

Annual Shareholders' Meeting

Niel C. Ellerbrook, Chairman & CEO

Carl L. Chapman, President & COO

May 19, 2010



Forward-looking statement

All statements other than statements of historical fact are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management and include such words as "believe", "anticipate", "endeavor", "estimate", "expect", "objective", "projection", "forecast", "goal", "likely", and similar expressions intended to identify forward-looking statements.

Vectren cautions readers that the assumptions forming the basis for forward-looking statements include many factors that are beyond Vectren's ability to control or estimate precisely and actual results could differ materially from those contained in this document. Forward-looking statements speak only as of the date on which our statement is made, and we assume no duty to update them. More detailed information about these factors is set forth in Vectren's filings with the Securities and Exchange Commission, including Vectren's 2009 annual report on Form 10-K filed on February 26, 2010.

Message from the outgoing Chairman & CEO

Official retirement May 31, 2010

Most proud of our investments in emission control equipment for our power plants

- \$410 million in the past several years
- Our generation fleet is now 100% scrubbed for sulfur dioxide, 90% controlled for nitrogen oxide and filtered for particulate matter and a significant portion of mercury
- Directly improves the air quality for our customers, our employees
- Makes Vectren's fleet among the cleanest coal-fired generation fleets in the Midwest

Niel C. Ellerbrook; Vectren's first Chairman & CEO

Celebrating 10 Years of Vectren

- Merger in March 2000
- Creation of four core values
 - *Set the standard for the Community value*
- Evansville headquarters
- Shift from volumetric rates to conservation-oriented rates

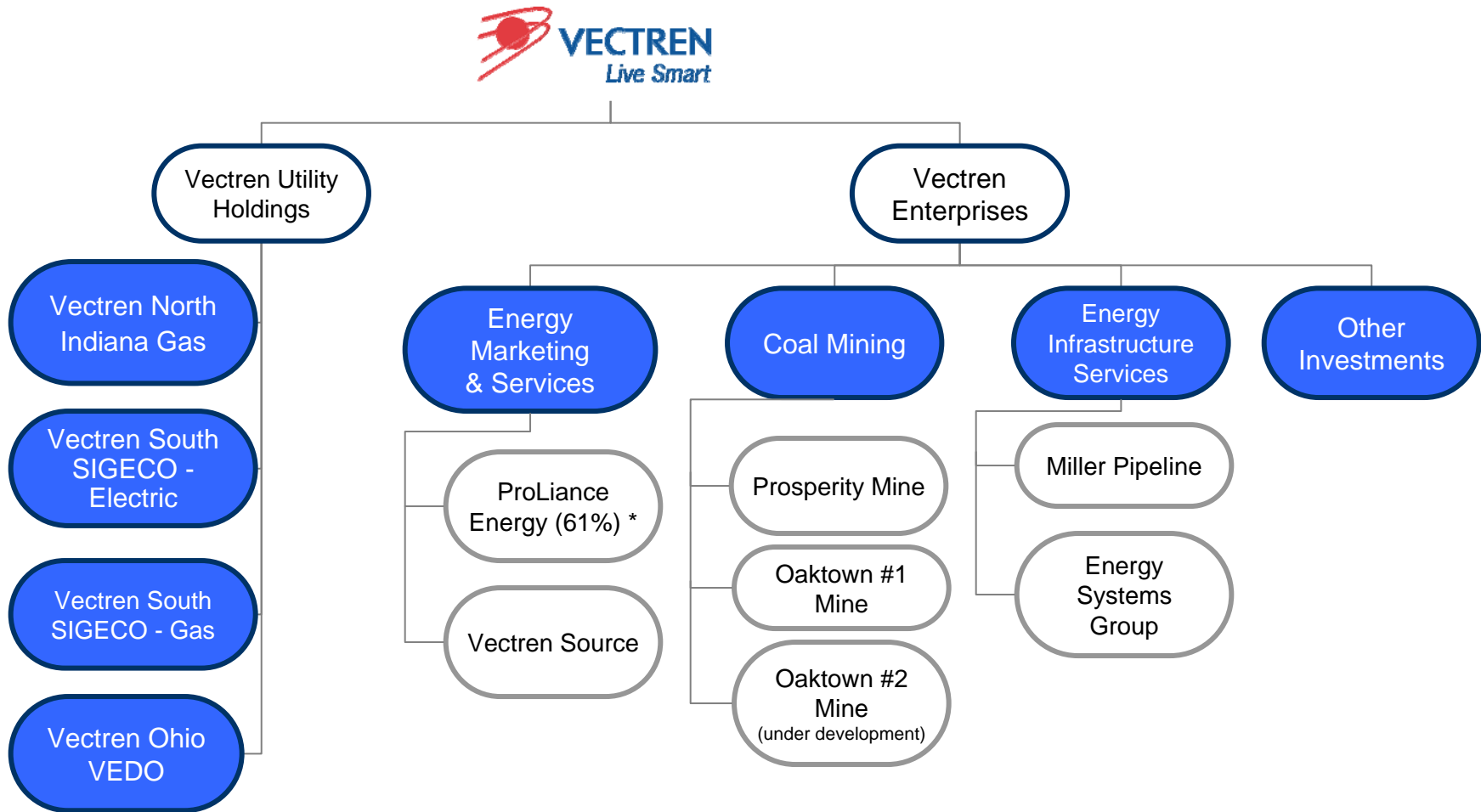
Culmination of 30 years in the energy industry

Thank you!

