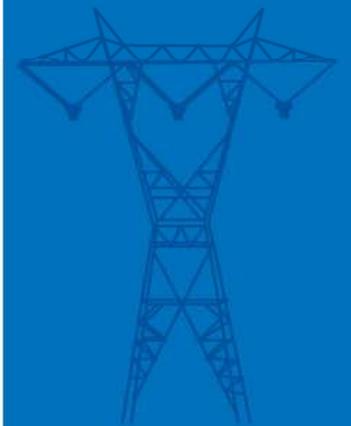


2013 Summer Reliability Outlook

Carl Chapman
Chairman, President and CEO



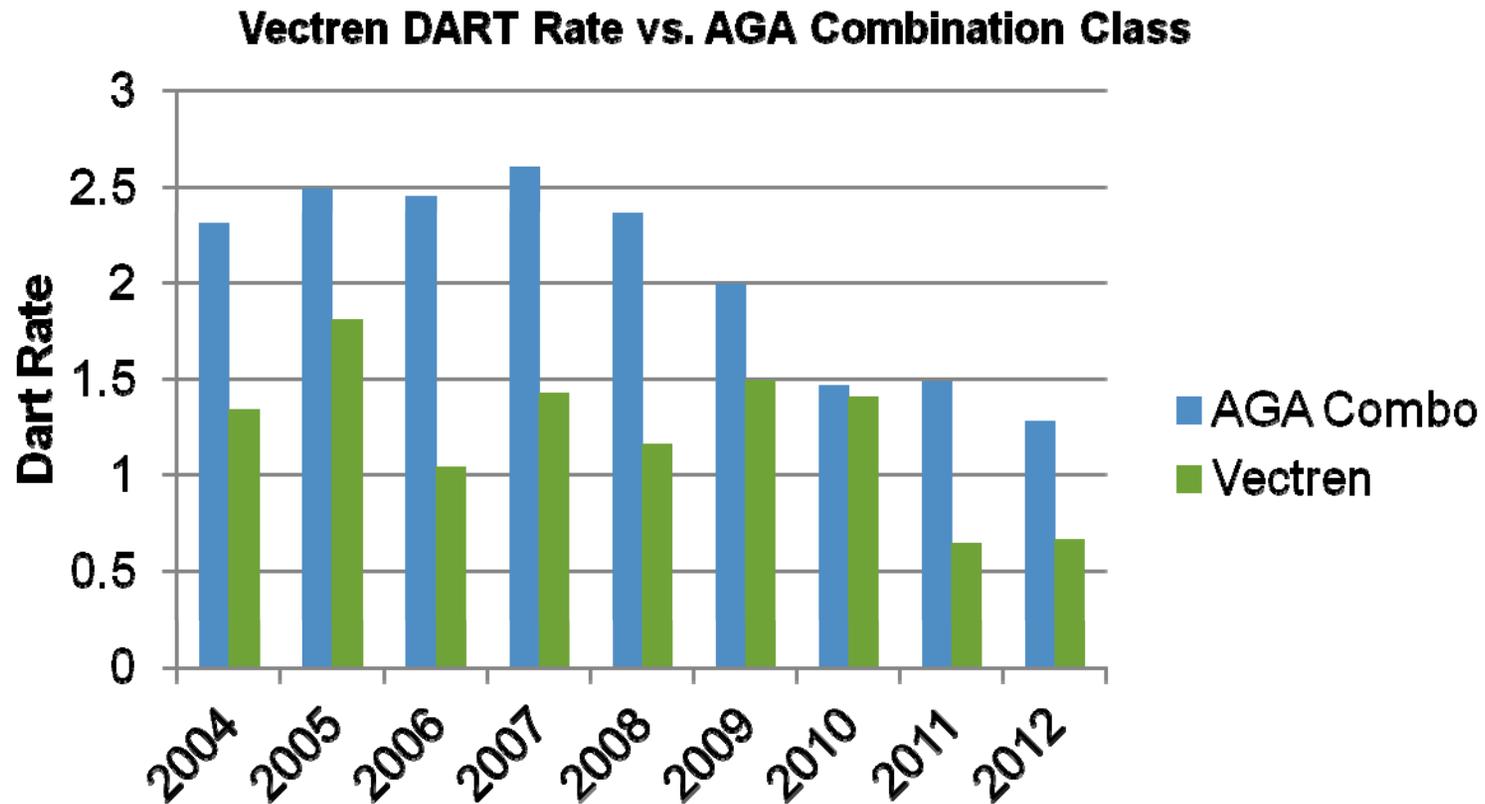
Attendees

Carl Chapman	<i>Chairman, President and Chief Executive Officer</i>
Wayne Games	<i>Vice President, Power Supply</i>
Scott Albertson	<i>Vice President, Regulatory Affairs</i>
Mike Roeder	<i>Vice President, Government Affairs & Communications</i>
Angila Retherford	<i>Director, Environmental Affairs and Corporate Sustainability</i>
Robbie Sears	<i>Director, Conservation</i>

Summer 2013 Reliability Outlook

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Vectren – A Culture of Safety



