



Vectren Corporation Investor Presentation

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March 2009



Forward-Looking Statements

A “safe harbor” for forward-looking statements is provided by the Private Securities Litigation Reform Act of 1995 (Reform Act of 1995). The Reform Act of 1995 was adopted to encourage such forward-looking statements without the threat of litigation, provided those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Certain matters described in Management’s Discussion and Analysis of Results of Operations and Financial Condition are forward-looking statements. Such statements are based on management’s beliefs, as well as assumptions made by and information currently available to management. When used in this filing, the words “believe”, “anticipate”, “endeavor”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal” and similar expressions are intended to identify forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause the Company’s actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unusual maintenance or repairs; unanticipated changes to fossil fuel costs; unanticipated changes to gas transportation and storage costs, or availability due to higher demand, shortages, transportation problems or other developments; environmental or pipeline incidents; transmission or distribution incidents; unanticipated changes to electric energy supply costs, or availability due to demand, shortages, transmission problems or other developments; or electric transmission or gas pipeline system constraints.
- Increased competition in the energy industry, including the effects of industry restructuring and unbundling.
- Regulatory factors such as unanticipated changes in rate-setting policies or procedures, recovery of investments and costs made under traditional regulation, and the frequency and timing of rate increases.
- Financial, regulatory or accounting principles or policies imposed by the Financial Accounting Standards Board; the Securities and Exchange Commission; the Federal Energy Regulatory Commission; state public utility commissions; state entities which regulate electric and natural gas transmission and distribution, natural gas gathering and processing, electric power supply; and similar entities with regulatory oversight.
- Economic conditions including the effects of an economic downturn, inflation rates, commodity prices, and monetary fluctuations.
- Economic conditions surrounding the current recession, which may be more prolonged and more severe than cyclical downturns, including significantly lower levels of economic activity; uncertainty regarding energy prices and the capital and commodity markets; decreases in demand for natural gas, electricity, coal, and other nonutility products and services; impacts on both gas and electric large customers; lower residential and commercial customer counts; higher operating expenses; and further reductions in the value of certain nonutility real estate and other legacy investments.
- Increased natural gas and coal commodity prices and the potential impact on customer consumption, uncollectible accounts expense, unaccounted for gas and interest expense.
- Changing market conditions and a variety of other factors associated with physical energy and financial trading activities including, but not limited to, price, basis, credit, liquidity, volatility, capacity, interest rate, and warranty risks.
- Direct or indirect effects on the Company’s business, financial condition, liquidity and results of operations resulting from changes in credit ratings, changes in interest rates, and/or changes in market perceptions of the utility industry and other energy-related industries.
- The performance of projects undertaken by the Company’s nonutility businesses and the success of efforts to invest in and develop new opportunities, including but not limited to, the Company’s coal mining, gas marketing, and energy infrastructure strategies.
- Factors affecting coal mining operations including geologic, equipment, and operational risks; sales contract negotiations; supplier and contract miner performance; the availability of key equipment, miners and commodities; availability of transportation; and the ability to access/replace proven and probable coal reserves.
- Employee or contractor workforce factors including changes in key executives, collective bargaining agreements with union employees, aging workforce issues, work stoppages, or pandemic illness.
- Legal and regulatory delays and other obstacles associated with mergers, acquisitions and investments in joint ventures.
- Costs, fines, penalties and other effects of legal and administrative proceedings, settlements, investigations, claims, including, but not limited to, such matters involving compliance with state and federal laws and interpretations of these laws.
- Changes in or additions to federal, state or local legislative requirements, such as changes in or additions to tax laws or rates, environmental laws, including laws governing greenhouse gases, mandates of sources of renewable energy, and other regulations.

More detailed information about these factors is set forth in Vectren’s filings with the Securities and Exchange Commission, including Vectren’s 2008 annual report on Form 10-K filed on February 19, 2009. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

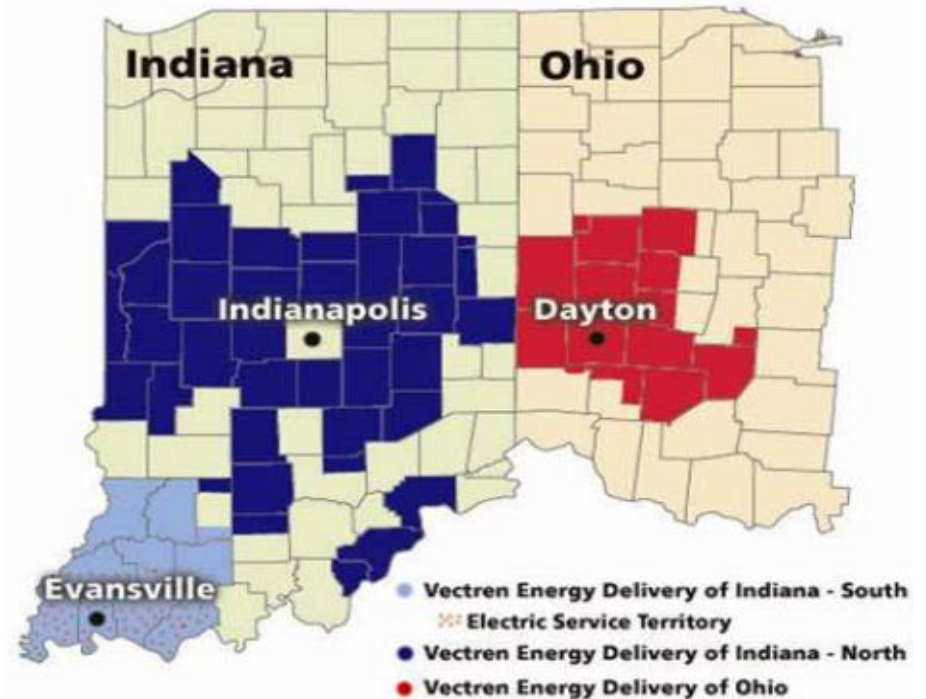
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Company Overview