Agenda

- **Overview**
- **Year-end and Q1 financial review**
- **Recent & Current Developments**
 - At Vectren
 - In the energy industry

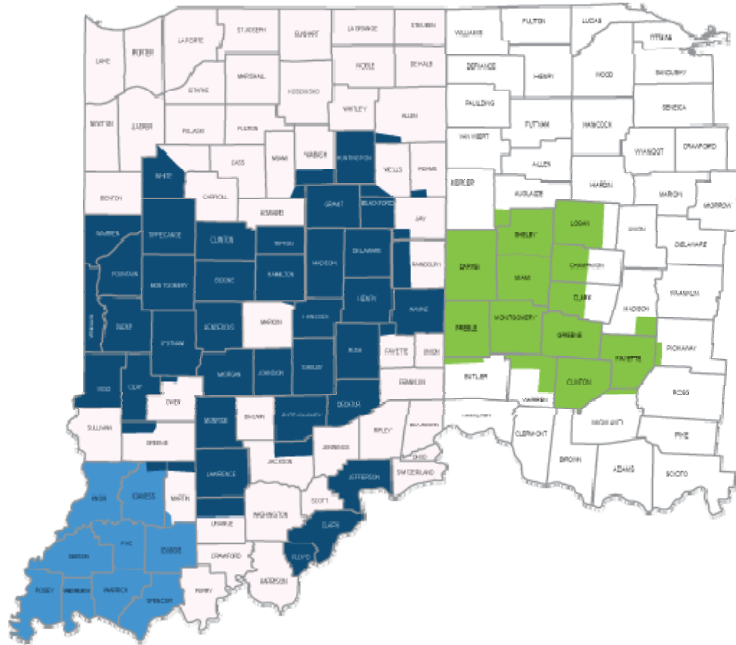
Vectren at a glance



* Jointly owned with a subsidiary of Citizens Energy Group

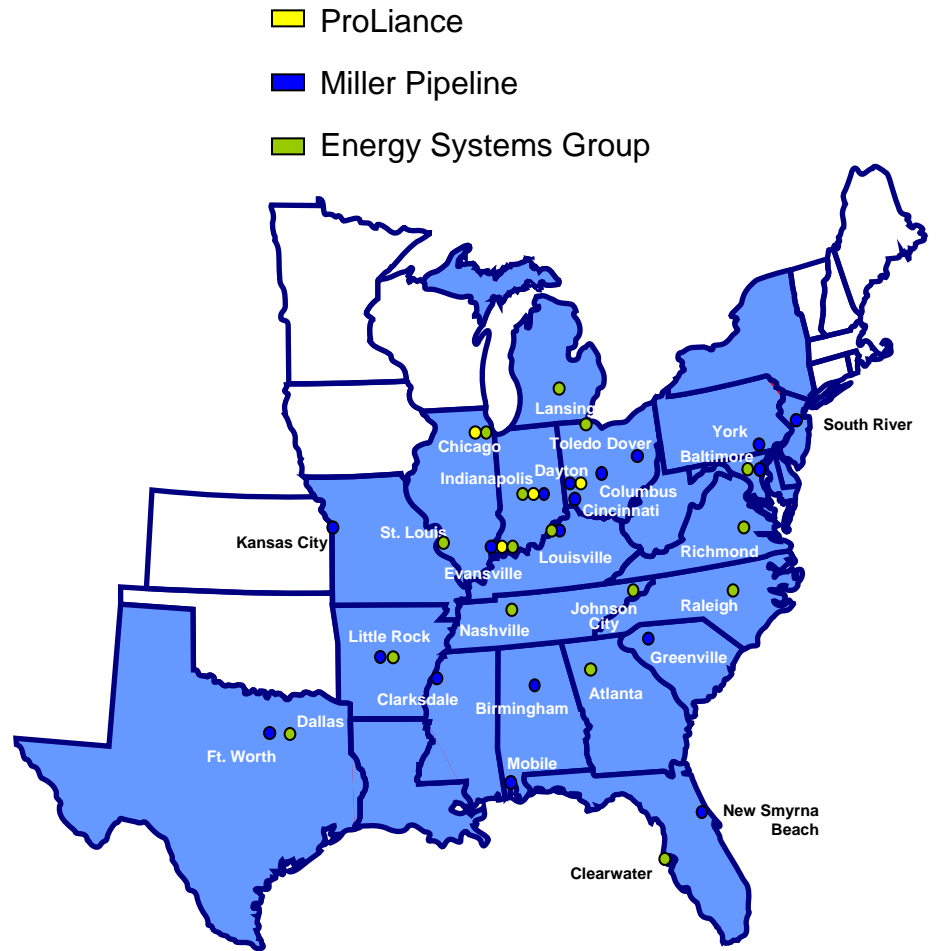
Vectren's footprint

Utility Service Territories



- Vectren Energy Delivery of Indiana - North
- Vectren Energy Delivery of Indiana - South
- Vectren Energy Delivery of Ohio

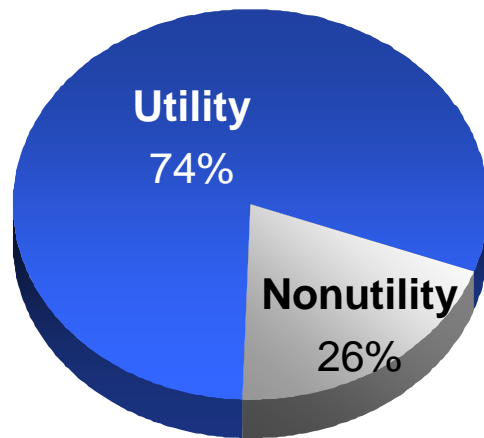
Nonutility Business Operations - Offices



