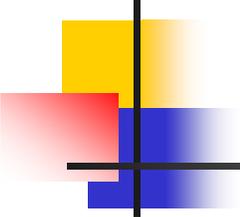




## **Summer 2010 Outlook**

**May 20, 2010**

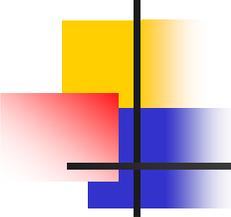
**Carl Chapman, President and COO**



# Attendees

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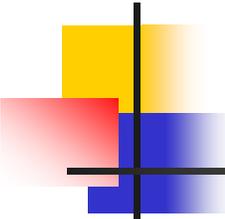
- Carl Chapman, President and Chief Operating Officer
- Bill Doty, Executive Vice President Utility Operations
- Ron Jochum, Vice President of Power Supply
- Robbie Sears – Director Conservation
- Angila Retherford, Director Environmental Affairs
- Marlene Parsley – Manager MISO Integration



# Summer 2010 Outlook

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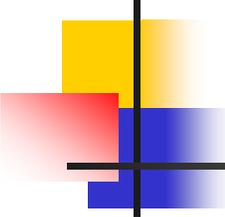
	<u>PAGE #</u>
▪ System Capacity & Projected Peak	4
▪ Operational Performance	5
▪ Conclusion	6
▪ Future Demand	7
▪ Renewable Energy	8
▪ DSM Programs	9-12
▪ Net Metering	13
▪ Environmental Uncertainty	14
▪     ▪ Carbon Legislation	15
▪ NERC Compliance	16-18
▪ MISO	19
▪ AMI	20
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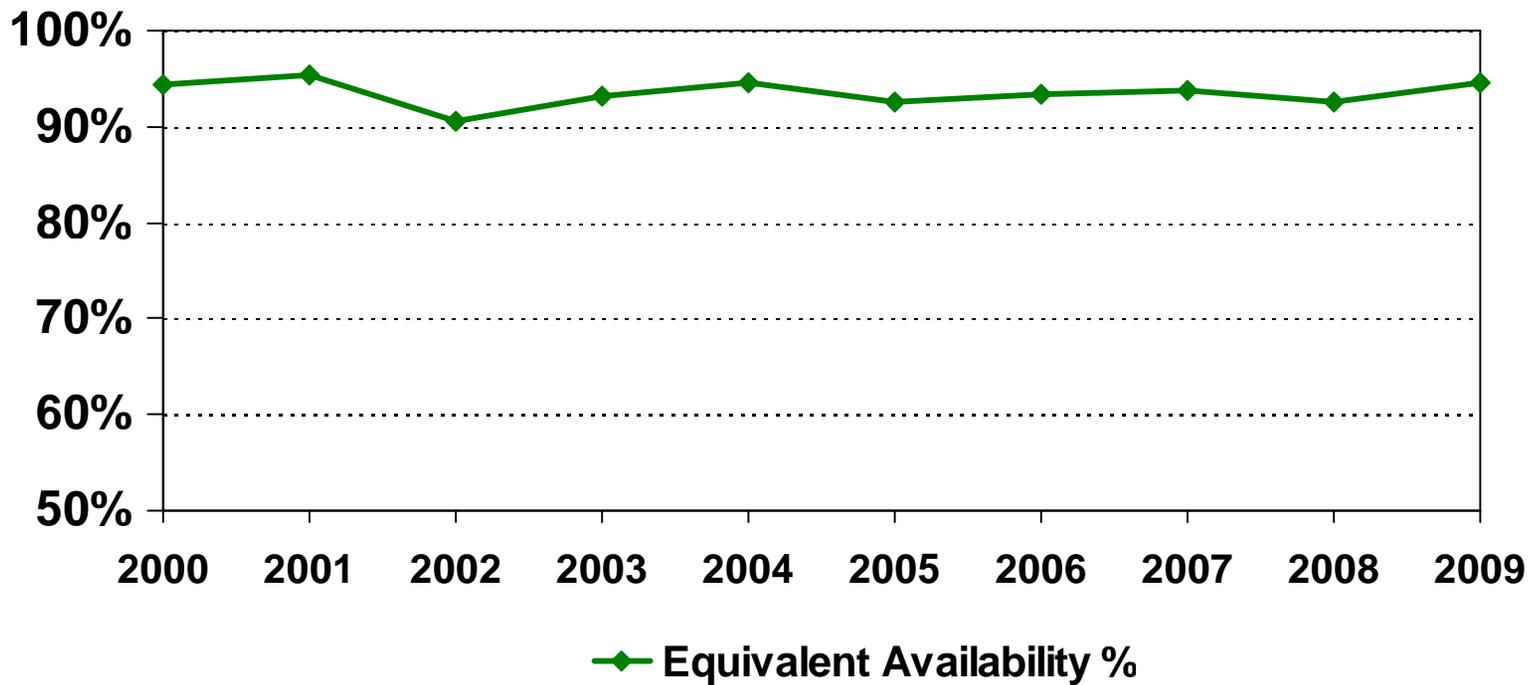
## Vectren System Capacity Meets Summer Projected Peak