2011 AGA Best in Class
Safety Achievement Award

Top quartile performer among
American Gas Association (AGA) Peer
Group (Combination Gas and Electric
Companies)

Vectren's Electric Footprint

Customers **142,000**

2012 Retail Sales (GWh) **5,465**

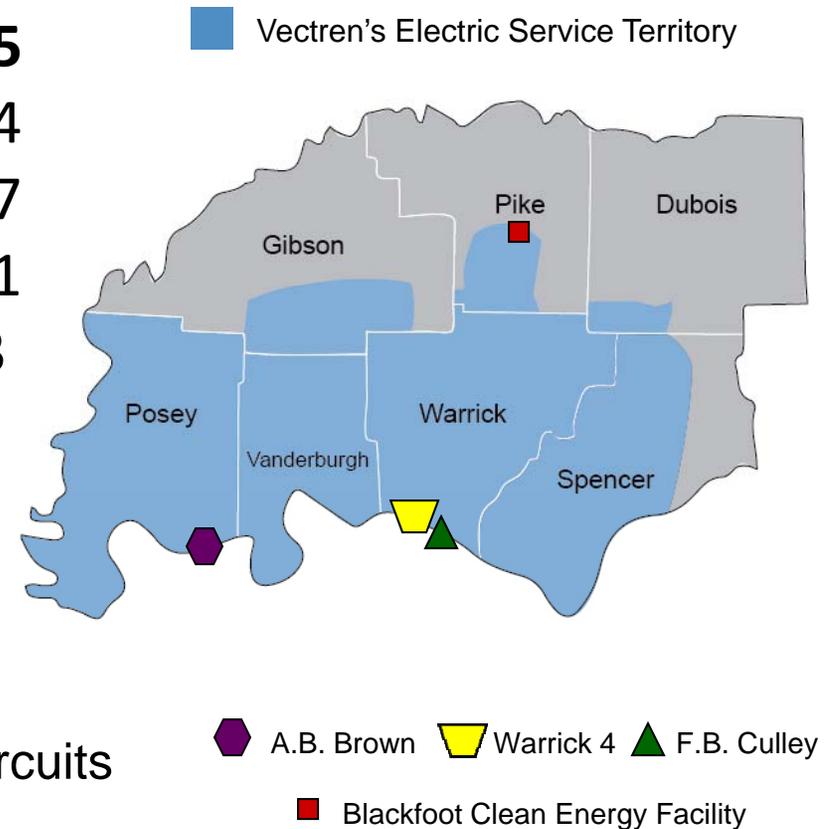
- Residential 1,434
- Commercial 1,297
- Industrial 2,711
- Other 23

Transmission System

- 992 miles of transmission circuits
- 36 transmission substations

Distribution System

- More than 4,200 miles of distribution circuits
- 29% of distribution underground
- 95 distribution substations



