Vectren Energy Delivery

Winter Outlook

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Vectren's Indiana Footprint

- **Vectren Energy Delivery of Indiana – North**
  - 49 counties
  - 567,000 gas customers
- **Vectren Energy Delivery of Indiana – South**
  - 10 counties
  - 111,000 gas customers
  - 141,000 electric customers

Vectren in Indiana

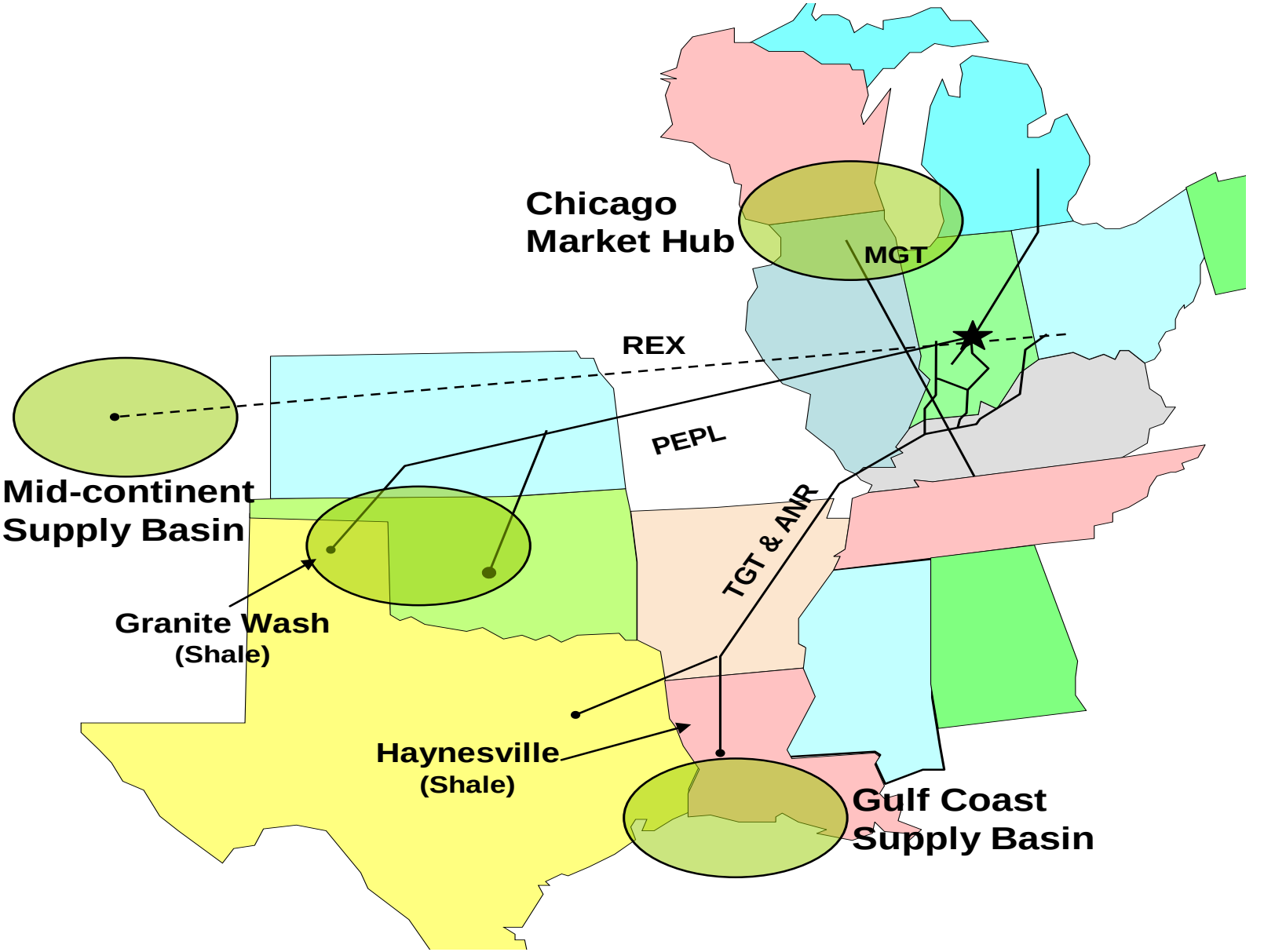
Headquarters

Natural Gas Outlook – Supply Side

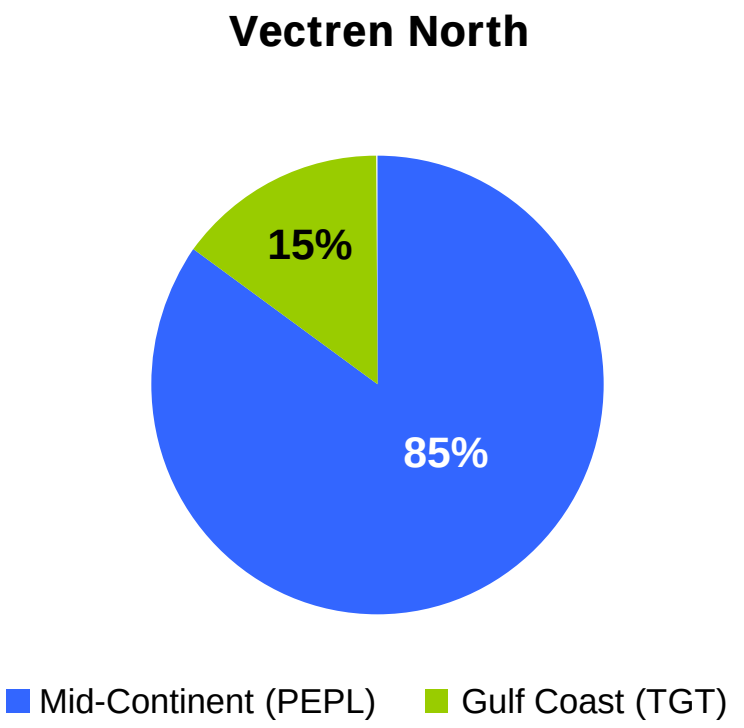
- Shale Gas has "Changed the Game"
  - Production in most shale gas basins continues to increase despite lower natural gas prices