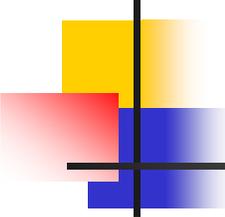
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- System Capability (see Appendix)	1434 MW
- Interruptible / Demand Response	<u>63</u> MW
- Total Capability	1497 MW
2010 PROJECTED PEAK	1121 MW
-firm wholesale	<u>67</u> MW
	1188 MW
Reserve Margin (26%)	309 MW
Capacity Margin (21%)	246 MW



## Operational Performance June through September Equivalent Availability

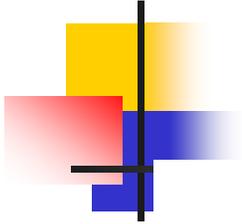




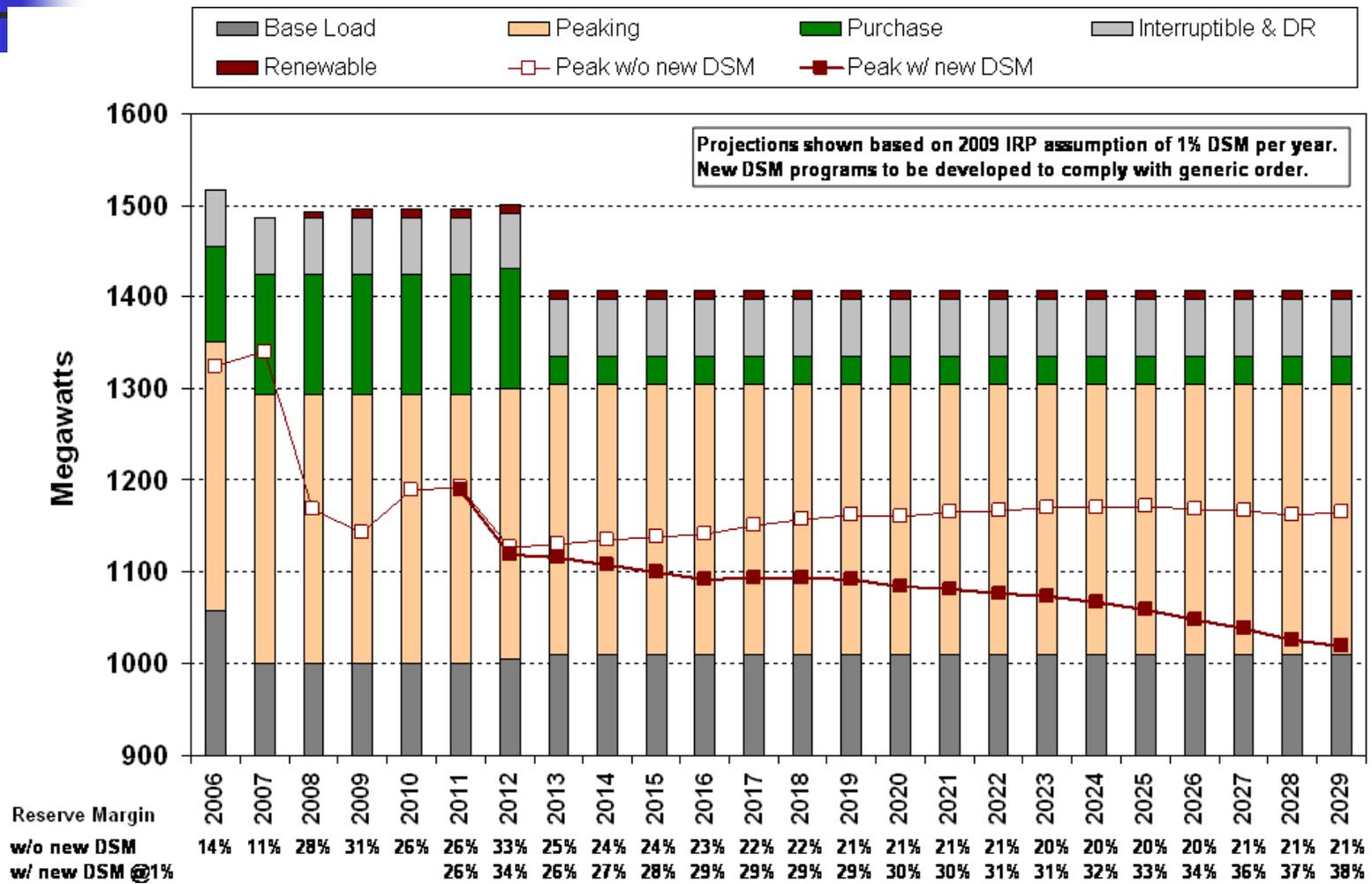
## CONCLUSION

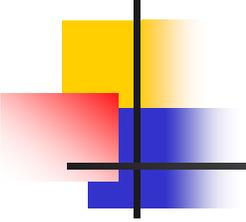
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Based on normal equipment availability we are confident that the Vectren System, plus contractual sources, will be able to meet the needs of Southwestern Indiana customers in the Summer of 2010.



# FUTURE DEMAND

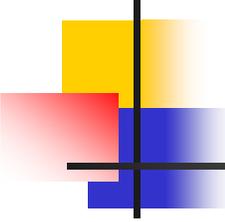




# Renewable Energy

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- 2009 Renewable Energy
  - Benton County wind PPA
    - Received 91,119 MWh in 2009
  - Blackfoot Landfill gas project
    - Received 9,655 MWh in 2009
      - (after June 22 purchase date)
- Renewable Energy contribution for 2009
  - 2.0% of retail sales
- 2010 Renewable Energy
  - Addition of Fowler Ridge wind PPA