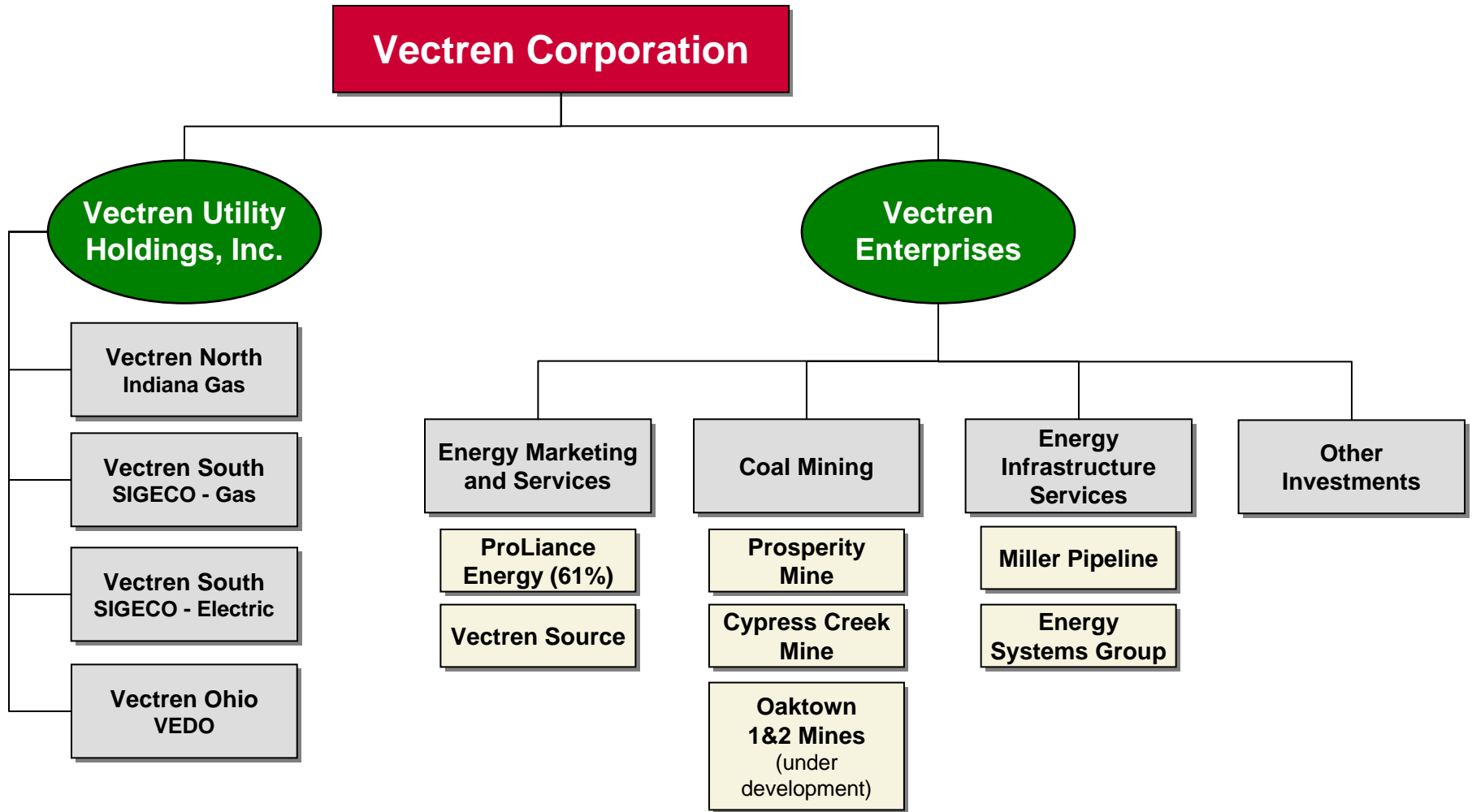
Company Overview

- NYSE Symbol: VVC
- Stable utility platform supported by appropriate rate design and rates
- Over 1.1 million utility customers
- Sensible nonutility portfolio linked to core utility
- \$4.6 billion in assets
- \$2.5 billion in revenues
- \$1.7 billion market cap
- S&P: A-/Moody's: Baa1 - both stable outlook
- Sufficient liquidity and credit facilities
- Dividends paid increased 49th consecutive year

Vectren Utility Service Areas



Corporate Organization



➤ Vectren Corporation is an energy holding company headquartered in Evansville, Indiana

Improving Results and Stabilizing Earnings

Corporate Goals

- Be a recognized leader in customer satisfaction, conservation, and energy efficiency
- Attract, retain, and engage talented employees
- Be a leader in corporate citizenship and sustainable development
- Provide a total return to shareholders of 9+% (EPS growth plus yield)



Utility Strategies

- Achieve top quartile performance in customer satisfaction
- Create innovative and effective tools to help customers manage their energy bills
- Achieve best in class safety performance
- Ensure a diverse workforce and reward superior performance
- Continue commitment to environmental stewardship
- Earnings stabilization/earn allowed returns
- Increase utility earnings at an average annual rate of 3% to 4%

Nonutility Strategies

- Link to core utility business
- Achieve best in class safety performance
- Acquire gas storage capacity
- Develop and market new coal reserves
- Expand replacement of aging infrastructure through geographic expansion/acquisition
- Advance energy efficiency opportunities
- Develop renewable energy business
- Increase nonutility earnings at an average annual rate of 10+%

Strong Credit Ratings and Available Liquidity

➤ Credit Ratings

- Vectren A- by S&P – stable outlook
- VUHI unsecured debt A-/Baa1 by S&P and Moody's – stable outlooks
- VUHI commercial paper A2/P2 by S&P and Moody's

➤ Liquidity

- Utility short-term borrowing capacity of \$520 million – \$369 million available at 1/31
 - \$515 million 5-year facility expires November 2010 – 11 participating banks
- Nonutility short-term borrowing capacity of \$385 million – \$125 million available at 1/31
 - \$255 million facility expires November 2010 – 8 participating banks
 - \$120 million facility expires September 2009 – 7 participating banks

➤ Potential Refinancing Requirements 2009-2010

- 2009 – \$80 million one time investor put – August
- 2010 – \$10 million one time investor put – May
- 2010 – \$47.5 million Vectren Capital maturity – Dec

➤ ProLiance Liquidity

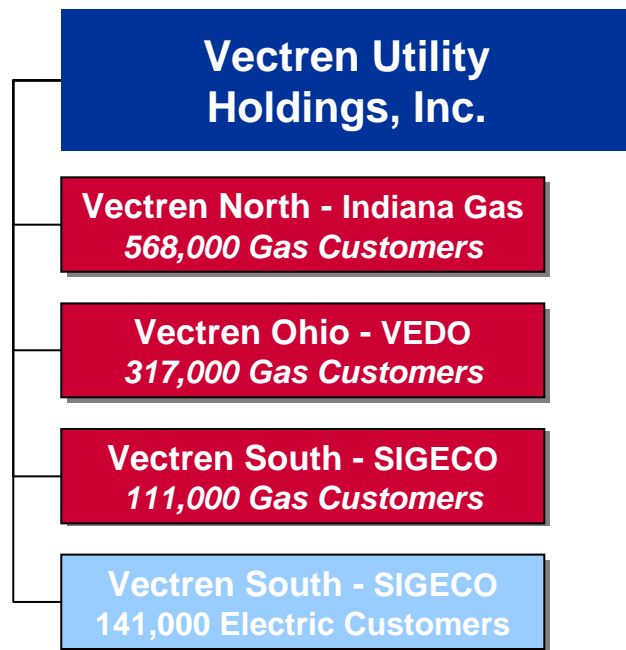
- ProLiance stand-alone \$400 million credit facility – \$370 million available at 1/31
 - \$300 million annual commitment level with additional \$100 million surge Oct 1 to Mar 31
 - Facility expires June 2009 – 9 participating banks
- ProLiance viewed as an excellent trading partner with a strong balance sheet resulting in availability of significant trade credit

➤ Additional Sources of Liquidity

- Reduced planned utility capex a total of \$60+ million during 2009 – 2010
- Considering additional utility debt financing in 2009
- Improving cash flow as 2 new Oaktown mines begin production in 2009 and 2010