  - Drilling for natural gas continues to increase from 2009 levels in the Barnett, Haynesville, and Marcellus shale gas basins. Drilling has more than doubled in the Eagle Ford and Granite Wash locations from 2009 levels
  - Rig counts throughout the summer of 2010 have averaged near 1,000 per week. This level of drilling has allowed daily gas production in the lower 48 states to average near 65 BCF/day in May 2010 versus 57 BCF/day in May 2007
  - Factors driving production:
    - **Advances in drilling**
    - **Advances in hydraulic fracturing**

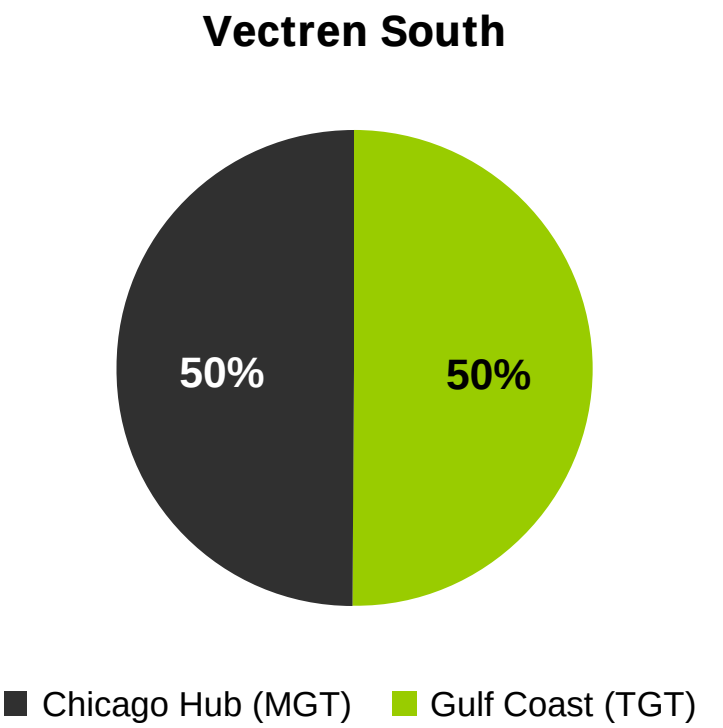
- Liquefied Natural Gas
  - U.S. imports have been flat throughout most of 2010 and remain driven for the most part by pricing opportunities in Europe and Asia