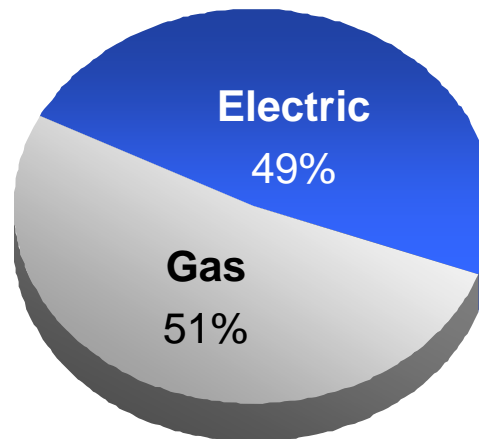
Vectren today

12 Months Ended 12/31/09

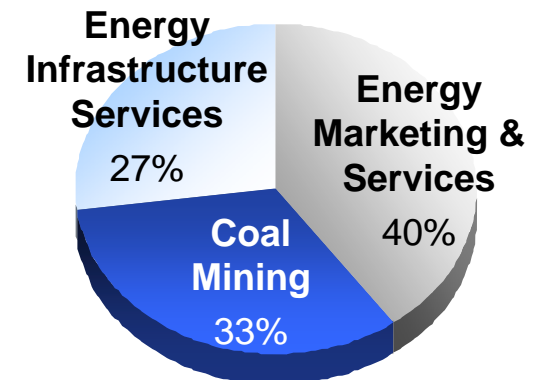
Consolidated Net Income *



Utility Net Income



Nonutility Net Income Primary Businesses *



- **Solid performance in a difficult economic environment**
- **Continued progress in regulatory strategy**
 - Provides stability in margin and earnings
- **Improved long-term efficiency and cost strategy for mining 140 million tons of coal**

* Excluding the charge related to an investment by ProLiance in Liberty Gas Storage.

Financial Review



2009 financial results

Amounts in millions except per share

	12 Months Ended Dec 31	
	2009	2008
Net Income:		
Utility Group	\$ 107.4	\$ 111.1
Nonutility Group	37.7	18.9
Corporate & Other	(0.1)	(1.0)
Earnings from Operations	145.0	129.0
Liberty Charge	(11.9)	-
Vectren Consolidated	\$ 133.1	\$ 129.0
Earnings Per Share:		
Utility Group	\$ 1.33	\$ 1.42
Nonutility Group	0.47	0.24
Corporate & Other	-	(0.01)
EPS from Operations	1.80	1.65
Liberty Charge	(0.15)	-
Vectren Consolidated	\$ 1.65	\$ 1.65
Avg. Shares Outstanding	80.7	78.3
Net Income - Nonutility Group:		
Energy Marketing and Services	\$ 16.0	\$ 18.0
Coal Mining	13.4	(4.6)
Energy Infrastructure Services	10.8	11.4
Other Businesses	(2.5)	(5.9)
Total Nonutility Operations	\$ 37.7	\$ 18.9

Utility results impacted by:

- Recessionary pressures negatively impacted earnings, primarily related to lower wholesale power sales and sales to industrial customers
- Industrial sales began stabilizing in the third quarter with fourth quarter sales levels, in total, similar to 2008 levels – electric sales showed improvement while gas sales were below 2008 levels
- O & M costs, excluding pass through costs recovered in margin, decreased \$6.6 million

Nonutility results impacted by:

- Improved results from coal mining related to new pricing in contracts effective January 1, 2009
- Record first quarter 2009 earnings from our retail gas marketing business
- Reported earnings include a \$0.15 charge related to an investment by ProLiance in Liberty Gas Storage

2010 1st quarter financial results

Amounts in millions except per share data

	Net Income for 3 Months Ended:		EPS for 3 Months Ended:	
	3/31/2010	3/31/2009	3/31/2010	3/31/2009
Utility Operations	\$ 55.4	\$ 56.2	\$ 0.68	\$ 0.70
Nonutility Group	7.8	16.5	0.10	0.20
Corporate & Other	-	0.1	-	-
Net Income	\$ 63.2	\$ 72.8	\$ 0.78	\$ 0.90
Avg. Shares Outstanding			81.0	80.6

- **1st Quarter 2010 earnings of \$63.2 million, or \$0.78 per share, compared to \$72.8 million, or \$0.90 per share in 2009**
 - Strong utility results reflecting stable earnings primarily due to some recovery in large customer margin and benefit from cold January and February 2010 weather
 - Lower nonutility earnings reflecting lower contributions from ProLiance, Source, Miller Pipeline and a legacy note receivable write down
- **Straight Fixed Variable rate design in Vectren Ohio's service territory in February; decoupled or SFV rates in place for all gas territories**
- **Vectren Ohio began the second phase of exiting the merchant function and as of April 1, 2010, no longer sells natural gas directly to Ohio customers**
 - Vectren Source was the successful bidder on one tranche of customers
- **Oaktown 1 mine began shipping coal in February**
- **Moody's increased its outlook at Vectren Utility Holdings to positive from neutral and affirmed its Baa1 senior unsecured ratings in April**

Moving forward through 2010 and beyond

Execute on regulatory initiatives and strategies

- Earn allowed returns
- Control costs
- Aggressively manage capital needs
- Seek improved rate design and rate cases as needed