  - Renewable energy projected at 5% of retail sales



# Electric Core DSM Programs

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- **Actively engaged with Demand Side Management Coordination Committee (DSMCC) in support of Phase II generic DSM Order in Cause No. 42693**
  
- **Third party statewide program administrator and evaluation administrator to be selected in late summer via RFP process**
  
- **Core programs expected to be implemented in January 2011**
  - **Residential Lighting**
  - **Residential Audits and Direct Install**
  - **Low Income Weatherization**
  - **School Education and Audits**
  - **Commercial and Industrial Prescriptive**
  
- **Vectren estimated MWh savings goals:**
  - **2011 – 24,344**
  - **2012 – 30,906**
  - **2013 – 39,339**

## 2010 Electric DSM Core Plus Programs\*

Program	Participants	Energy Savings (MWh)	Peak Demand Savings (kW)
Residential Refrigerator Recycling	525	368	63
Residential Window A/C Recycling	188	38	29
Residential New Construction	19	67	10
<i>Total Residential</i>	<i>732</i>	<i>473</i>	<i>102</i>
Commercial Custom	38	497	86
Commercial New Construction	11	315	61
<i>Total Commercial</i>	<i>49</i>	<i>812</i>	<i>147</i>
<b>Total Program Targets</b>	<b>781</b>	<b>1,285</b>	<b>249</b>