The Utility Group

The Utility Group



Rate Protection

- Residential and commercial gas margins protected by conservation & decoupling tariffs in Indiana and transitioning to straight fixed variable (SFV) rate design in Ohio
- 74% of residential and commercial gas margins protected by “Normal” Temperature Adjustment (moving towards 100% with SFV in Ohio)
- Working with intervening parties to develop electric conservation/decoupling tariffs

Generation Portfolio

- 5 Coal-fired base units – 1,000 MW
 - Burn 3+ million tons of coal annually
- 6 Gas-fired peak-use turbines – 295 MW
- Purchased capacity contract of 100 MW through 2012
- Purchased 30 MW of wind energy

Wholesale Power Marketing

- Functions within the regulated electric utility operation
- Markets surplus power from generating units primarily through MISO
- 50/50 sharing of off-system sales above or below \$10.5 million

<i>(in millions)</i>	2008	2007
Off-System Sales	\$ 23.2	\$ 16.9
Transmission System Sales	9.3	4.0
Total Asset Optimization	<u>\$ 32.5</u>	<u>\$ 20.9</u>

Constructive Regulation

Base Rate Case	Order Date	Annual Revenue Increase	Rate Base	Return on Equity	Ratemaking Equity Ratio	Rate of Return
Vectren South Gas	8/1/2007	\$ 7.7	\$ 122	10.15%	47%	7.20%
Vectren South Electric	8/15/2007	\$ 60.8	\$ 1,044	10.40%	47%	7.32%
Vectren North Gas	2/13/2008	\$ 26.9	\$ 797	10.20%	49%	7.80%
Vectren Ohio	1/7/2009	\$ 14.8	\$ 235	N/A	N/A	8.89%

- Settlement agreements reached on last 4 rate cases
- Vectren Ohio received Order approving settlement on January 7, 2009
 - A rate increase of nearly \$14.8 million, inclusive of the nearly \$3 to \$5 million annually recorded through the lost margin recovery mechanism
 - An overall rate of return of 8.89% on rate base of about \$235 million
 - Tracker to recover costs of accelerated replacement of cast iron and bare steel pipelines, as well as certain service risers
 - Continuation and enhancements of energy efficiency and conservation programs
 - Movement to full straight fixed variable rate design February 2010, following a 1 year phase in period, providing recovery of all margin through a fixed monthly service charge
- Vectren Ohio began the process to exit merchant function
 - Ohio Commission approved auction selecting qualified wholesale suppliers effective October 1, 2008 through March 31, 2010
- Seeking decoupling of Vectren South electric margins

Rate Design & Recovery

	Gas			Electric
	South	North	Ohio	South
Environmental CWIP Recovery Under SB 29				✓
Recovery of MISO Transmission Investments				✓
Gas Cost and Fuel Cost Recovery	✓	✓	✓	✓
Lost Margin Recovery Mechanisms (Decoupling)	✓	✓		
Normal Temperature Adjustment (NTA)	✓	✓		
Transition to Feb 2010 Straight Fixed Variable Rate Design			✓	
Bad Debt Expense - Tracked			✓	
Bad Debts Related to Gas Costs - Tracked	✓	✓		
Unaccounted for Gas - Tracked	✓	✓	✓	
Recovery of Bare Steel/Cast Iron Replacement Costs	✓	✓	✓	

➤ Stability in earnings

- Indiana residential and commercial gas margins weather protected
- Indiana gas territories' residential and commercial gas margins protected from lost margins due to conservation
- Ohio straight fixed variable rate design mitigates impacts of abnormal weather and conservation on margins by recovering margins through a fixed monthly service charge (fully implemented 2/2010)
- Mitigated impact of bad debts and unaccounted for gas cost with recovery mechanisms

➤ Favorable regulatory treatment for major investments

- Timely recovery of environmental expenditures
- Transmission investments approved by MISO related to Regional Expansion Criteria and Benefit Process (RECB) to be recovered at FERC approved rates – tracked timely
- Bare Steel/Cast Iron multi-year replacement programs
 - North and South gas have accounting treatment providing accrual for AFUDC and deferral of depreciation expense post in service
 - Ohio has full tracking and recovery

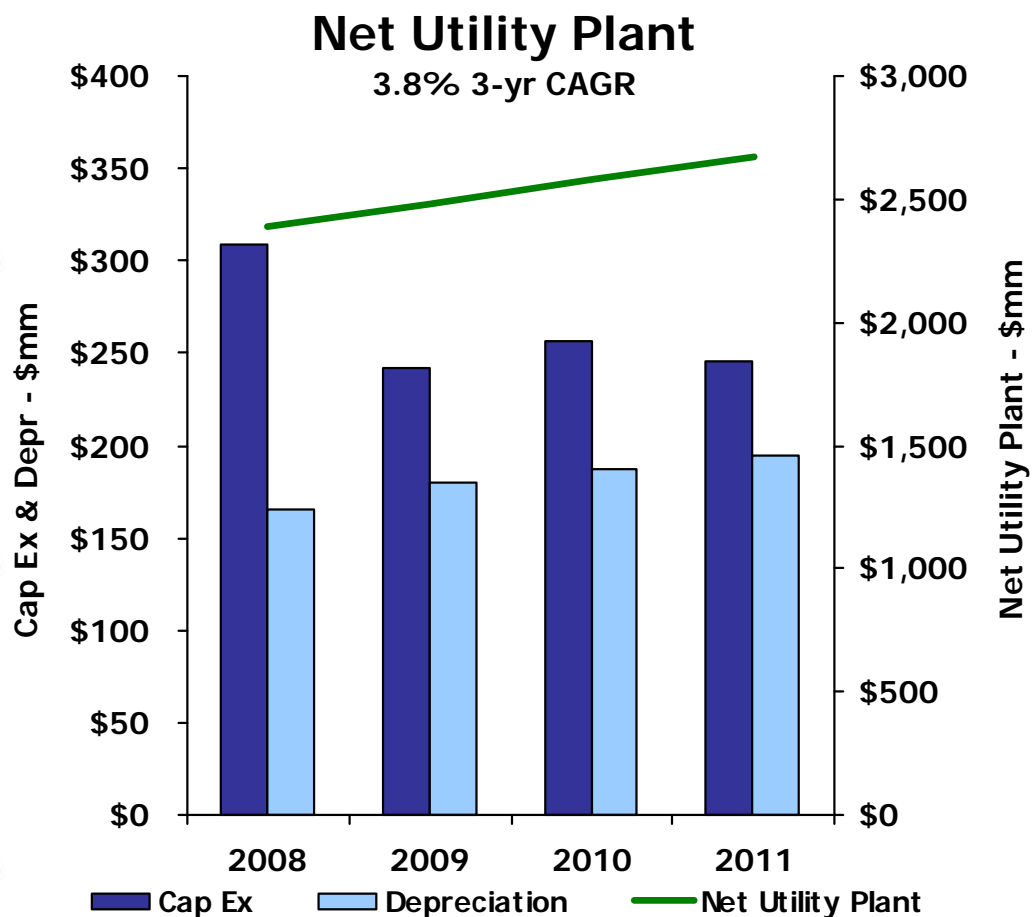
2009 Utility Outlook

	<u>2007</u>	<u>2008</u>	<u>Guidance 2009</u>
Utility EPS	\$ 1.40	\$ 1.42	\$1.20 - \$1.40