Grow nonutility earnings

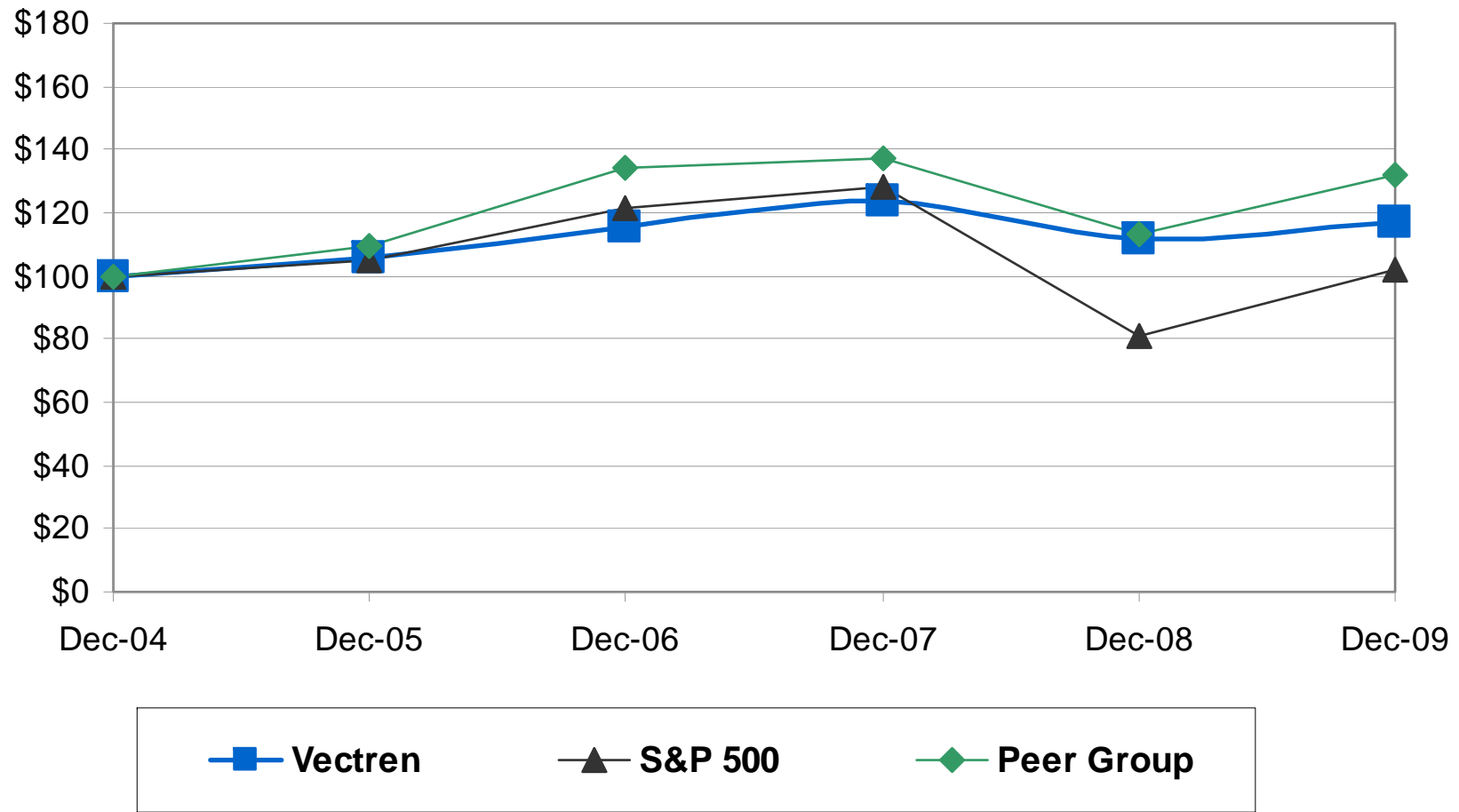
- Ramp up coal mine production at Oaktown mines as demand for coal increases
- Add gas infrastructure investments at ProLiance
- Add customers at Source as Ohio moves to fully deregulated market
- Expand to new geography and customers at Miller
- Take advantage of energy efficiency initiatives and add renewable energy projects at ESG

Maintain liquidity and strong credit ratings

Create value for shareholders

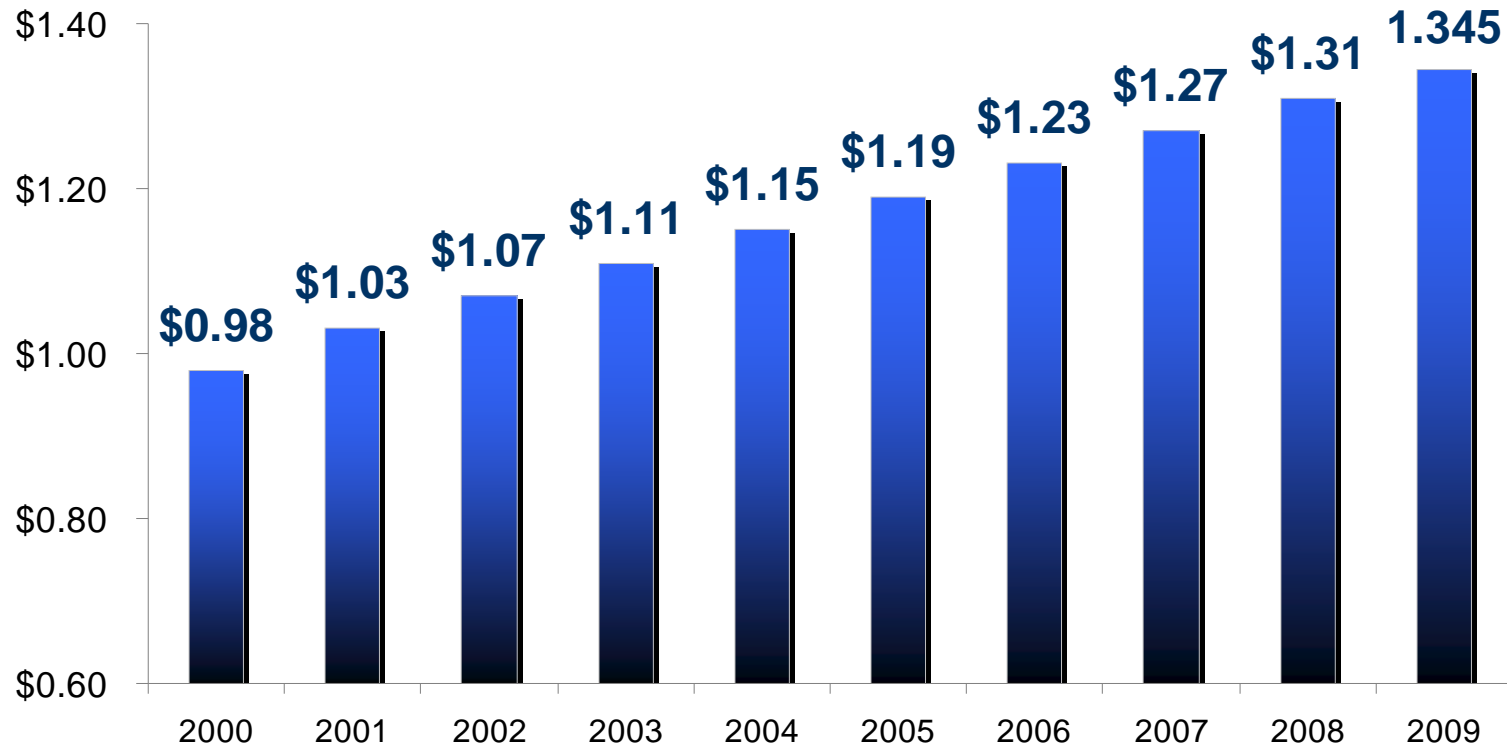
- Long-term growth through reinvestment in existing businesses
- Maintain competitive dividend – current yield approximately 5.7%