Vectren Generating Facilities

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

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

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

- 2 units (coal) – 360 MW

Warrick Unit 4 – Newburgh, Ind., Warrick County

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

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

- 4 units – 135 MW



Vectren Capacity

Vectren Installed Capacity

Coal - 1,000 MW

Gas Peaking - 285 MW

Landfill Gas - 3 MW

Vectren Installed - 1,288 MW

Other Capacity

Wind Purchase - 80 MW

OVEC - 32 MW

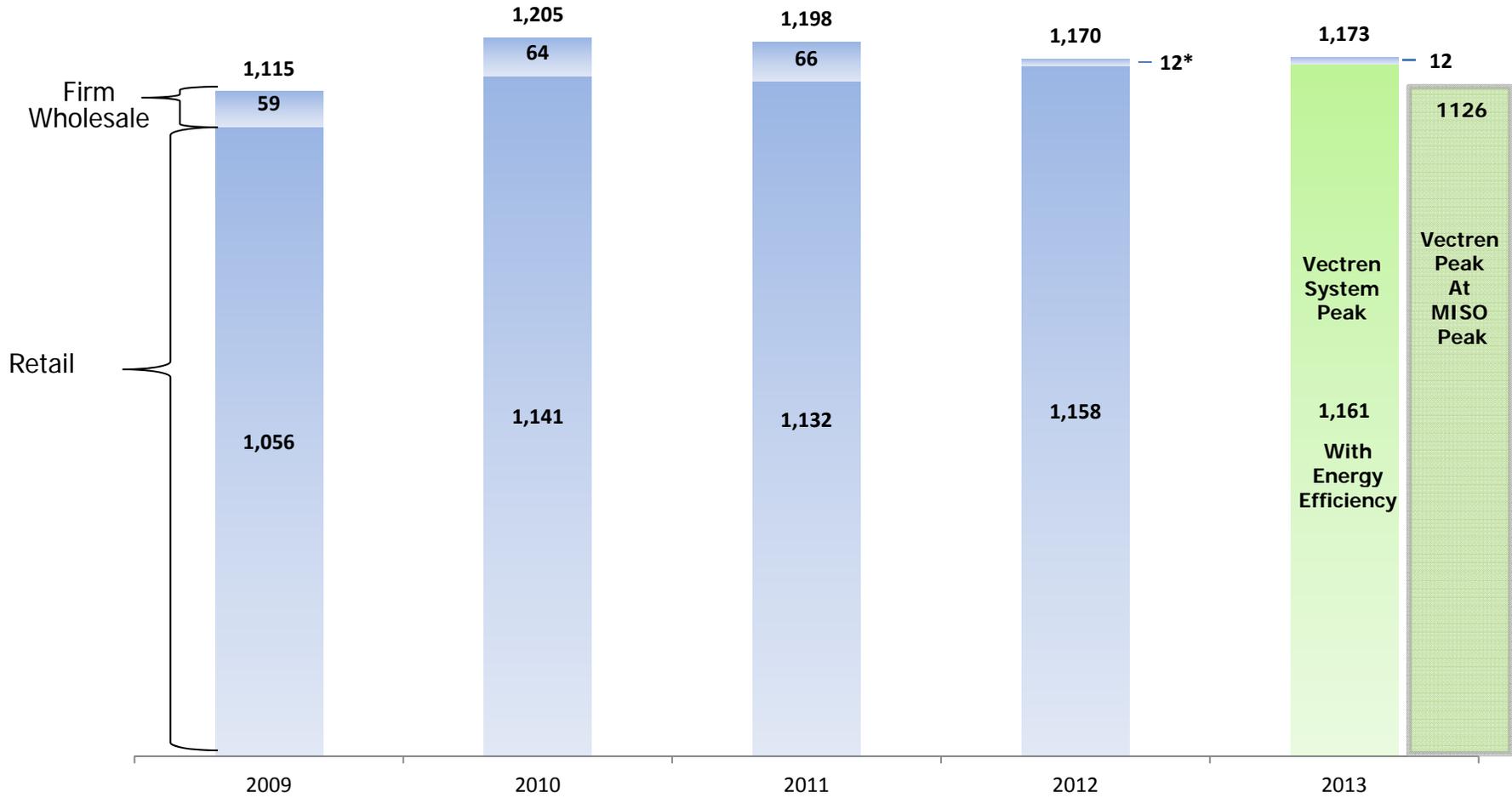
Total Other - 112 MW

Total Capacity 1,400 MW

Note: 100MW Capacity Purchase expired at the end of 2012.

