Vectren Energy Delivery

IURC Winter Gas Forum

Carl Chapman

Chairman, President and CEO

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Agenda

- Vectren's winter outlook and customer programs
- Vectren's facility locating performance and ongoing improvements
- National and statewide look at NGV's

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

Longer-Term Gas Supply Contracts in 2013

North

- 5-year fixed price contract, 6M dth annually or about 10% of annual supply at $4 per dth
- 10-year fixed price contract, 1M dth annually at $4.70 per dth

South

- 5-year fixed price contract, 1M dth annually or about 10% of annual supply at $4.15 per dth
- 10-year fixed price contract, nearly .2M dth annually at $4.75 per dth

Winter Bill Projections – Slight Increase Expected

North	Nov	Dec	Jan	Feb	Mar	Total
This Winter	$76	$112	$138	$113	$93	$532
Last Winter	$75	$111	$133	$109	$89	$517
Usage (Therms)	87	138	172	138	108	643

South	Nov	Dec	Jan	Feb	Mar	Total
This Winter	$55	$92	$115	$93	$73	$428
Last Winter	$52	$83	$106	$86	$68	$395
Usage (Therms)	63	116	148	117	88	532

Energy Efficiency Programs and Weatherization

Four-year program launched in December 2011

- Portfolio includes increased focus on delivery of integrated gas/electric programs (with Energizing Indiana)
- 2013 savings expected to exceed initial operating plan goal of 2.7M gross therms

Home weatherization

- Between 2011-2013, weatherized nearly 1,700 homes
- Saving 179,000 CCF's or enough to heat over 250 homes annually
- Saving over 1.4M kWh or enough to power 120 homes annually
- Supports Vectren commitment to community and sustainability efforts

Vectren, Duke & Energizing IN partnership

- Vectren, Duke and Energizing Indiana are partnering to weatherize homes of low-income customers
- Goal of weatherizing 1,000 homes for those whose household income is up to 200% of federal poverty guidelines

Helping Those Challenged to Pay

LIHEAP

- Customers receiving LIHEAP are offered reduced deposits
- Provided the opportunity to pay defaulted payment arrangement amounts to avoid disconnection
- Extended payment arrangements that extend the balance through September 2014

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

- Provided $2.2M (exclusive of the crisis hardship fund) to 22,350 customers in 2012/2013

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

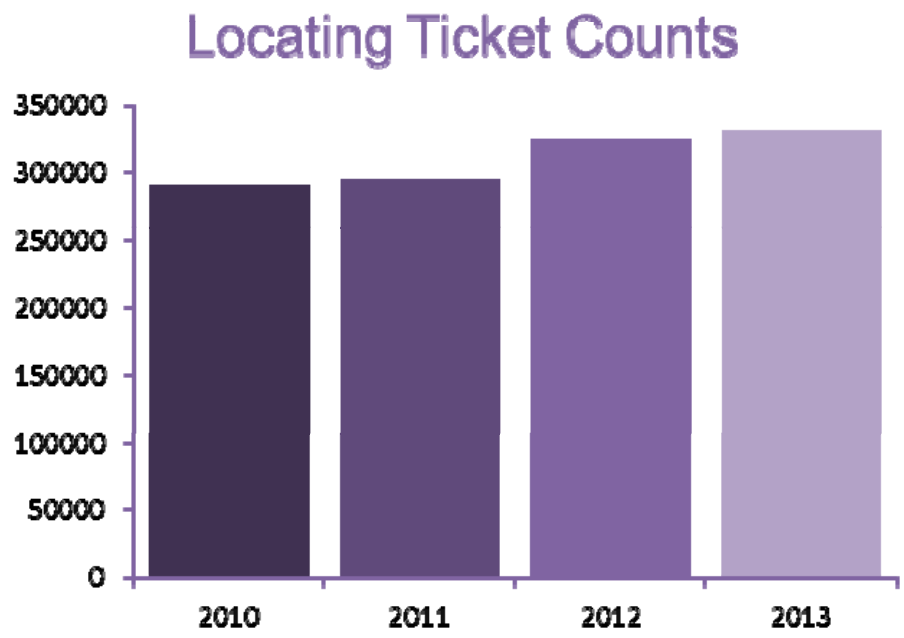
- Assistance for customers with past due balances
- Distributed $.4M assistance to 2,285 customers in 2012/2013

Share The Warmth (private foundation to assist income-eligible households with energy conservation)

- Indiana community action agencies received $123,500 in 2012/2013
- Significant increase in donations expected for 2013/2014 by giving customers option to round their payment to the next dollar amount when paying online
  - Since late April nearly 40K total donations made for a total of nearly $20K