Stock performance



**\$100 invested on 12/31/04 in stock or index, including reinvestment of dividends.*

Vectren dividend history



- **50 consecutive years with increased annual dividends paid**
 - Increased Dec. 1, 2009 quarterly dividend rate \$0.02 to \$0.34 (Annualized - \$1.36)
 - Current Yield – 5.7% (5/17 - \$24.01)
 - Target ~ 65% payout ratio over time

Defend my dividend

The tax rate may increase – **BUT** by how much?

Jobs and Growth Tax Relief Reconciliation Act (2003)

- Lowered tax rate to either 0% or a 15% max
- Reduction extended through Dec. 31, 2010

How high will it go?

- Obama initially proposed a rate increase to 20% for only those making more than \$250K; support appears to be uncertain
- U.S. House & Senate majority leaders may let the low rates expire
- Result – current 0% & 15% federal tax rates on dividends could increase to as much as 43% - a near **300% increase**

Need permanent relief

- Expiration = higher dividend tax rates
- A significant reduction in the spendable dividend dollars shareholders depend on
- A negative impact to the value of utility stock holdings
- Advocacy through the Indiana Utility Shareholders Association, American Gas Association and Edison Electric Institute - www.defendmydividend.org
- Contact Congress to urge action now

Recent & Current Developments:

Vectren & the Energy Industry



Electric rate case

Factors driving the rate case

- Recover costs associated with \$325 million investment in critical infrastructure over the past 3 years
 - *\$150 million - new transmission and distribution equipment*
 - *\$11 million – Blackfoot Clean Energy Facility*
 - *\$20 million – Coal ash recycling venture*
 - *\$99 million – Scrubber for Warrick Unit 4 (already in rates)*
- Lower level of sales due to the recession
- Operational costs increased only \$6.7 million from 2006 request
- Must continue to attract capital at a reasonable cost going forward

Seeking decoupled rates; enhancing generation

- Working to align our rate design with the customers' interests in using less energy
- Launched electric energy efficiency programs with more to come
- Dense packs for existing units to improve efficiency of coal burn
- Delay need for new generation

Field hearing last week

Regulatory decision expected in early 2011

Energy efficiency; green programs

Conservation Connection gas programs

- Indiana: More than 50,000 rebates issued; 8 million therm reduction in energy consumption
 - By 2012, reduction in annual demand will equate to the heating load of 8,000 homes if program goals are achieved
- Ohio: 4,000 rebates and measures issued since program inception (April 2009)

Conservation Connection electric programs

- April 2010: debuted appliance recycling, ENERGY STAR construction rebates and custom small commercial programs
- State programs to include compact florescent light bulb discounts, low-income home weatherization and onsite energy audits

Renewables for our electric customers

- 5% of our generation portfolio
 - Benton County wind farm; 30 MW (purchased power)
 - Fowler Ridge wind farm; 50 MW (purchased power)
 - Blackfoot landfill; 3 MW (owned)

Environmental challenges

Kerry-Lieberman bill; Climate change legislation

- Carbon reductions through a cap and trade program
 - Emission allowances allocated for free in early years to mitigate costs to consumers.
 - Allowances allocations: 75% emissions and 25% sales
 - Advocating for allocation based solely upon emissions

Coal ash regulation

- EPA recently proposed two options to regulate ash disposal
- Re-use ventures reduce landfill needs; reduce operating costs

Evolving EPA standards for air quality

- Vectren investments should help ensure we meet standards
 - Revisions to the Clean Air Interstate Rule will require further reductions of sulfur dioxide and nitrogen oxides
 - New hazardous air emission reduction requirements could require up to 90% reduction of mercury emissions

Bright future for natural gas

Shift to shale gas

- 2015 projected LNG imports are down about 80% from 2005 projections due to increased domestic (primarily shale) production (Source: EIA)
- Over the last decade, U.S. production of shale gas has increased 8-fold (Source: EIA)
- More than 100 years supply of shale exists