\* 2011 and beyond estimates not finalized

# Online Conservation Tools

Tools include-

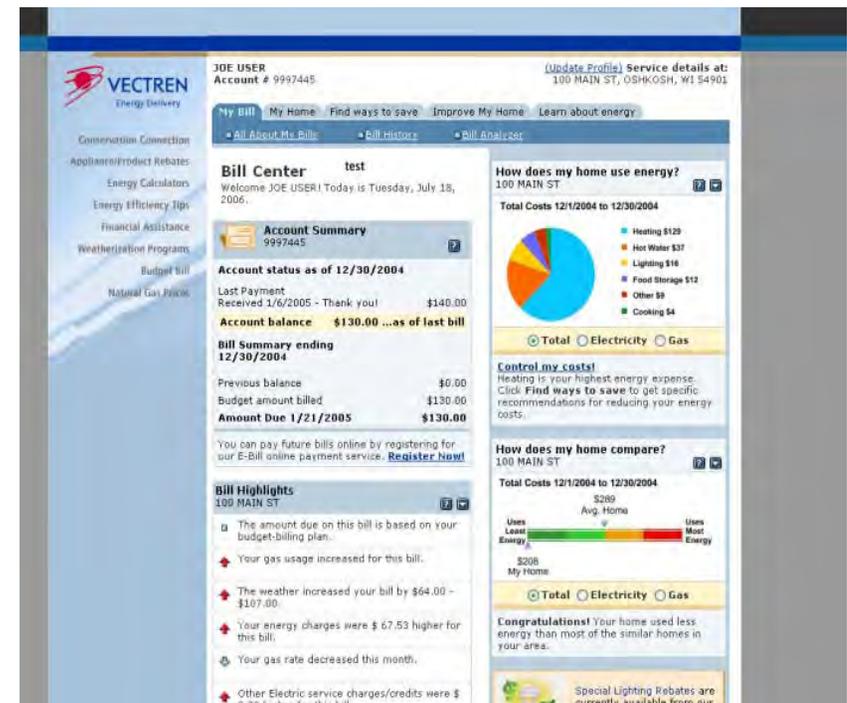
Bill Analyzer

Online Energy Audit

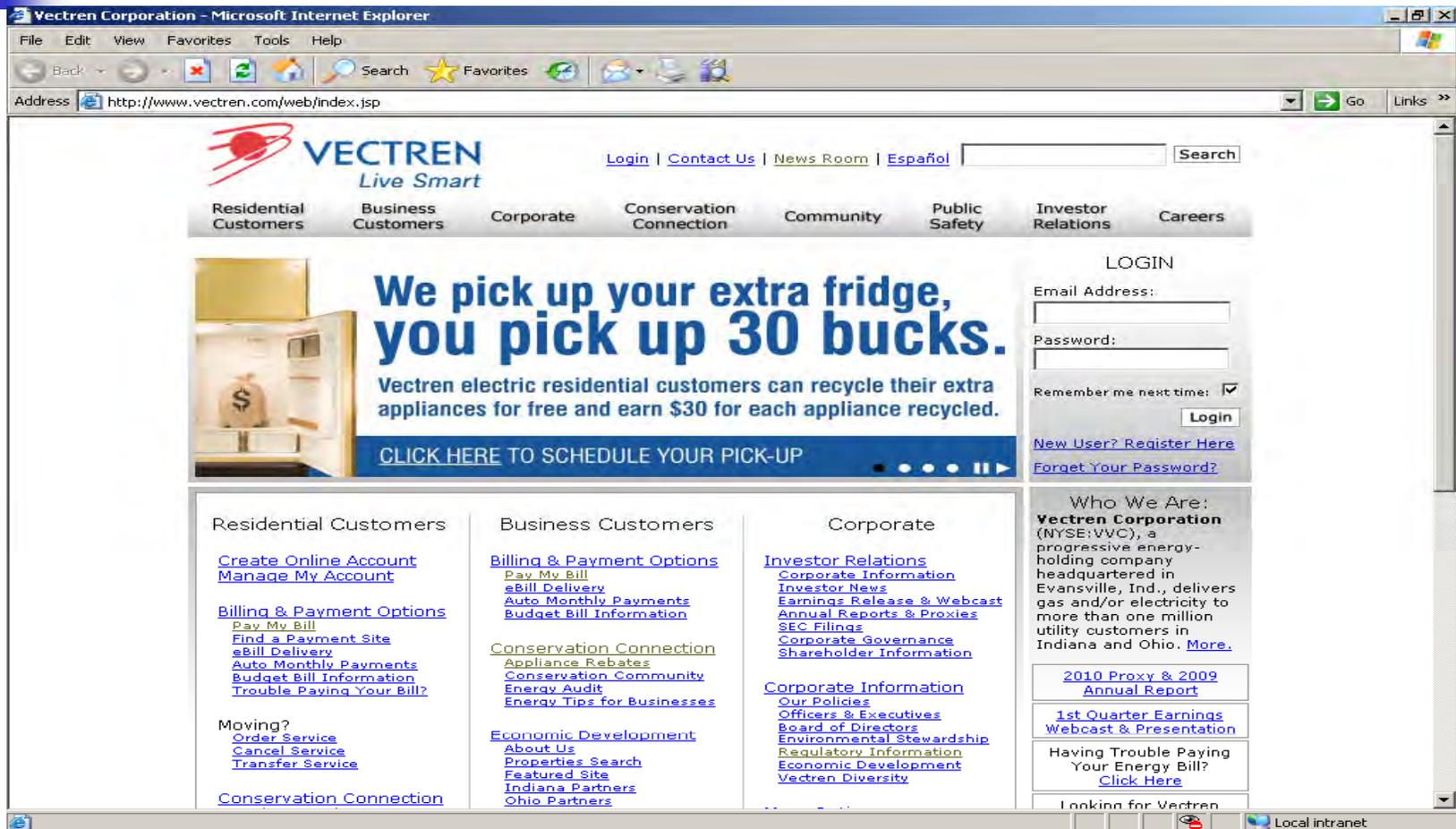
Conservation Tips

Rebate Information

Average monthly number of customers utilizing the bill analyzer/energy audit (implemented December 2006) – 4,933 (all Vectren south customers)



# Vectren.com



**VECTREN**  
Live Smart

[Login](#) | [Contact Us](#) | [News Room](#) | [Español](#)

Residential Customers | Business Customers | Corporate | Conservation Connection | Community | Public Safety | Investor Relations | Careers

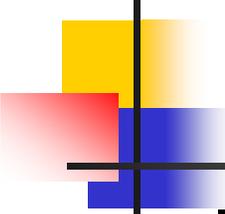
**We pick up your extra fridge, you pick up 30 bucks.**  
Vectren electric residential customers can recycle their extra appliances for free and earn \$30 for each appliance recycled.  
[CLICK HERE TO SCHEDULE YOUR PICK-UP](#)

**LOGIN**  
Email Address:   
Password:   