Key Assumptions

- Margin reduction over \$20 million related to economic recession
 - Large volume customers, including automotive, plastics and ethanol, likely impacted
 - 27% of electric margins, excluding wholesale, from industrial sector
 - Ethanol opportunities may be limited
 - 12% of gas margin from industrial sector
 - Retail and commercial customers - tempered growth & significant conservation
 - Gas margins protected by decoupling and straight fixed variable tariffs
 - Total customer count relatively flat year over year
 - Full year rate increase for Vectren Ohio and additional 1 ½ months for Vectren North
- O & M expense
 - Increased reliability and safety related expenses consistent with recent rate orders
 - Additional bad debt expense of \$3.0 million reflecting increases in electric and Indiana gas territories above tracking recovery allowed in last rate cases
 - Increased pension funding of \$25 to \$30 million and expense of about \$10 million compared to \$6.5 million in 2008
 - Substantial cost control measures to help offset margin loss including reduction in expected wage increases and freeze on officer wages
 - Discretionary O & M spend flat year over year, exclusive of pass through costs recovered in margins

Growing Net Utility Plant



Rate Case Rate Base (\$ in millions)

➤ South Electric	\$1,044
➤ North Gas	797
➤ Ohio Gas	235
➤ South Gas	122
➤ VUHI Net Plant Shared	<u>163</u>
	\$2,361

Expected capital spending permits appropriate reinvestment of earnings and will continue to drive earnings growth

Utility Capital Expenditures

Amounts are in millions.

	2008	Forecast			3-Yr Total
		2009	2010	2011	2009-2011
South Electric	\$171	\$132	\$146	\$128	\$406
South Gas	20	18	11	12	41
North Gas	71	50	55	55	160
Ohio Gas	15	28	29	35	92
VUHI Shared Assets	41	23	23	24	70
VUHI Consolidated	\$318	\$251	\$264	\$254	\$769

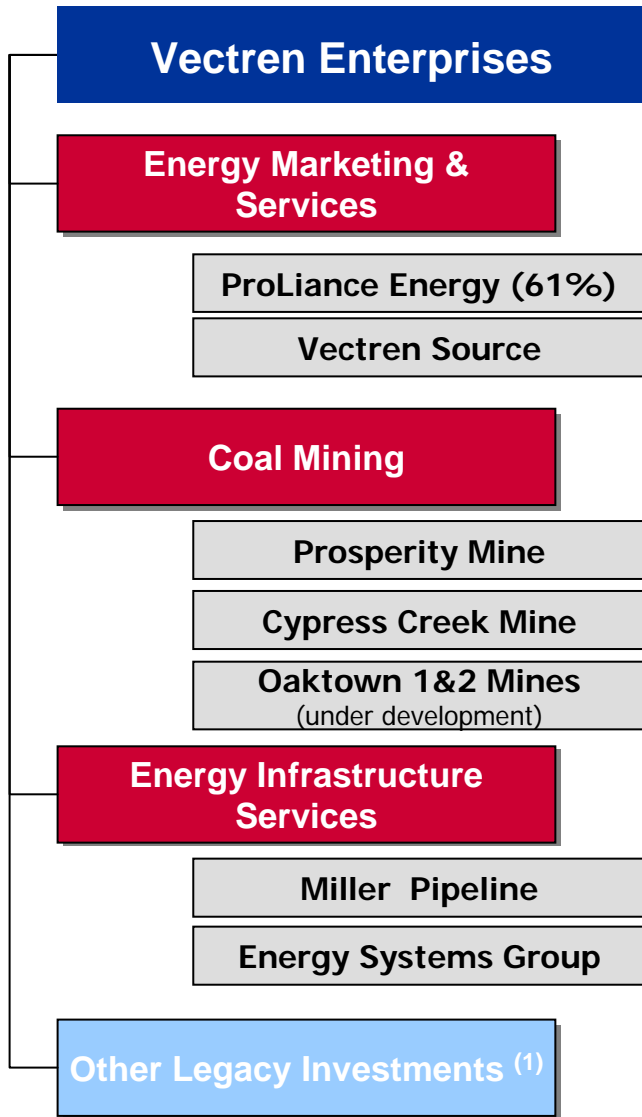
Significant Expenditures

Electric Transmission	\$38	\$37	\$45	\$29	\$111
Bare Steel/Cast Iron/Riser	17	27	27	36	90
Electric Generation	1	11	11	10	32
Environmental	51	12	11	8	31

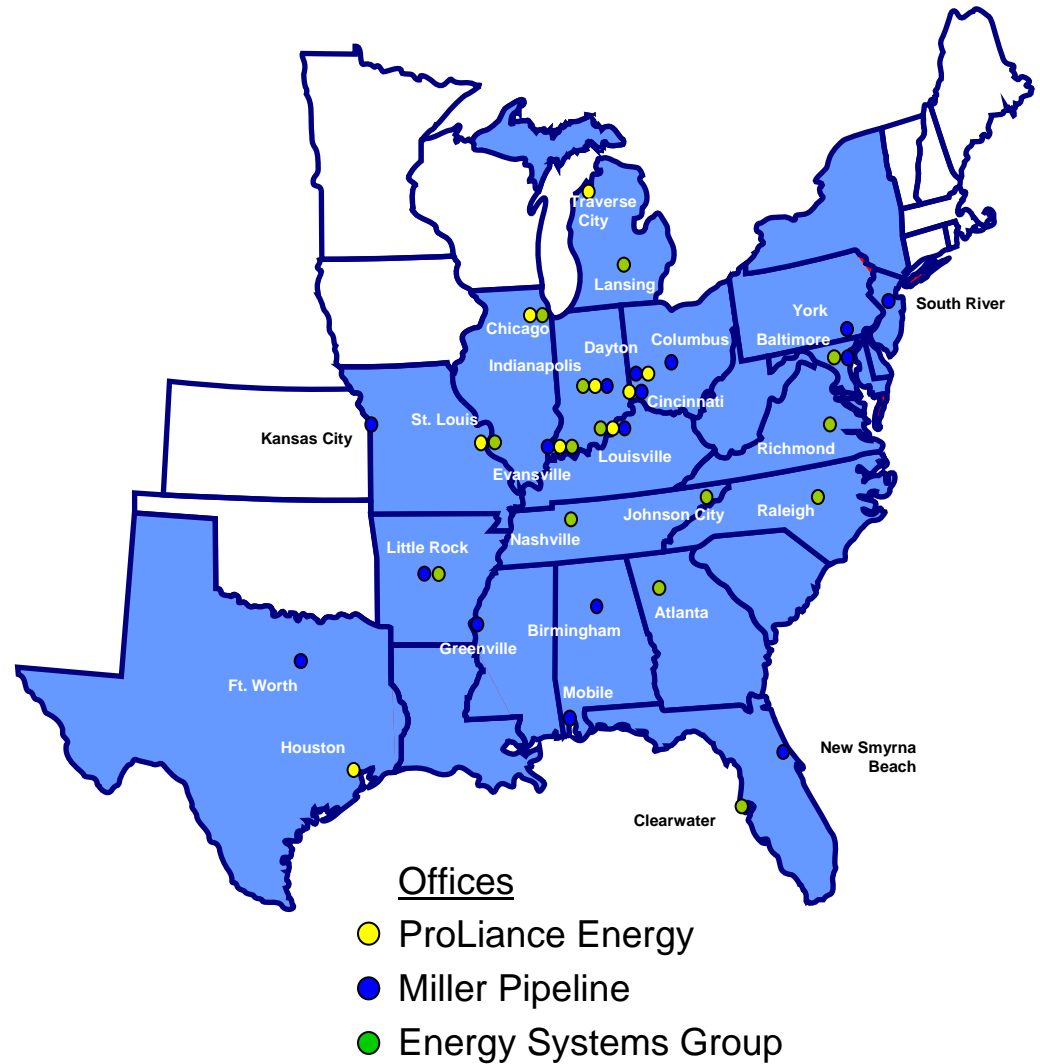
- 3-yr CapEx of nearly \$770 million or ~ 30% of current net utility plant
- Over 50% of 2009-2011 transmission expenditures expected to be recovered timely at FERC approved rates of 12.38%
- Favorable regulatory support in recovering capital spend on environmental, RECB transmission and bare steel/cast iron replacement programs
- Level of spending may be revised over time as funding is secured and possible stimulus legislation incentives become available, such as bonus depreciation