Vectren Peak Load

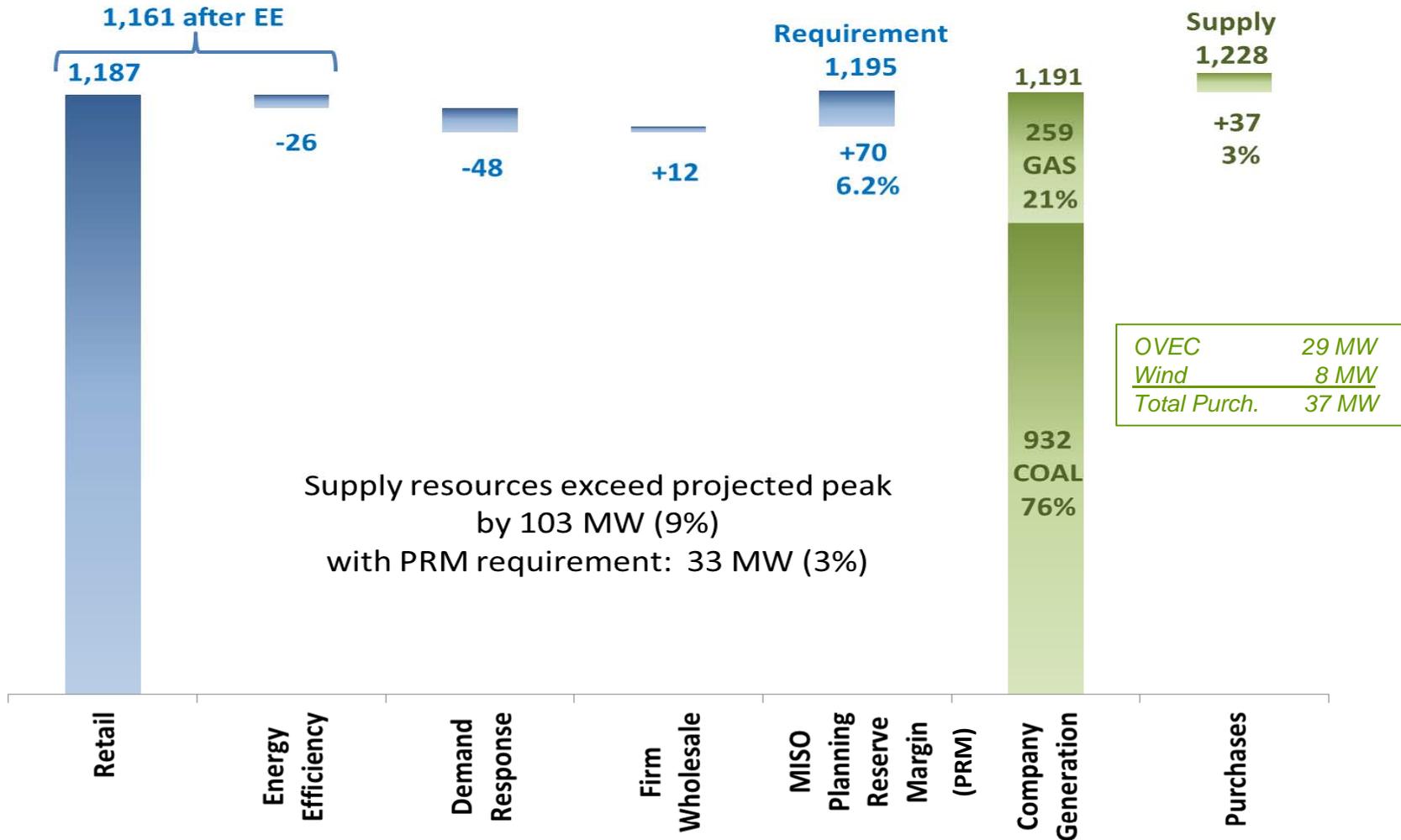
Weather Normalized Peak Load (MW)