Remember me next time:   
  
[New User? Register Here](#)  
[Forget Your Password?](#)

**Who We Are:**  
**Vectren Corporation** (NYSE:VVC), a progressive energy-holding company headquartered in Evansville, Ind., delivers gas and/or electricity to more than one million utility customers in Indiana and Ohio. [More.](#)

[2010 Proxy & 2009 Annual Report](#)  
[1st Quarter Earnings Webcast & Presentation](#)  
Having Trouble Paying Your Energy Bill?  
[Click Here](#)  
Looking for Vectren

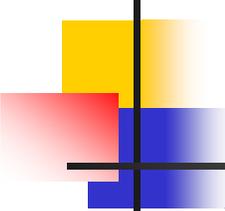
Local intranet



# Net Metering

Type	Generating Source	Inverter Rating
Non-Residential (4 Customers)	Solar / Wind	29.2 Kw
Residential (3 Customers)	Solar/ Wind	8.6 Kw

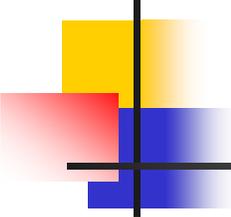
- **Current tariff allows 10 Kw max K-12 schools, residential and municipals.**
- **Vectren rate case requests up to 100 Kw for all customer classes except HLF and LP**
- **7 additional customers under development.**