Gas Supply Sources for Vectren



Annual Gas Supply Purchases - Sources





Vectren's Gas Purchasing Strategy

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

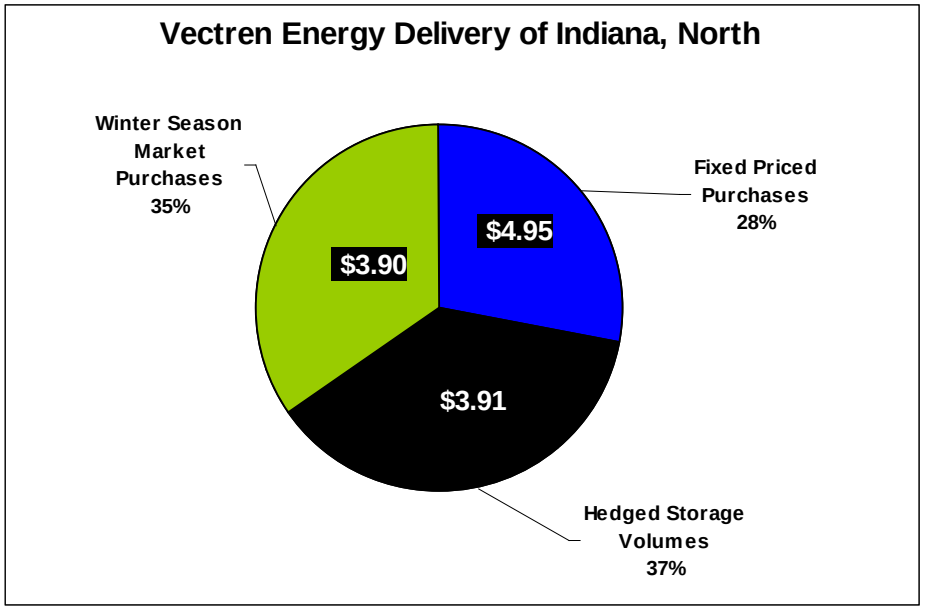
- Targets
  - Hedge approximately 60% of annual purchases and approximately 75% of winter deliveries to customers

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

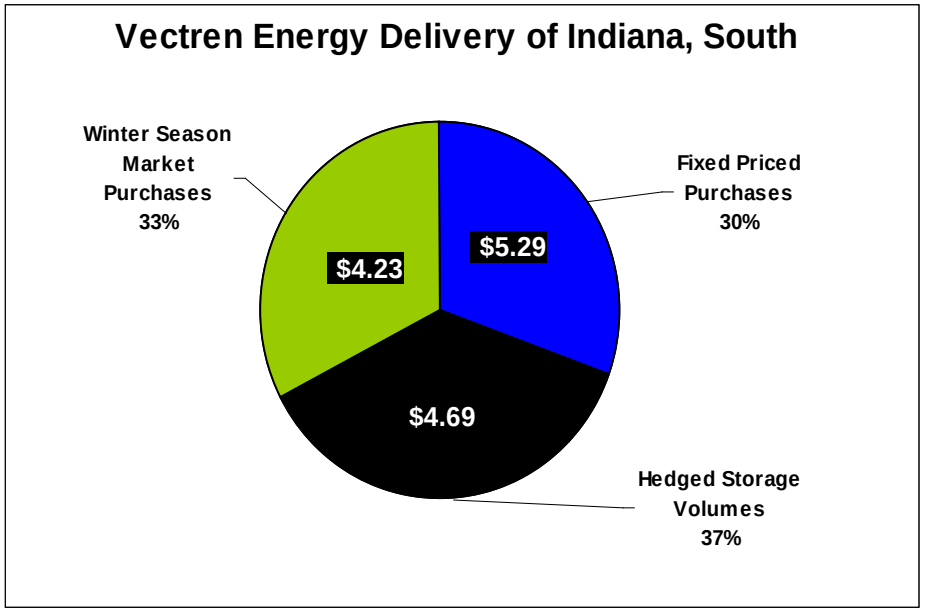
  Other Component
  - Market purchases in month of delivery