* - Change in firm wholesale from 2011 to 2012 was due to contracts ending with Huntingburg and Tell City

Planning Reserve Margin (PRM) Requirements

MW (UCAP basis)



Vectren Resources at Peak

Demand & Requirements		Supply	
Peak Demand	MW	Steam Generation	UCAP MW
Vectren Retail	1,190	Brown 1	229.1
Blackfoot Landfill Gas Generator	(3)	Brown 2	228.7
Vectren Retail (net)	1,187	Culley 2	81.4
Firm Wholesale Obligations	12	Culley 3	252.8
		Warrick 4	139.6
		Total Steam	931.6
Energy Efficiency and Demand Response		Peaking Generation	
Energy Efficiency	(26)	Brown 3	72.1
Interruptible Load	(34)	Brown 4	68.8
Direct Load Control	(14)	Broadway 1	38.8
		Broadway 2	60.7
		Northeast 1 & 2	18.8
		Total Peaking	259.2
Total Demand	1,125	Purchases	
		OVEC	29.3
MISO PRM of 6.20%	70	Wind	8.2
Total Requirements	1,195	Total Supply	1,228

Supply exceeds Demand by 103 MW (9%)
Supply exceeds PRM Requirements by 33 MW (3%)

Renewable Energy and Energy Efficiency

- In 2012 Renewable Energy and Energy Efficiency accounted for 5% of Vectren's retail sales
 - Wind PPA's
 - 207,326 MWh
 - Blackfoot Landfill gas project
 - 14,137 MWh
 - Energy Efficiency
 - 49,523 MWh
- Voluntary Clean Energy Portfolio Standard (SB 251)
 - Vectren is well positioned to meet the 2013-2018 goal of 4% if we choose.



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

- 2012 (actual) – 49,523 MWh
- 2013 (projected) – 70,639 MWh

Vectren programs

Core Plus programs currently offered

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

Energy Efficiency Programs

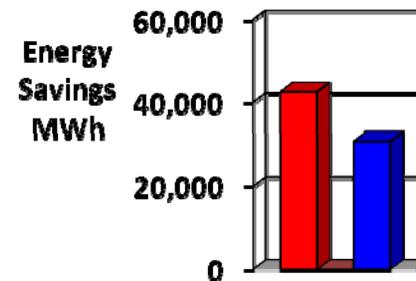
Core Programs

- Most programs currently operating at expected levels of participation
- Vectren is concerned with the ability of the statewide Third Party Administrator to meet the shortfall of the 2012 savings target as well as the 2013 target

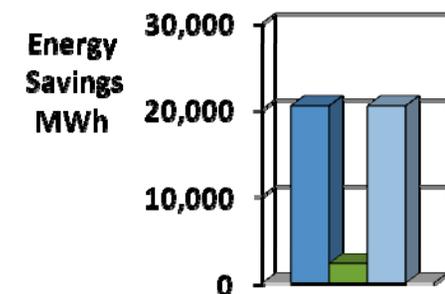
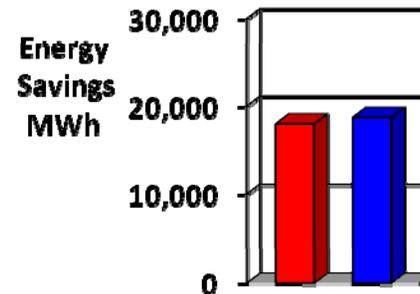
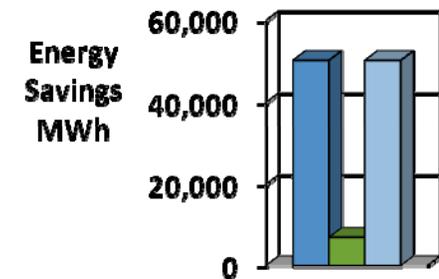
Core Plus Programs