The Nonutility Group

The Nonutility Group



Nonutility Business Operations

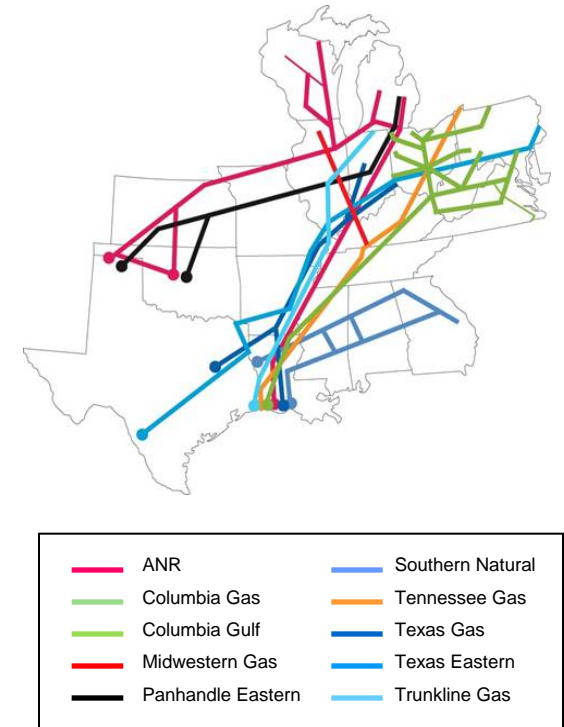


(1) Enterprises also has other legacy investments in energy-related opportunities and services, real estate and leveraged leases, among other investments.

ProLiance Energy

- Energy marketing affiliate with Vectren (61%) and Citizens Energy Group (39%) – equity accounting
 - 2008 Revenues of \$2.9 billion and over 115 employees
- Customers include Vectren’s Indiana utilities and nonutility gas supply operations and Citizens
- Storage & Transportation optimization is the primary driver of ProLiance earnings (includes arbitrage opportunities for price differences across time and location in physical and financial markets – 42 Bcf of storage)
- Gas Marketing provides bundled gas services, including base load, peaking sales, risk management, and other ancillary services
 - Operates throughout the Midwest and Southeast U.S.
 - Retail services to nearly 1,400 C & I customers
 - Wholesale services to utilities, municipals, power generators
- Midstream Investments
 - 2 intrastate pipelines and 3 storage fields
- Operates with a balanced book approach – VaR capped at \$2.5 million

Major Pipeline Access



ProLiance Energy

- ProLiance's earnings contribution was \$19.3 million in 2008 compared to \$22.9 million in 2007 and \$18.3 million in 2006
- FERC regulatory update - ProLiance's 2008 earnings contribution reflects a reserve for this matter although the outcome can not be predicted and the final resolution is not expected to have a material impact on the Company
- ProLiance's 2008 earnings contribution was \$3.6 million lower than 2007 due to lower operating results and the FERC reserve
- Storage capacity grew to 42 Bcf in 2008 with the expectation to grow to 47 Bcf in 2009 with the addition of the Liberty Gas Storage contract
 - ProLiance Liberty Gas Storage Investment under development (*see appendix page 39*)
- 2009 outlook is below 2008 due to significant price volatility from the dramatic price decreases in 3rd Qtr 2008 not expected to repeat and higher interest costs
 - Seasonal spreads (summer to winter and winter to summer) for the 1st Qtr 2009 were substantially less than historical levels
 - The current view of 4th Qtr 2009 is now wider than budgeted and could provide upside
 - Prompt month or cash to NYMEX spreads (today's physical market and next month's financial markets) are budgeted to be lower, however, ProLiance is positioned to benefit from volatility
 - Spreads created by gas on gas competition due to excess supply from high production and demand destruction could provide upside

Positioned to benefit from volatility in seasonal spreads (summer to winter and winter to summer) and prompt month or cash to NYMEX spreads (today's physical market and next month's financial market)

Coal Mining

- Mines and sells Indiana coal to Vectren's utility operations and other third parties
- Prosperity Mine – underground
 - 33 million tons of reserves
 - 2.5 – 3.0 million tons mined per year
 - 5.0 lbs SO₂ – 11,200 BTU
- Cypress Creek Mine – surface
 - 1 million tons of reserves
 - Depleted in 2009
 - 7.5 lbs SO₂ – 10,500 BTU
- Oaktown Mines #1 & #2 – underground
 - 88 million tons of reserves
 - 5 million tons projected mined per year
 - 3 million tons @ Oaktown #1
 - 2 million tons @ Oaktown #2
 - 6.0 lbs SO₂ – 11,200 BTU
- Competitive location – 13 power plants within 50 mile radius of underground mines
- 750 contract mining jobs with completion of Oaktown mines

➤ Oaktown timeline

- Oaktown #1 – Mine production begins 2nd quarter 2009
- Oaktown #2 - Box cut excavation began February 2009 and mine production begins October 2010



Coal Mining

- Coal Mining operated at a loss of (\$4.6) million in 2008, compared to earnings of \$2.0 million in 2007 and \$5.0 million in 2006
- The decrease in earnings in 2008 compared to 2007 was primarily due to lower production, increased roofing structure costs net of pass throughs, higher diesel fuel, and lower BTU content
- Development of Oaktown Mines on schedule – mine production 2nd Qtr 2009
- Coal Mining estimates - (millions of tons)