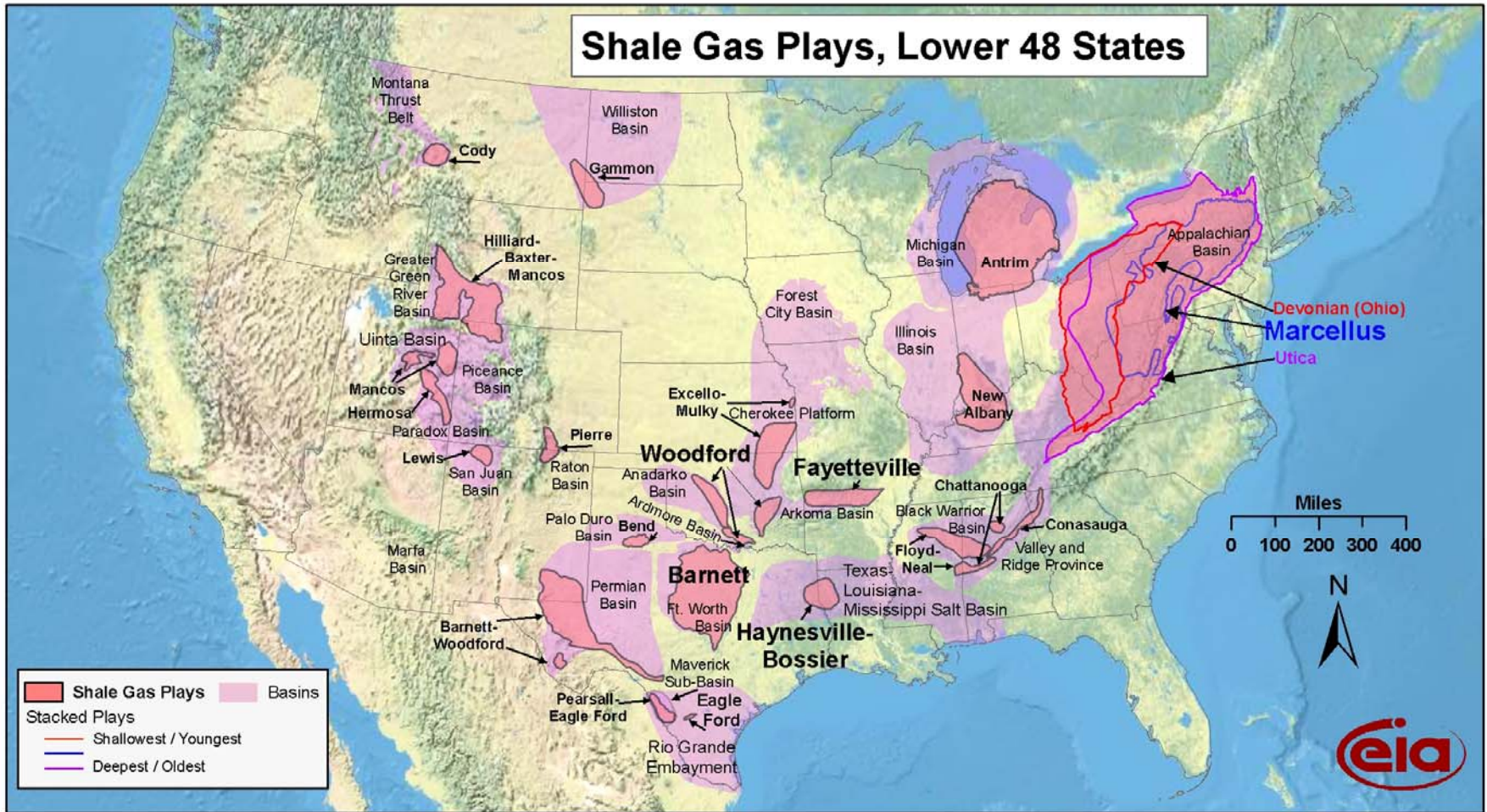
Factors driving shale supply

- Advancements in hydraulic fracturing
- Natural gas prices

Potential regulations for hydraulic fracturing (fracking)

- 2004: Fracking fluid was deemed safe by the EPA for the environment and groundwater
- 2005: Congress exempted fracking fluids from the Safe Drinking Water Act in 2005 because the fluid is typically injected far below groundwater tables
- March 2010: EPA decides to re-open the study of fracking fluids