- C&I Custom program projected to provide the bulk of savings for the Core Plus set of programs
- Currently projected to meet savings target of 20,388 MWh

2012



2013

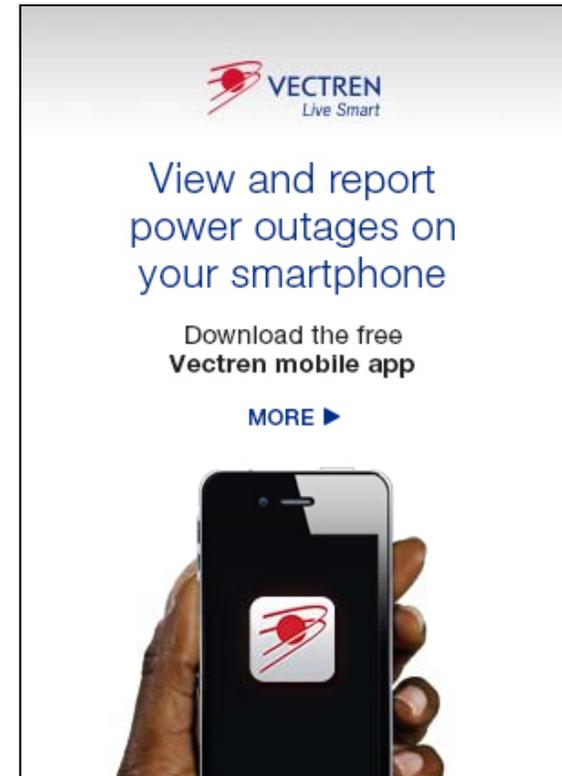


Vectren Concerns

- **Customers' ability to pay bills**
 - Increased impact of DSM costs
- **Transmission cost allocation for Multi-Value Projects (MVP)**
 - Customer cost impacts versus benefits
 - Vectren engaged to protect customers
- **Major weather event**
- **Economic cycling of base load coal plants**
 - O&M cost and reliability implications
- **Environmental regulation**
 - Continued regulatory uncertainty
 - Compliance with one rule may create potential compliance concerns with other rules

Outage Communications Campaign

- **Spring outage communications campaign underway**
- **Discusses causes of outages and new online tools (and an app) to report an outage or get updates on restoration**
 - Television, radio ads (run more when a storm is forecasted or in progress)
 - Cinema advertising
 - Social media
 - Customer, employee contests for downloading the app or following us on Twitter
 - Outage/storm kits



@VectrenStorm

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 better than 93% for the last four years

System reliability

- Increased import capability
- SAIDI 3 year rolling average reduced 9 minutes from 2011 to 2012

Generation resources in excess of requirements

- Supply resources exceed projected peak requirements by 103 MW (9%) and exceed PRM requirements by 33 MW or 3%

Discussion Questions

2013 Legislative Action

SB 560

- Continue to evaluate T&D projects designed to improve safety and reliability
 - Balance the benefit derived from a project with the impact to customer bills

HB 94

- Vectren is pleased that oversight will exist to assure reliability of service

Environmental Compliance - Air

- **Coal-Fired Generation**
 - 100% of capacity is scrubbed for SO₂
 - 91% of capacity has post combustion NO_x controls (SCR)
 - 52% of capacity has fabric filters for particulate controls (remainder electrostatic precipitators)
- **\$410 million invested in air compliance since 2004**
 - \$7 million annual O&M increase
- **\$22 million invested in dry fly ash equipment since 2009**

- **Impact on current rates**
 - Residential approximately 1.7 cents per kWh or \$200 per year
 - Industrial less than 1.0 cent per kWh
 - Average less than 1.5 cents per kWh