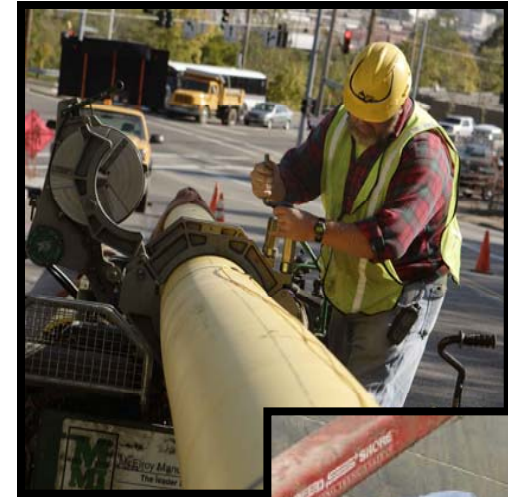
	<u>Produced</u>	<u>Priced</u>
– 2009	4.6 to 5.2	4.5
– 2010	6.0 to 6.3	4.5
– 2011	7.7 to 8.3	2.0

- 2009 outlook higher than 2008 due to new contracts on over 70% of 2009 planned production and increased production of ~ 1.4 million tons with 1.0 million tons from the new mine
 - 2009 estimated average margin of \$8 to \$12 per ton, pre-tax
 - 2009 estimated overheads, including interest and corporate allocations, of \$2 to \$3 per ton, pre-tax
 - Conservative estimates on cost of ton mined until actual mining of Oaktown coal and implementation of revised mining plan at Prosperity
 - Margin per ton expected to improve throughout year with lower costs and higher sales revenue for Oaktown coal production

New coal mining contracts in place in 2009 and increased production in 2009, 2010 and 2011 should support significant growth in earnings and cash flow over the next several years

Miller Pipeline

- Gas and Water/Waste Water Pipeline Construction and Repair
 - Over 50 years in construction business with 1,500 employees
 - Primarily in the Midwest, Mid-Atlantic and Southern regions with major customers including Vectren, NiSource, Duke, LG&E, Alagasco and Citizens
- Miller Pipeline's 2008 earnings were \$6.2 million matching record 2007 levels and \$2.3 million in 2006
 - Vectren's 100% ownership of Miller was effective July 1, 2006
- 2009 outlook is below 2008 due to the recession likely impacting capital spending by Miller's utility customers for their infrastructure programs inclusive of bare steel/cast iron replacement
 - 2009 margin as a percent of revenue is expected to be lower due to customer cut backs driving competition
 - Given the favorable regulatory support, the bare steel/cast iron cuts are seen only as a delay and the customer expenditures should return once credit markets begin to correct



Potential 2009 and longer-term growth opportunities from the "American Recovery and Reinvestment Act," which may provide over \$30 billion in the areas of highway infrastructure (line relocates) and community improvement projects (waste and drinking water projects) coupled with bonus depreciation (encouraging utilities capital spend)

Energy Systems Group

- Development of energy efficiency facility improvements that pay for themselves from energy/operational savings
- Energy Systems Group's earnings were a record \$6.7 million in 2008, compared to \$4.0 million in 2007 and \$3.1 million in 2006
- Renewable energy projects, including projects to process landfill gas into usable natural gas and waste to energy
 - ESG energized its third landfill gas to power project - the Blackfoot project in Winslow, IN is designed to produce 3.2 MWe of renewable power
 - Project is to be sold to VUHI - regulatory approval received and sale is pending final due diligence
- Approximately 200 employees
- Major customers include hospitals, universities, governments and schools primarily in the Midwest, Mid-Atlantic and Southern regions
- 2009 outlook is below 2008 due to potential for current credit markets and customer budget constraints temporarily limiting performance contracting opportunities



Potential 2009 and longer-term growth opportunities from the "American Recovery and Reinvestment Act," which should inject over \$20 billion into the energy efficiency market, currently a \$5 billion a year industry

2009 Nonutility Outlook

<i>Nonutility Net Income</i> ⁽¹⁾ (millions)	2007	2008	Budget 2009
Energy Marketing and Services	\$22.3	\$18.0	\$ 11.0
Coal Mining	2.0	(4.6)	24.0
Energy Infrastructure Services	9.4	11.4	7.0
Primary Businesses Net Income	33.7	24.8	42.0
Other Businesses ⁽²⁾	0.3	(5.9)	(2.0)
Nonutility Net Income	<u>\$34.0</u>	<u>\$18.9</u>	<u>\$ 40.0</u>
2009 EPS Guidance	\$0.45	\$0.24	\$0.40 - \$0.60

(1) Includes holding company allocations

(2) Includes 3rd quarter 2008 write-down of legacy commercial real estate investments impacted by the economic recession of (\$5.9) million

Key Assumptions

- Energy Marketing and Services 2009 budget lower than 2008 due to significant price volatility from the dramatic price decreases in 3rd Qtr 2008 not expected to repeat and lower volatility in '08-'09 seasonal spreads
- Coal Mining 2009 budget higher than 2008 due to new higher-priced contracts on over 70% of 2009 planned production and increased production of ~ 1.4 million tons with 1.0 million tons from new mine
- Energy Infrastructure Services 2009 budget lower than 2008 primarily due to capital constraints related to the economy impacting construction work at Miller and, to a lesser degree, at Energy Systems Group

Nonutility CapEx and Investments

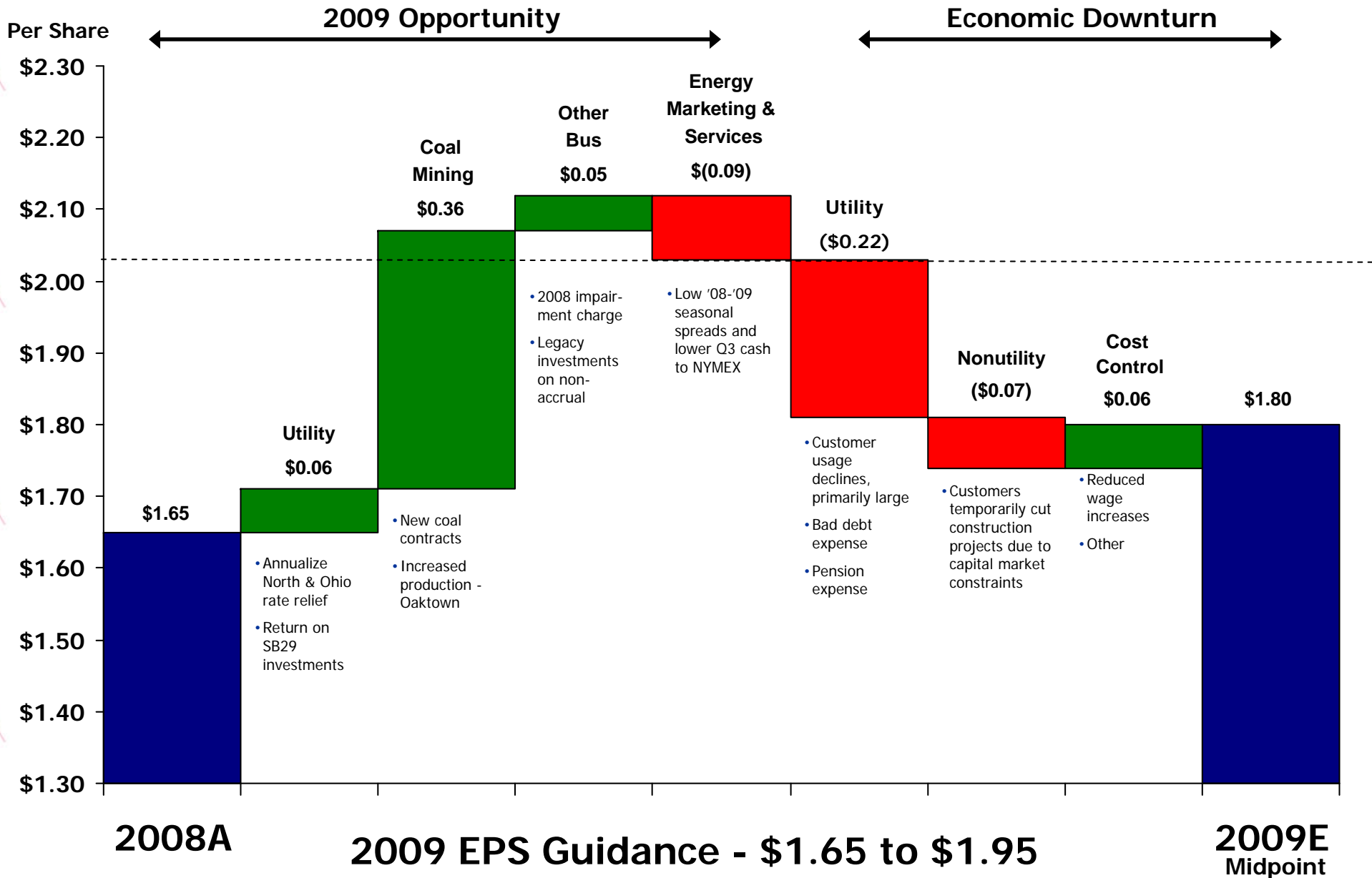
Amounts are in millions.