Supply Pricing for November 2010 – March 2011 Deliveries

Vectren North

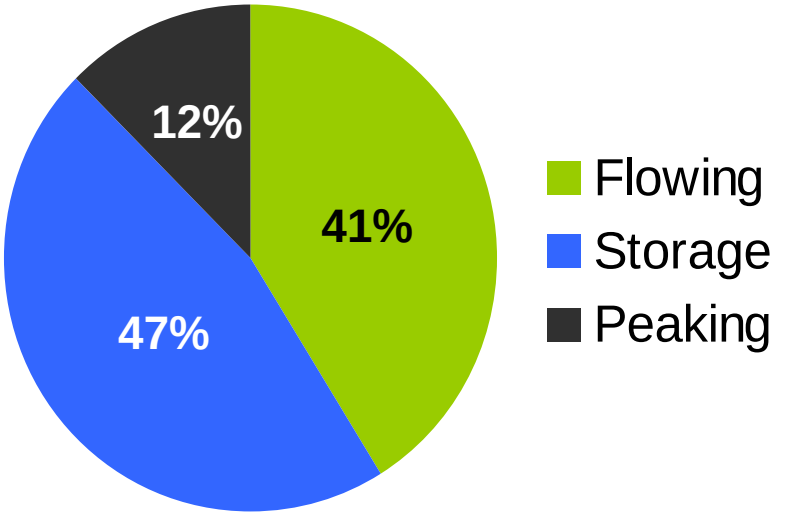


Vectren South

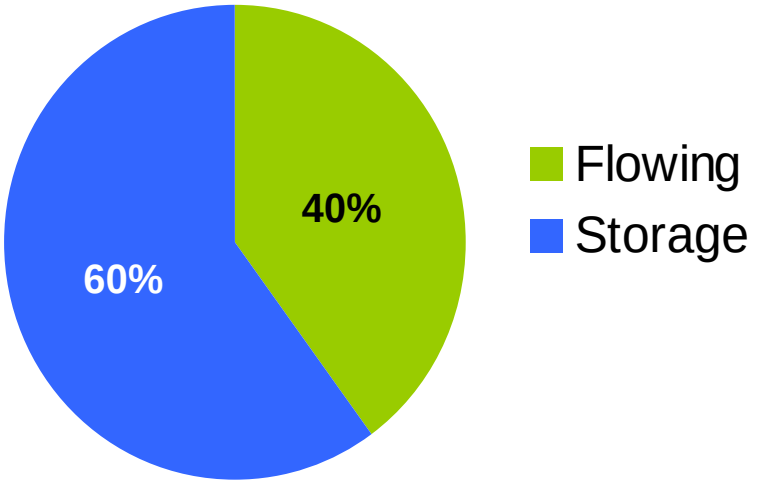


Supply for Peak Days

Vectren North Peak Day Supply



Vectren South Peak Day Supply



Current Status of Vectren Storage

	Vectren North	Vectren South
Company Storage	90%	90%
Contract Storage	91%	90%
Total Storage Inventory Capacity	22.5 BCF	4.0 BCF
Normal Winter Season Withdrawals	18.0 BCF	3.2 BCF

The percent of storage inventory filled is as of 10/1/2010

Customer Communications & Solutions to Manage Bills

Winter Bill Projections

Projections released on Oct. 13

- Vectren North – Flat to a 5% decrease
  - 5-month bill averages $535 to $560
- Vectren South – 5% to 10% decrease
  - 5-month bill averages $400 to $420

Key messages

- Continued lower gas prices are easing winter bills
- Customers should still focus on lowering usage by being energy efficient
- In this economy, many customers are challenged to pay; reach out to Vectren before you get behind

Solutions to Manage Costs

Natural Gas Energy Efficiency Portfolio Review

- Results since program inception – Dec. 1, 2006 – July 31, 2010:
  - Rebates/measures: 74,000
  - Online energy audit/bill analyzer tool: 226,000
  - Cumulative savings in avoided gas costs: $12.1M
- Overview of Year 4 – Conservation Connection
  - $6.61M Budget – Program Year - Dec. 1, 2009 – Nov. 30, 2010
    - Residential programs
      - Appliance rebates - Furnace, Boiler, Water Heater, Programmable Thermostats
      - New construction
      - Energy education with kits
      - Targeted income weatherization
      - Online audit with kits
      - Multi-family direct install of water heating saving measures
    - Commercial programs
      - Equipment rebates - furnace, boiler, boiler maintenance, water heater
      - Custom rebate program
    - Program Administration
      - Outreach & education
      - Contact center & administration
      - Evaluation