- **Mercury and Air Toxics Standards (MATS)**
 - Well-positioned to comply, however, we anticipate new capital and O&M expense will be required for sorbent injection systems

- **AB Brown Notice of Violation**
 - Alleges incremental H₂SO₄ emissions resulting from SCR installation.
 - SCR installation was approved by IDEM

Environmental Compliance – Water and Ash

Water

- National Pollution Discharge Elimination system (NPDES) Permits
 - New equipment and processes required to comply with mercury limits will require minor plant modifications
- Clean Water Act 316(b)
 - Anticipate ability to comply with draft regulation with only minor plant modifications
- Draft Effluent Guidelines
 - EPA recently proposed multiple regulatory alternatives for review and comment
 - Currently reviewing proposal and identifying potential impacts to Vectren units
- Ash Disposal Regulations
 - Completed dry fly ash conversions and participating in beneficial re-use
 - Current regulatory options proposed by EPA would allow continued beneficial reuse, avoiding costly construction of new landfills
 - 2012 recycled 76% of fly ash

Environmental Compliance

- CO2
 - Currently unlikely that carbon legislation passes in near term
 - Modeling of potential Cap & Trade and Carbon Tax Scenario's
 - Vectren does not currently anticipate premature retirements of our base load coal units.

- New Source Performance Standards for GHGs
 - EPA failed to meet April deadline for new source rule.
 - EPA has indicated they will propose new source performance standards for existing units within 18 months.

Generation Portfolio in 2020

- **Key Drivers Determining Future Portfolio**
 - Price spread of coal vs. natural gas?
 - Impact of Environmental Regulations? (air and water)
 - Renewable mandates and technology advancements?
 - Maturity of capacity market?

- **Flat to Low Load Growth Scenario**
 - Generation portfolio remains the same (primarily coal)
 - Majority of environmental investments complete
 - Future environmental investments should be limited
 - Energy efficiency efforts continue

- **Significant Load Growth Scenario**
 - Capacity purchase
 - Simple cycle gas peaking unit
 - Partial ownership interest in a combined cycle unit
 - Potential retrofit conversion of existing gas peaking units to combined cycle