Facility Locating Update & 811

- 811 as the universal "Call Before You Dig" number in place for 6 years
- Company specific Public Awareness Programs drive increased awareness amongst key stakeholder groups on excavation damage prevention:
  - General Public (92% Vectren customers aware of Call Before You Dig vs. National avg. of 63%)
  - Elected Officials
  - Emergency Responders
  - Excavators
- Increased activity in utility and public works projects

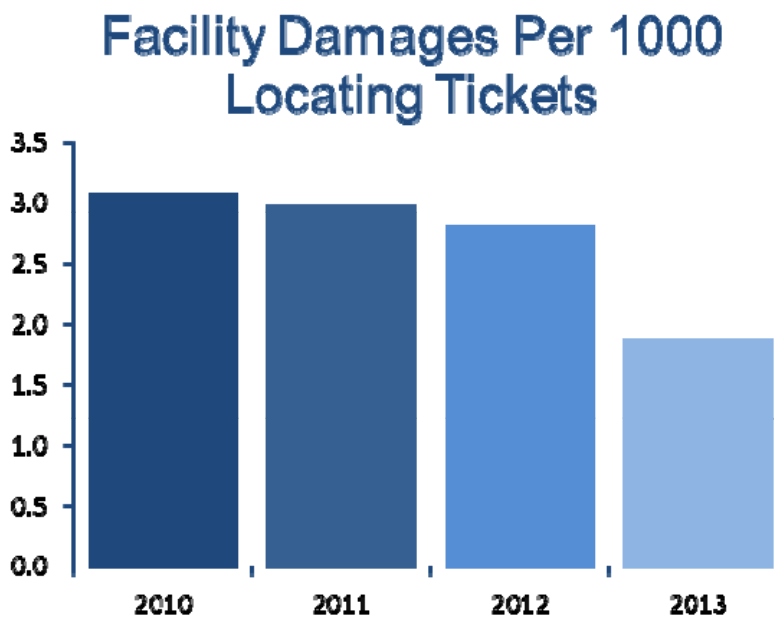


Net Result:

- More excavation activity
- More locate ticket requests

Facility Damage & Locating Performance

- Vectren is actively involved in the Common Ground Alliance (CGA) and has implemented best practices that drive improvement in the locating process
- Combined effort between locators, excavators and utility personnel reduces facility damages
- Facility damage rate decreased by 40% since 2010



Challenges with Locating Facilities

Aged infrastructure

- Cast iron, vintage plastic with bare tracer wire
- Buried utilities within road right-of-way rather than private easements
- Facility location records

Increase in infrastructure replacements and relocations

- Increasing requirements to bury facilities deep
- Many active and inactive facilities within same right-of-way corridor

Congestion from buried infrastructure

- More utilities being buried – electric, cable, phone and fiber

Vectren Activities and Ongoing Improvements

Personnel and Training

- Training for locating personnel exceed National Utility Locating Contractor Association standards
- Locating personnel are operator qualified
- Locating personnel are dedicated to performing only locating activity
- Experienced company operating personnel aid the locating process
- Quality control processes monitor locator performance of locators

Stakeholder Engagement

- Provide direct training and communication
- Work through CGA to develop communication and training videos
- Implemented state damage prevention councils

Vectren Activities and Ongoing Improvements

Current Design and Land Development Practices

- Utilities in dedicated utility easements
- Implemented encroachment management program
- PHMSA's Pipelines and Informed Planning Alliance initiative

Mapping and Record Keeping

- Using modern mapping to providing greater visibility into risks associated with facility locations and damages
- Increased data collection and sharing of that data through modern mapping systems
- Leveraging modern tools and technology to provide access to critical information to a broad user base

Vectren Activities and Ongoing Improvements

Process

- Implemented automated locating notification process
- Implemented automated escalation process when additional resources are needed
- Implementing projects to remediate difficult to locate areas through distribution integrity management program (DIMP)

