty level)

- 15 to 32% gas bill discount - December-May
- Provided \$2,037,000 (exclusive of the crisis hardship fund) to 23,000 customers in 2011/2012

USP Crisis/Hardship Fund (at or below 200% of the Federal poverty level)

- Assistance for customers with past due balances
- Distributed \$398,000 assistance to 2,200 customers in 2011/2012

Increased outreach through Vectren community round tables for providers of customer assistance and related stakeholder groups

- 51 roundtables held in 19 counties: January through September 2012
- Additional Community Connect events and health fairs providing direct contact with low-income customers

Additional customer service programs

- Community sustainability initiatives progressing
- Again implemented Saturday call center hours in October (now underway)
- Additional call routing to a specialized service group of service specialists handling payment arrangements and reconnections
- Reduced deposits for LIHEAP- eligible customers in need of reconnection (\$50 per meter)
- Customers receiving LIHEAP provided the opportunity to pay defaulted payment arrangement amounts to avoid disconnection
- Special extended payment arrangements will be offered to LIHEAP eligible customers to avoid disconnection
- LIHEAP customers with a past due balance will be offered a payment arrangement that will extend the balance through September 2013

Billing and payment options

Budget Bill – enrollment down slightly

- 9% of South customers
- 18% of North customers



Payment arrangements

- Allows customers to pay in smaller increments over a set period of time (no additional fees)

Payment extensions

- Offers customers a one-time due date extension to avoid late fees (no additional cost)

Cybersecurity

- The threat of cyber-attacks is a serious and growing concern for our industry
- Vectren:
 - Has implemented strong governance and management programs
 - Has implemented a security strategy to provide multiple layers of security and monitoring for our systems and data
 - Is performing internal and third party vulnerability assessments and penetration tests to identify weaknesses in system security
 - Is monitoring public and private channels to ensure controls address the latest threat information available

Summary

- Pipeline safety and public awareness remain a priority; and we're ready to meet new federal mandates
- Accelerated capital investments needed for compliance will impact rates, but bill amounts should remain affordable
- Continued lower gas prices have helped bills remain at decade-lows
- We will aid customers who find themselves challenged to pay and will continue promoting energy efficiency and weatherization programs