# Environmental Uncertainty

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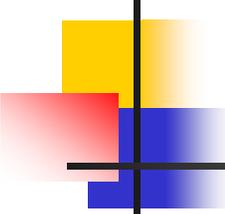
- Vectren's equipment investment positions it to comply with pending more stringent air regulations that have been ordered by the US Court of Appeals in recent years.
  - **CAIR Remand:** In July of 2008 (years after compliance plans had been finalized and approved by public utility commissions) the US Court of Appeals determined that the SO<sub>2</sub> and NO<sub>x</sub> emission targets in the rule were not stringent enough to bring certain NE states into attainment and remanded the rule back to the EPA to require more stringent NO<sub>x</sub> and SO<sub>2</sub> reductions. EPA has indicated that it will not guarantee the value of allowances beyond the date of the rule revision.
  - **CAMR:** Similarly, in March 2008 the same court completely vacated the rule, ordering the EPA to drop the cap and trade methodology and implement maximum achievable control technology standards for mercury and other hazardous air pollutants that would be applicable to each individual plant. Under the revised rule, allowances will not be available for compliance or trading.
- On May 4, EPA unveiled two proposed options for the regulation of ash disposal.
  - Both options authorize beneficial reuse of ash in encapsulated applications such as cement and concrete.
  - In the more stringent RCRA Subtitle C option, EPA chose to designate ash as "special waste" and declined to give ash a hazardous waste classification.



# Carbon Legislation

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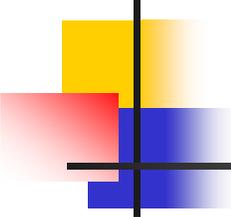
- **Carbon Cap and Trade Legislation**
  - Future legislative approach unknown although improved efficiency of plants will be a positive in any scenario.
  - Kerry Lieberman introduced May 12
  - Phase in expected to take several years
  - Vectren actively involved in trying to shape the legislation
  - Limited impact in next 5 year planning cycle
- **New Source Review for CO2**
  - PSD Tailoring Rule finalized May 12
  - New source review triggered for CO2 for modifications at existing power plants
  - Energy efficiency projects as BACT for CO2 at existing power plants



## NERC Compliance

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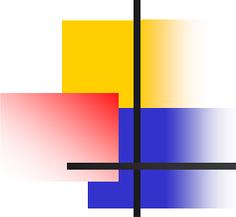
- **Standards transitioned from voluntary to mandatory as part of the Energy Policy Act of 2005 (EPAct 2005) and FERC oversees NERC administration of the Standards, including FERC approval of penalties levied by NERC.**
- **Standards categories include Protection & Control, Vegetation Management, Transmission Operations, Modeling and Planning, Cyber Security, Personnel & Training and Emergency Preparedness**
- **Currently, 142 NERC Reliability Standards, of which 84 apply to Vectren**
  - **Compliance requires collaboration across departments, and extends beyond traditional electric reliability compliance areas (transmission, generation) to include HR, IT, Corporate Security, etc.**
  - **Vectren's compliance efforts include the work of over fifty employees, whose efforts total approximately 15.5 FTE**
  - **NERC completed a compliance audit of Vectren operations in the Summer of 2009.**



## NERC Critical Infrastructure Protection: CIP

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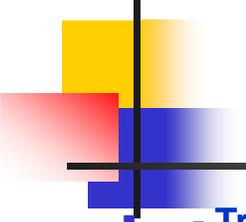
- New Category of Reliability Standards developed to protect against threats to the cyber assets that support and protect electric transmission and generation
- CIP Standards are evolving faster than other NERC standards and require expertise never before included in electric reliability compliance – security, IT, etc.
- Internal Resources added to Manage CIP Requirements
  - Additional Compliance Staff and IT personnel
  - Cyber Security extends beyond NERC Requirements



## NERC CIP Audit

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- The ReliabilityFirst Corporation (RFC), the acting enforcement authority for NERC, will be conducting a compliance audit of the CIP standards at Vectren in July.
- Dedicated resources are preparing for the audit, including the completion of a full procedure and evidence review, the conducting of an internal practice audit and the preparation of the audit packages for the RFC.

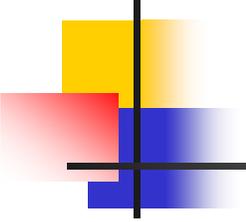


# MISO Related Activities

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- - Transmission Reliability