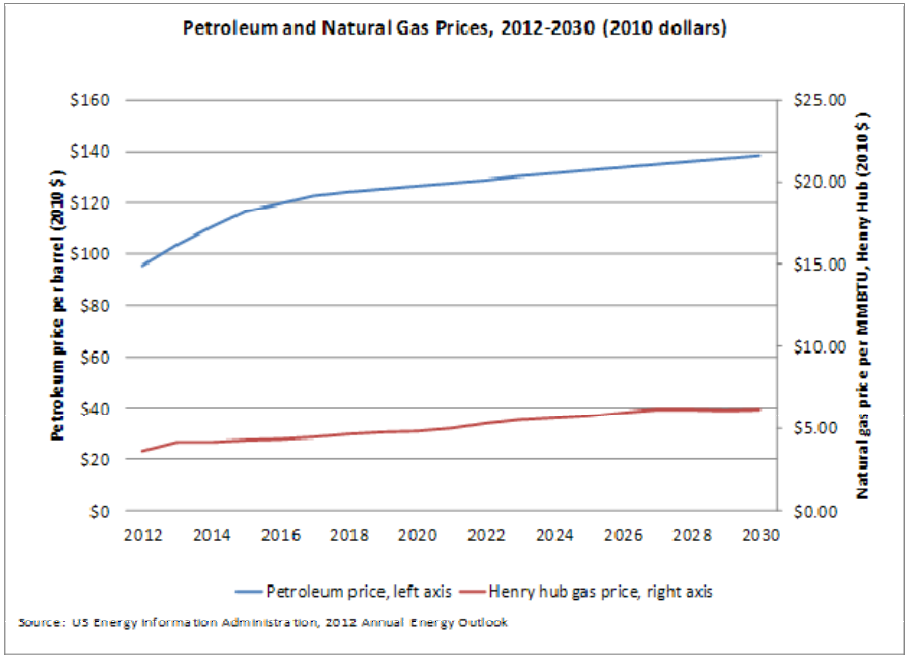
Technology

- Using global positioning system data to identify pipeline facilities
- Evaluating other communication and marking technology for new materials and equipment
- Using new locating technologies during engineering process

Natural Gas Vehicles

National Perspective

- Economics, vehicle availability, fueling infrastructure and public policy are factors driving NGV growth
- Shale supply continues to keep the price at the pump low and stable
- New natural gas vehicle and engine applications are becoming available, creating more options for the buyer
- Station growth is up over 60% since 2009
- Less volatility in the gas gallon equivalent (GGE) when market prices move vs. competitive fuel types



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Natural Gas Vehicles

National Perspective (cont'd)

- States have vehicle and station tax credits in place to provide incentives to help grow the NGV market at a quicker pace
  - Utah - provides an income tax credit of 35% of the vehicle purchase price, up to $2,500
  - Texas - qualified alternative fuel vehicles (ATV) purchased on or after September 1, 2013, may be eligible for a rebate of $2,500 to assist with the incremental vehicle cost
  - West Virginia – provides an income tax credit for 35% of the vehicle purchase price or 50% of the vehicle conversion cost, up to $7,500. A 50% income tax credit is also available up to $312,000 for public accessible infrastructure development
  - Georgia – provides an income tax credit of 10% of the vehicle cost, up to $2,500

Natural Gas Vehicles

National Perspective (cont'd)

- NGVs are in fleets across America
  - The fastest growing NGV segment is waste collection and transfer vehicles. Almost 50% of the trash trucks purchased in 2012 are powered by natural gas
  - Waste Management announced it will convert its entire fleet – over 18,000 trucks – from diesel to CNG
  - UPS, AT&T, Comcast, Sysco, and Ryder have made significant commitments to NGVs in their national fleets
  - According to the American Public Transit Association, about one-fifth of all transit buses were run by compressed natural gas (CNG) or liquid natural gas (LNG) in 2012. Currently, transit buses are the largest users of natural gas for vehicles
  - More than 35 U.S. airports use NGVs in their fleets or encourage NGVs in private fleets operating on premises

Natural Gas Vehicles

State Perspective

- Northern Indiana
  - Fair Oaks Dairy continues to grow, using bio-methane to fuel their trucks
  - Interest is developing along the I-69 and I-65 corridors
  - First fast-fill CNG station in Frankfort, IN
- Central Indiana
  - Significant local CNG conversions (Republic Services and Monarch Beverage)
  - The City of Indianapolis is working on vehicle conversion and station development for their fleet
  - Kinetrex Energy to provide liquefied natural gas for UPS Midwest fleet
- Southwestern Indiana
  - Substantial local CNG conversions which include AT&T, Home City Ice, Monarch Beverage and Bestway Trucking
  - Vehicle conversion and station development continues to grow with local companies and municipalities
  - New public fast-fill CNG station in Vincennes, IN
- House Bill (HB) 1324
  - Goes into effect Jan. 1st, 2014 to incentivize natural gas vehicle adoption by commercial businesses, which will drive CNG station development across the state

Natural Gas Vehicles

Looking Ahead

- The Energy Information Administration (EIA) projects that the use of natural gas as a fuel for vehicles will rise nearly 12% per year through 2040
- Center for American Progress predicts natural gas will fuel nearly half of all heavy-duty trucks, one-fifth of all medium-duty trucks, nearly half of all school buses, and two-thirds of transit buses by 2035
- By 2040, EIA projects that the use of natural gas in heavy-duty vehicles will be displacing 700,000 million barrels of petroleum diesel fuel a day
- Local, regional and national strategic focus on high mileage, return to base and over-the-road key market segments will allow for a simultaneous development of infrastructure and fleets

Questions?