	2008	Forecast			3-Yr Total 2009-2011
		2009	2010	2011	
Coal Mining	\$69	\$87	\$72	\$27	\$186
Energy Infrastructure Services					
Miller Pipeline	18	17	12	13	42
Energy Systems Group	6	1	21	21	43
Other Nonutility	1	1	1	1	3
Enterprises Total	\$94	\$106	\$106	\$62	\$274
<u>Major Expenditures</u>					
Oaktown Mine Development	\$47	\$57	\$45	\$ -	\$102
Miller Pipeline Investment	6	7	-	-	7
ESG Renewable Energy	-	-	20	20	40

- Reinvest earnings into existing operating companies
- Coal mining includes total of \$102 million investment for the development of the two new Oaktown underground mines in 2009 - 2011

Financial Summary

Expected 2009 Earnings Contribution



Investment Merits

- Strong credit ratings and ability to access capital markets
 - VUHI Credit ratings remain strong A-/Baa1 by S&P and Moody's – stable outlooks
 - Adequate credit facilities in place totaling over \$900 million with nearly \$500 million available at January 31, 2009
- Sustainable dividend growth
 - Dividends paid increased for the 49th consecutive year - \$1.34 annualized
- 2009 expected EPS growth in challenging environment
 - Business model positioned to produce growing results
- Primary businesses provide strong foundation and opportunity for long-term growth
 - Utility - regulatory strategies de-risk the business and provide opportunities for earnings growth
 - ProLiance – volatility in market presents increased storage and transportation arbitrage opportunities
 - Coal Mining – new contracts in place and increased production with development of Oaktown mines
 - Miller Pipeline – favorable regulatory support of bare steel/cast iron infrastructure programs and potential opportunities resulting from the “American Recovery and Reinvestment Act”
 - Energy Systems Group – growing emphasis on energy efficiency and renewables at state and national levels including potential opportunities resulting from the “American Recovery and Reinvestment Act.”

Appendix

2008 Consolidated Results

<i>Amounts in millions except per share</i>	3 Months Ended		12 Months Ended	
	2008	2007	2008	2007
Utility Operations	\$ 30.7	\$ 36.9	\$ 111.1	\$ 106.5
Nonutility Group	6.8	8.9	18.9	34.0
Corporate & Other	(0.4)	(0.6)	(1.0)	(0.4)
Net Income (Excluding Synfuels)	37.1	45.2	129.0	140.1
Synfuels-related	-	(5.3)	-	3.0
Vectren Consolidated	<u>\$ 37.1</u>	<u>\$ 39.9</u>	<u>\$ 129.0</u>	<u>\$ 143.1</u>
Utility Operations	0.38	0.48	1.42	1.40
Nonutility Group	0.08	0.12	0.24	0.45
Corporate & Other	-	-	(0.01)	-
EPS (Excluding Synfuels)	0.46	0.60	1.65	1.85
Synfuels-related	-	(0.07)	-	0.04
Vectren Consolidated	<u>\$ 0.46</u>	<u>\$ 0.53</u>	<u>\$ 1.65</u>	<u>\$ 1.89</u>
Avg. Shares Outstanding	80.6	75.9	78.3	75.9

NOTE: 2007 was the last year for synfuel operations

Utility EPS Reconciliation

	3 months	12 months
12/31/07	\$ 0.48	\$ 1.40
Weather - Ohio & Electric	0.01	(0.06)
Net Retail Margin from Regulatory Strategy	-	0.16
Wholesale Power Sales & RECB (transmission projects)	0.02	0.09
Other Margin	(0.01)	(0.02)
O & M	(0.07)	(0.07)
Depreciation	(0.03)	(0.03)
Dilution and Other	(0.02)	(0.05)
12/31/08	\$ 0.38	\$ 1.42

- Utility results decreased for the quarter due primarily to higher operating expenses, in large part from acceleration of spend totaling approximately \$4.4 million and other maintenance costs
- Utility results increased for the year due to base rate increases, and increased earnings from transmission projects and wholesale power sales offset somewhat by higher operating costs and favorable weather in 2007
- Equity forward contract of 4.6 million shares was settled for approximately \$125 million of new capital mid 2008. The equity was contemplated in recent rate cases.