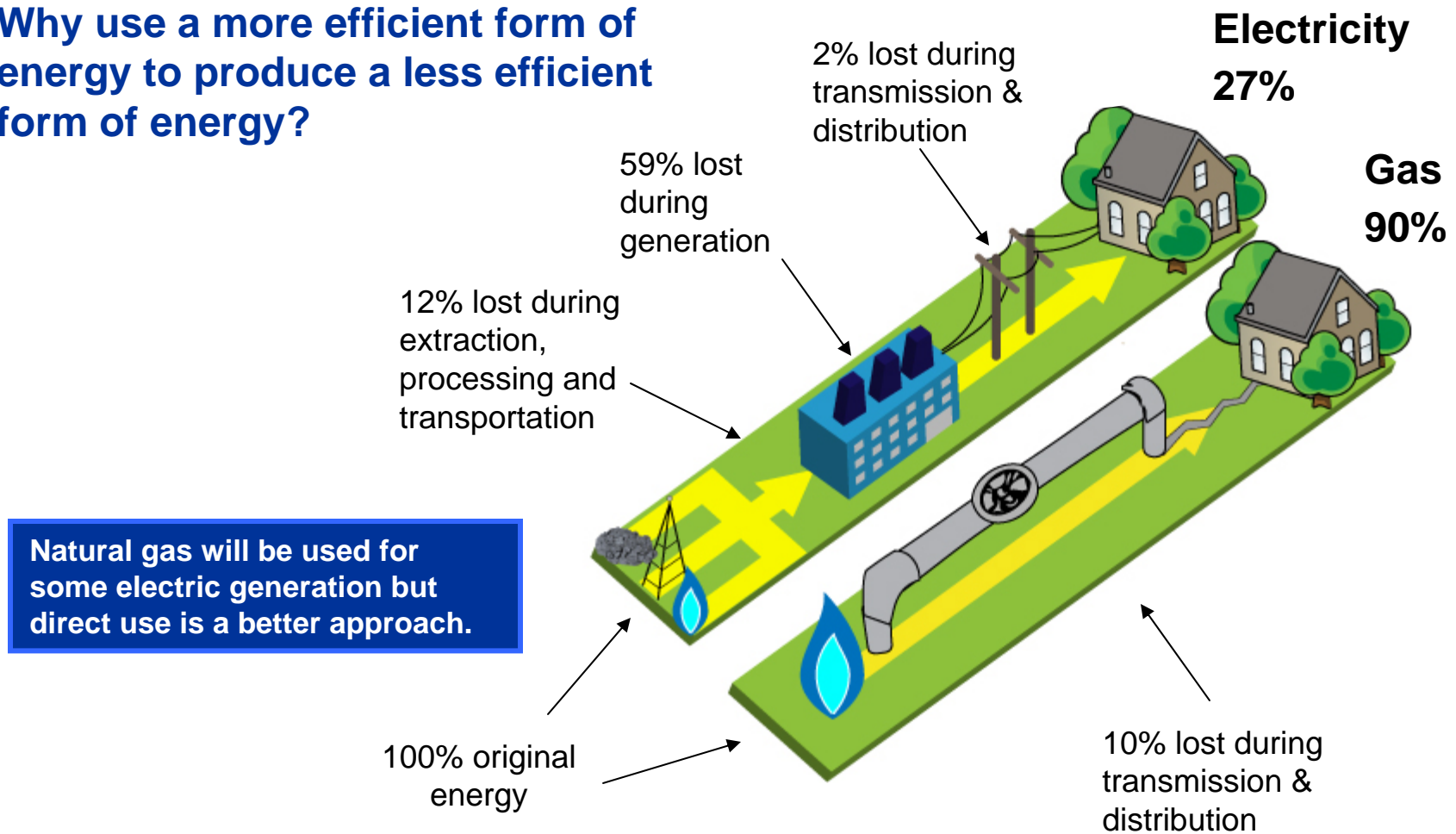
Shale gas basins



Source: Energy Information Administration

Natural gas best used directly

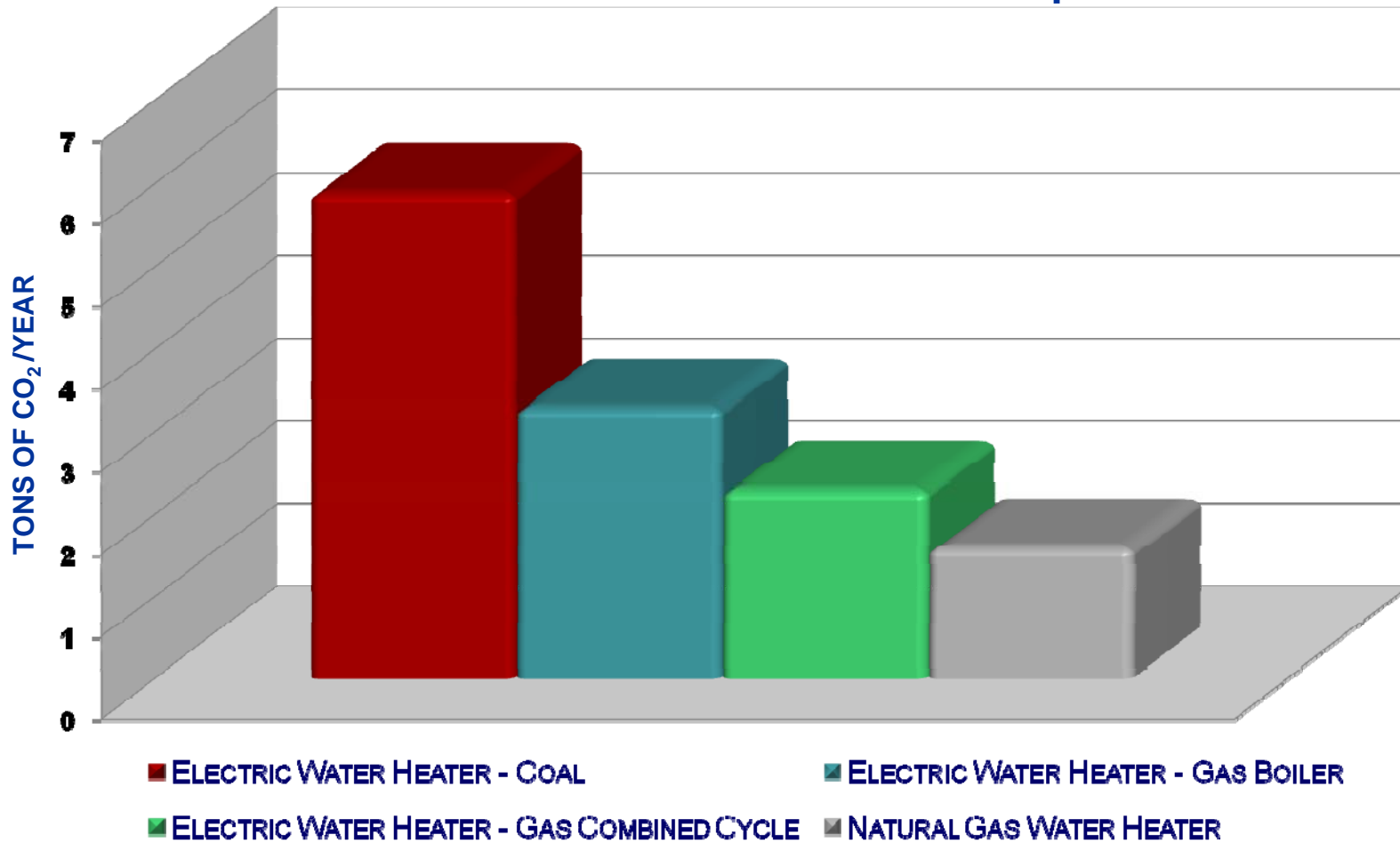
Why use a more efficient form of energy to produce a less efficient form of energy?