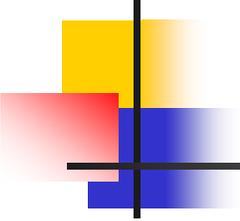
- Significant investments in the transmission system to enhance import capability and system reliability
  - Import Capability improvement of approximately 260 MWs
    - Duke Gibson Station to A B Brown Station 345 kV line in service by year-end
    - A B Brown 440 MVA 345/138 kV transformer in service by year-end
    - A B Brown to Big Rivers Reid Station 345 kV line to be completed in 2012
      - Aerial Survey Complete
      - Route Study Complete
  - System Reliability
    - Oak Grove 138/69 kV 168 MVA Substation enhances reliability in the central eastern portion of Vectren's service territory and is necessary for NERC compliance
    - Culley to Oak Grove 138 kV line projected to be in service June 2010. The line enhances reliability in the central eastern portion of Vectren's service territory and is necessary for NERC compliance
    - Scott 136/69 kV 168 MVA Substation placed in service summer 2009 and enhances reliability in the northern portion of Vectren's service territory



# AMI

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- Limited investments in substation communication backbone - \$2.5 M in 2010
- Continued evaluation of peer implementations and industry experiences with the technology and processes



# Appendix

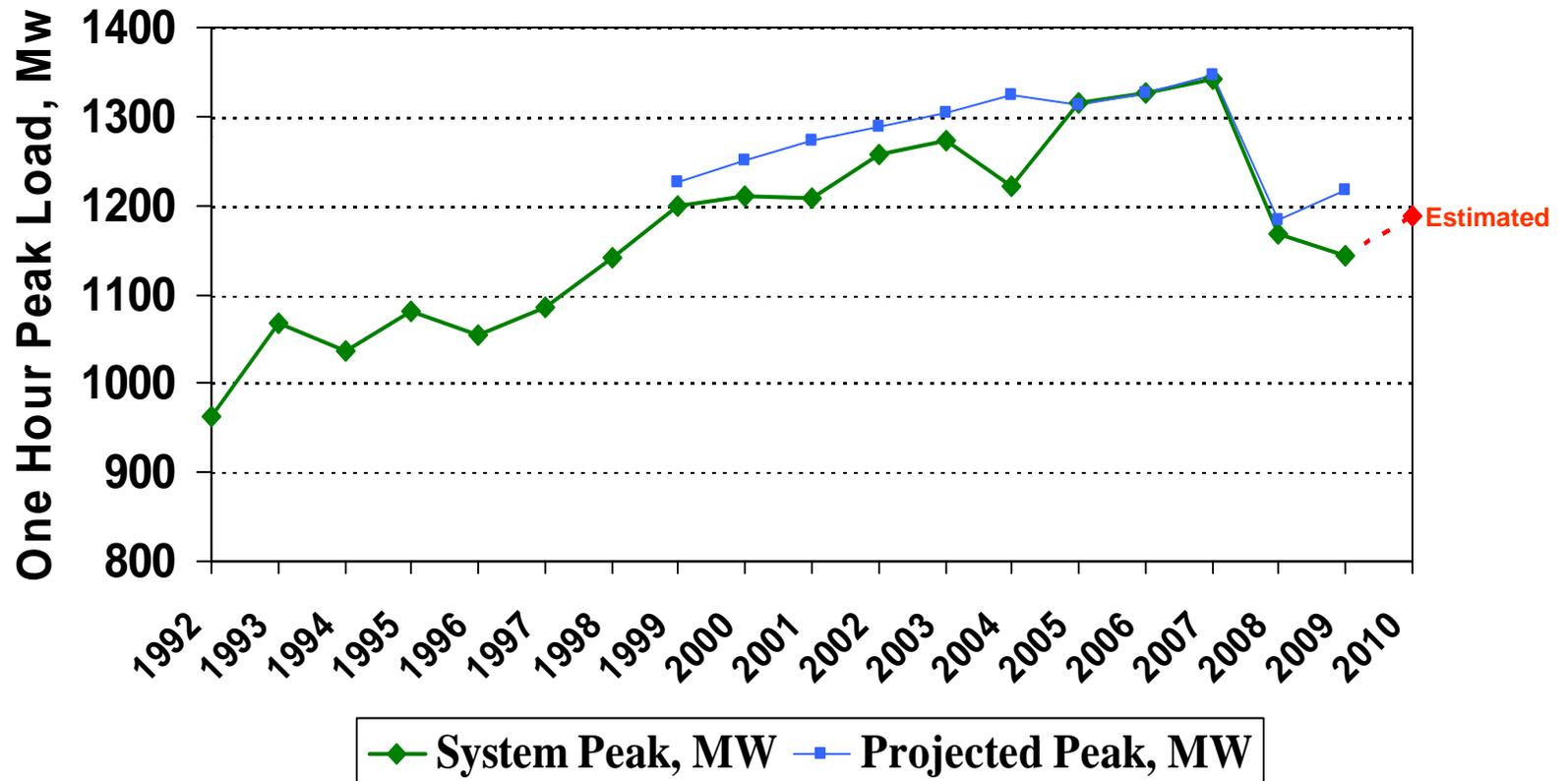
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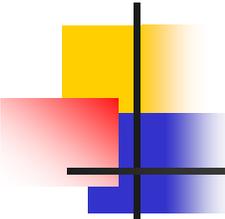