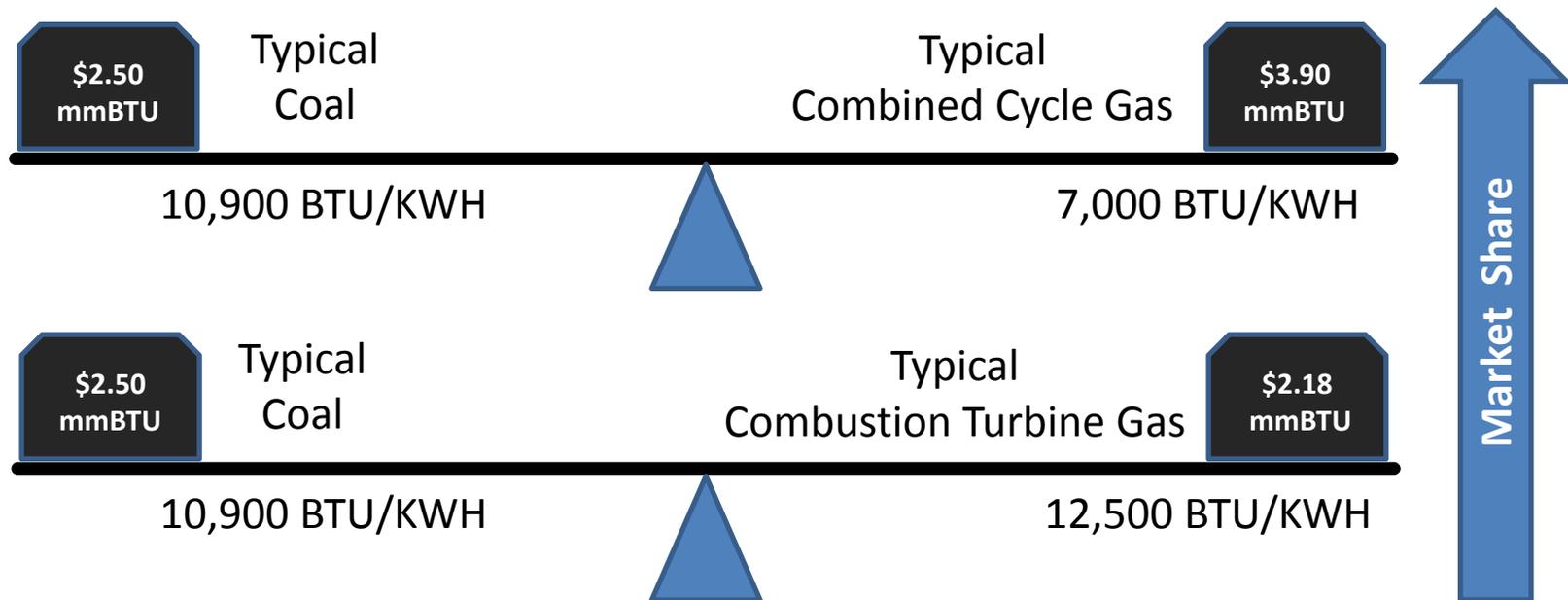
Long Term Outlook

- **New Generation**
 - No retirements currently planned
 - Demand growth will likely be addressed by one or more of the following:
 - Capacity Purchase
 - Simple cycle gas peaking unit
 - Partial ownership interest in a combined cycle unit
 - Potential retrofit conversion of existing gas peaking units to combined cycle
 - Increased Environmental Regulation Scenario
 - Potential for coal to gas conversion
- **New Transmission**
 - 10 year planning in coordination with Reliability First and MISO
 - Reliability (Vectren system expected to have high reliability)
 - Economic efficiency (Continue to evaluate as the system changes)
- **New Distribution**
 - Plans for reliability upgrades to include:
 - Loop feeds to local substations
 - Adding breakers and auto-sectionalizing schemes
 - Expanding distribution SCADA
 - Pilots for fiber communication

Price Point; Coal vs. Gas

On a delivered fuel cost per KWH basis:

- Coal at \$55 per ton 11,000 BTU/lb = \$2.50/mmBTU
- In the examples below fuel cost is in equilibrium at 2.7 cents per KWH



- Differs across U.S. based on type of coal, transportation costs and unit efficiencies

Cost Drivers Behind Increasing Rates

Current Cost Drivers

- Federal Mandates
 - Air
 - Clean Air Interstate Rule (CAIR)
 - National Ambient Air Quality Standards (NAAQS)
 - Water
 - National Pollution Discharge Elimination System (NPDES)
- Fuel Costs
 - Expiration of old contracts
 - Mining Regulations
- Demand Side Management (DSM)
 - 1.5% reduction thru 2012 (average of last 3 years electric sales)

Cost Drivers Behind Increasing Rates

Anticipated

- Federal Mandates
 - Air
 - Mercury Air Toxics Standard (MATS)
 - Final Rule with April 2015 deadline (ability to get a one year extension)
 - NAAQS – standards may continue to become more stringent
 - Water
 - Effluent Guidelines
 - NPDES Permitting
 - 316b
 - Ash
 - Potential Greenhouse Gas Regulations (CO₂)
 - NERC Compliance
- Aging Infrastructure (modernization)
- DSM (11.9% cumulative reduction by 2019)
- Regional Transmission Builds
- Distributed Generation

Vectren – Initiatives to Control Rates

- Every decision impacted by an evaluation of customer's ability to pay
- O&M Spend
 - Performance Management/Continuous Improvement Program
 - Strategic Sourcing
 - By-product from local manufacturer used to supplement SO₂ removal
 - Pole replacement program
 - Line clearance program
- Capital Spend
 - Major environmental spend complete
 - Major transmission upgrades complete
 - Beneficial reuse of ash and synthetic gypsum
- Interest expense refinancing
- Dropped 100 MW Capacity Purchase (\$2.8 million annually)