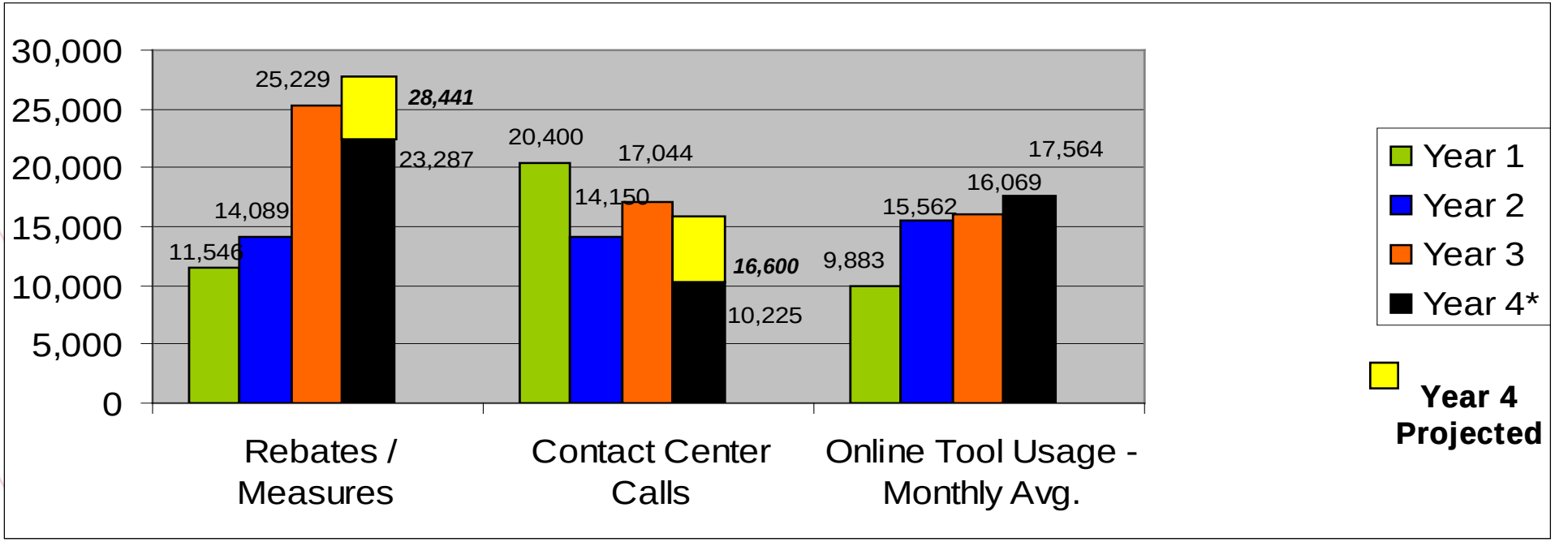
Solutions to Manage Costs

Conservation Connection Program Highlights for 2010

- Residential rebates – Increased year over year program budget by 4,763 measures/rebates (46%)
- Commercial prescriptive rebates – Increased year over year budget by 642 measures/rebates (112%)
- Direct install of low-flow fixtures; reducing water-heating consumption for 6,000 multi-family dwellings
- Online energy audit incentive: Offered 5,000 water heating savings kits for customers completing the highest audit level – 66% increase over prior year
- Increased school education and efficiency program by 50% (from 2,000 students to 3,000 students)
- Program Year 4 Actual Performance vs. Program Year 3 at 7/31:
  - Residential rebates/ measures implemented increased by 3,945 (51%)
  - New construction rebates / measured implemented increased by 81 (208%)
  - Commercial rebates/ measures implemented consistent year over year
  - Total gross therms saved increased by 995,616 (66%)

Solutions to Manage Costs

Conservation Connection – Program Results



*Program Year 4 Results for Dec '09 – Jul '10

Gross Therm Savings
in millions

	Actual	Goal
Year 1	1.06	0.85
Year 2	1.23	1.0
Year 3	2.17	1.5
Year 4*	2.51	1.6
Year 5	N/A	1.8
	6.97	6.75

* Reflects results through 8 months

Solutions to Manage Costs

Budget Bill

- 7% of South customers
- 19% of North customers

Payment arrangements – No additional cost for all customers

- Make smaller payments over a set period of time

Payment extension – No additional cost for all customers

- One-time due date extension

Energy Assistance Program (EAP) & USP

- Continue to direct customers to CAP agencies

Additional customer outreach and programs

- Reduced deposits for EAP-eligible customers in need of reconnection
- Implemented Saturday call center hours last March and early April (end of winter, moratorium expiration) and this October (reconnection)
- Offered USP Crisis/Hardship Fund assistance for customers reconnecting with past due balances (at or below 200% of the Federal poverty level)
- Additional call routing to a specialized group of customer service specialists handling payment arrangements and reconnections
  - 93,000 calls processed since Mar. 1
- Continue to promote Conservation Connection services in customer service call center
- Continue outreach and promotion of Vectren's speakers bureau
  - Reached 1,430 people through 58 presentations (winter 2009-2010)
  - Reached 1,800 people through 64 presentations (winter 2008-2009)
- Enhanced emphasis on how to better assist low-income customers

Summary

- Vectren's gas purchasing strategy is still the right option to mitigate volatility
- Continued lower gas prices are welcome news for customers
- Given the economy, many customers continue to find themselves challenged to pay
- Conservation and energy efficiency investments are still the smart initiatives to undertake

Questions?

VECTREN
Live Smart