## Vectren System Capacity Summer Supply Resources

- Coal Generation	1000 MW
- Combustion Turbine	295 MW
- OVEC (Ohio Valley Electric Corporation)	30 MW
- Purchased Capacity	100 MW
- <u>Renewable Capacity Credit (per MISO)</u>	<u>9 MW</u>
Supply Side Resources	1434 MW
- Interruptible Customers / Demand Response	<u>63</u> MW
TOTAL	1497 MW

# Summer Peak Load Demand Forecast



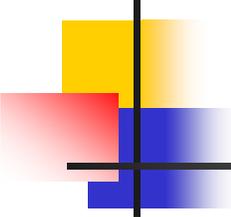


## Contingencies Meet Summer Projected Peak

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- MISO Contingency Reserves As Needed
- MISO Projected Reserves of 26,996 MWs or 25.9%
- Contractual Capacity Reserves\* 25 – 150 MW
- Internal Use Reduction Plans 10 MW
- Conservation Request 30 MW
- Emergency Load Reduction Plan Last Resort

\* Vectren Controlled

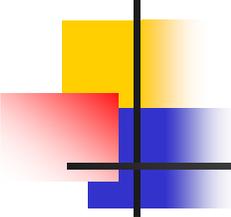


## Contingencies

### Meet Summer Projected Peak - Conservation

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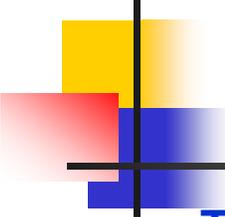
- News Release
- Media Spots
- Key Account Managers Request Major Customer Load Reduction
- Contact Center – Request Usage Reduction



# System Reliability Preparation

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- Planning
  - Annual engineering load assessment and review of facilities
  - Update Emergency Response Plans
  - Updates and enhancements to Outage Management System
  - Annual Storm Restoration training
- Inspections and Maintenance
  - Implement engineering system improvement projects
  - Infrared inspection of substations
  - Voltage regulator and capacitor bank inspections
  - Flyover inspection of transmission system
  - Transformer and cooling system inspections
  - Remediate issues found



# Electric Reliability

## Transmission / Distribution (excluding major events)

• SAIDI (Minutes)	<u>2009</u> 110	<u>2008</u> 133	<u>2007</u> 89	<u>2006</u> 151	<u>2005</u> 137
• SAIFI (Outages)	<u>2009</u> 1.20	<u>2008</u> 1.42	<u>2007</u> 1.23	<u>2006</u> 1.51	<u>2005</u> 1.68
• CAIDI (Minutes)	<u>2009</u> 92	<u>2008</u> 94	<u>2007</u> 72	<u>2006</u> 100	<u>2005</u> 82

## Generation

• EFOR –Equivalent Forced Outage Rate (percentage)	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
•Culley	11.49	5.61	4.69	3.34	6.73
•Brown	3.45	4.87	4.47	3.62	3.67
•Warrick	6.32	10.54	15.24	10.33	10.39

## Program Material Sample

### We pick up your extra fridge, you pick up 30 bucks.

Your extra fridge is costing you more than you think, adding up to \$200 to your energy bills each year. Save money and clear clutter with Vectren's Conservation Connection Appliance Recycling Program. Vectren will haul away your extra fridge, freezer or window A/C unit and recycle it — all at no cost to you. We'll even pay you \$30 for each qualifying appliance.

**SCHEDULE YOUR PICK-UP TODAY**

VISIT [VECTREN.COM](http://VECTREN.COM) OR CALL (866) 240-8476