Natural gas will be used for some electric generation but direct use is a better approach.

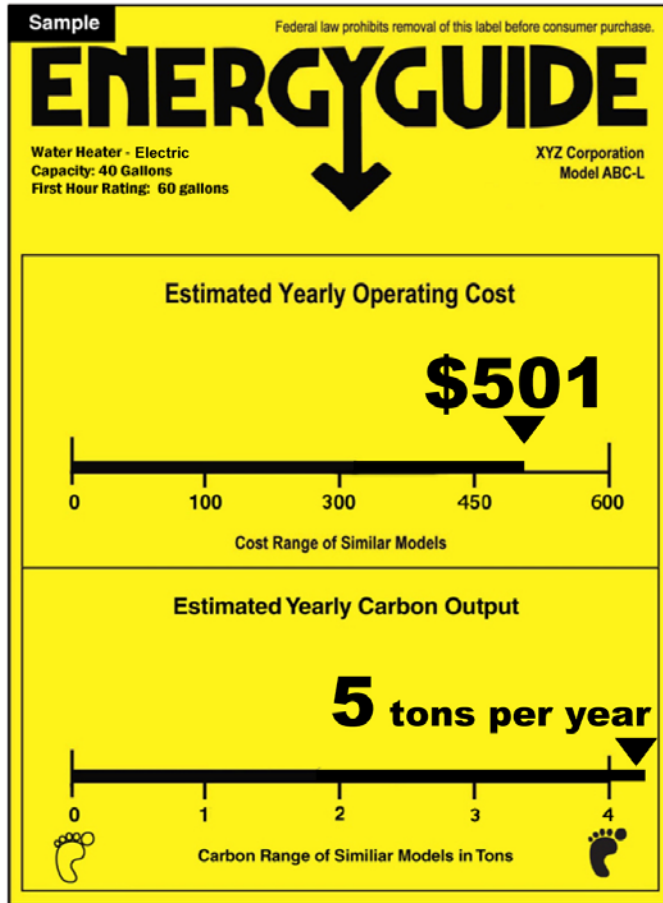
Direct use reduces greenhouse gas emissions

Water heater fuel source comparison



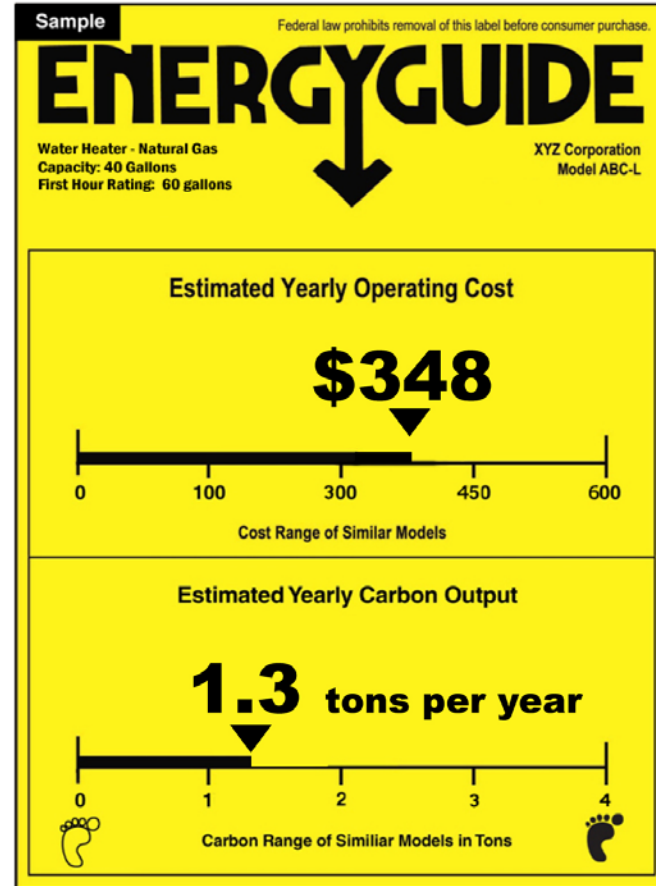
Source: American Gas Association

Direct use advantage is clear



Electric water heater

vs.



Natural gas water heater

Summary

Managing within the economic downturn and meeting customer and shareholder expectations

- Utilities successful with both rate design and equitable rate relief
- Nonutility companies support the core utility business and energy efficiency

Aligning with energy efficiency, sustainability

- Conservation Connection for gas and electric customers
- Renewable energy, sustainability projects remain top of mind
- Direct use of natural gas is still the responsible answer

Climate change and related environmental standards will impact Vectren and our customers

- Working with legislators to ensure fair treatment for our customers

A fair dividend tax rate is critical to utilities and YOU as shareholders

- Reach out to state and national elected officials...NOW!
- Defend My Dividend materials available as you exit

Questions?