Nonutility EPS Reconciliation

	3 months	12 months
12/31/07	\$ 0.12	\$ 0.45
Energy Marketing and Services	(0.02)	(0.06)
Coal Mining	(0.03)	(0.08)
Energy Infrastructure Services	0.03	0.03
Other Businesses	-	-
Commercial Real Estate Impairment Charge	-	(0.08)
Dilution and Other	(0.02)	(0.02)
12/31/08	\$ 0.08	\$ 0.24

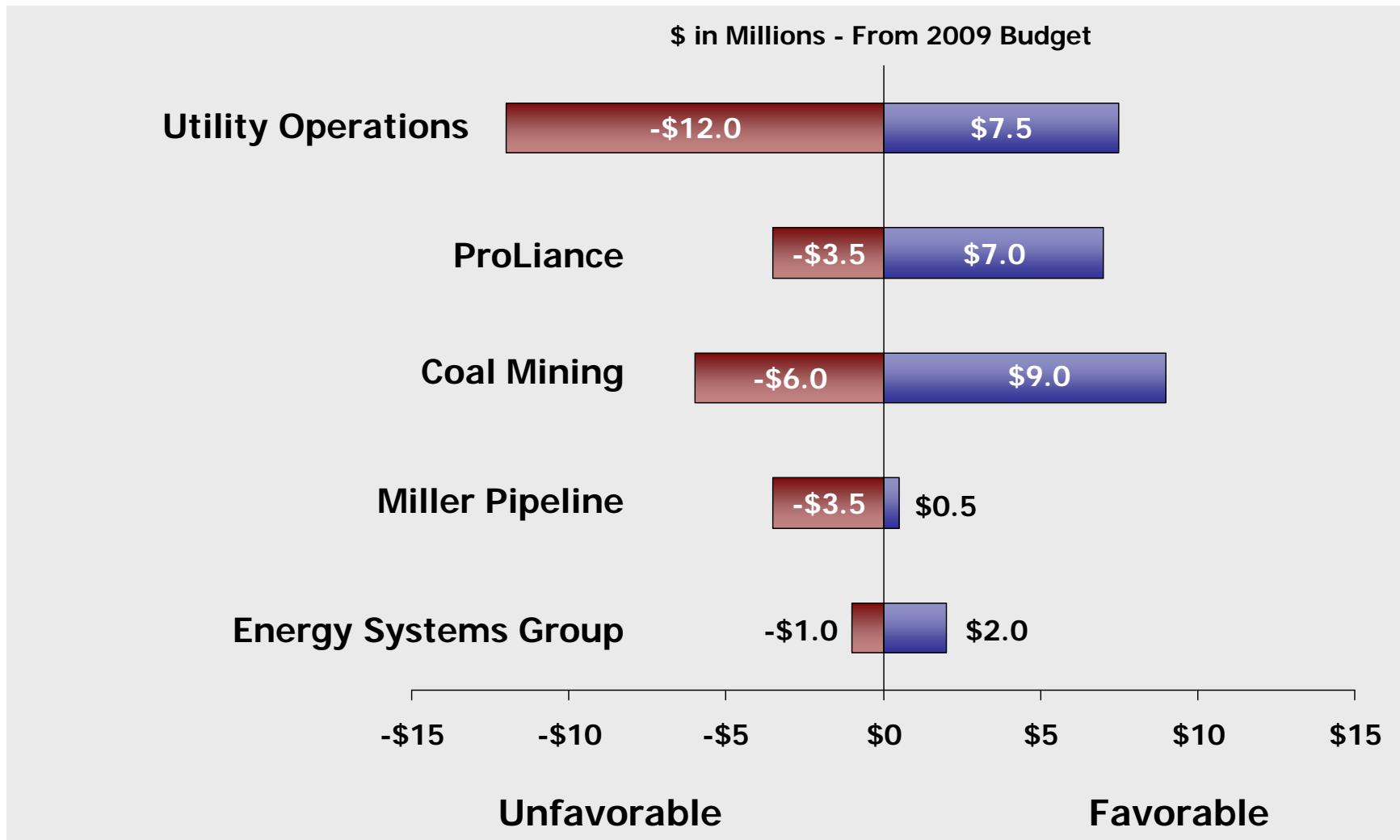
- Nonutility results for the quarter reflect lower results from ProLiance (\$1.7 million) and Coal Mining (\$2.3 million) offset by increased earnings from the Energy Infrastructure companies of \$3.1 million
- Nonutility results for the year reflect lower results from ProLiance (\$3.6 million), Coal Mining (\$6.6 million) and the commercial real estate impairment charge recorded in the 3rd quarter (\$5.9 million) offset somewhat by increased earnings from the Energy Infrastructure companies of \$2.0 million

2008 Consolidated Income Statement

VECTREN CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
(Millions, except per share amounts)
(Unaudited)

	VUHI	EMS	CM	EIS	ENT Other	CORP & ELIMS	2008
OPERATING REVENUES:							
Gas utility	\$ 1,432.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,432.7
Electric utility	524.2	-	-	-	-	-	524.2
Nonutility revenues	1.8	182.6	164.4	314.0	3.6	(138.6)	527.8
Total operating revenues	<u>1,958.7</u>	<u>182.6</u>	<u>164.4</u>	<u>314.0</u>	<u>3.6</u>	<u>(138.6)</u>	<u>2,484.7</u>
OPERATING EXPENSES:							
Cost of gas sold	983.1	-	-	-	-	-	983.1
Cost of fuel and purchased power	182.9	-	-	-	-	-	182.9
Cost of nonutility revenues	-	164.0	150.4	99.9	2.2	(134.3)	282.2
Other operating	300.3	16.2	2.4	183.2	7.5	(3.3)	506.3
Depreciation and amortization	165.5	0.6	17.4	8.7	0.1	0.0	192.3
Taxes other than income taxes	72.3	1.1	0.1	0.9	0.2	(0.1)	74.5
Total operating expenses	<u>1,704.1</u>	<u>181.9</u>	<u>170.3</u>	<u>292.7</u>	<u>10.0</u>	<u>(137.7)</u>	<u>2,221.3</u>
OPERATING INCOME	254.6	0.7	(5.9)	21.3	(6.4)	(0.9)	263.4
OTHER INCOME:							
Equity in earnings of unconsolidated affiliates	-	39.5	-	-	-	(2.1)	37.4
Other income/(expense)- net	4.0	-	2.5	0.6	(6.5)	1.5	2.1
Total other income	<u>4.0</u>	<u>39.5</u>	<u>2.5</u>	<u>0.6</u>	<u>(6.5)</u>	<u>(0.6)</u>	<u>39.5</u>
INTEREST EXPENSE	<u>79.9</u>	<u>7.7</u>	<u>4.0</u>	<u>4.6</u>	<u>1.0</u>	<u>0.6</u>	<u>97.8</u>
INCOME BEFORE INCOME TAXES	178.7	32.5	(7.4)	17.3	(13.9)	(2.1)	205.1
INCOME TAXES	67.6	14.5	(2.8)	5.9	(8.0)	(1.1)	76.1
MINORITY INTEREST	-	-	-	-	-	-	-
NET INCOME	<u>\$ 111.1</u>	<u>\$ 18.0</u>	<u>\$ (4.6)</u>	<u>\$ 11.4</u>	<u>\$ (5.9)</u>	<u>\$ (1.0)</u>	<u>\$ 129.0</u>

2009 Net Income Sensitivity



2009 EPS Guidance = \$1.65 to \$1.95
80.6 Million Avg. Shares Outstanding
(excludes any potential impairment risk with investment in Liberty Gas Storage)

Risk Analysis for Utility - After Tax

Utility Upside

1/2 % gain in total margin	\$ 3.0
Increased WPM margins due to improved demand and pricing, net of sharing	0.5
Decline in short-term debt and interest rates from budget of 4.5%, net of reduced AFUDC	2.0
Other Interest - balances and rates	2.0
	<u>\$ 7.5</u>

Utility Downside

1% additional loss in total margin	\$ (5.0)
Decreased WPM margins due to lesser demand and pricing, net of sharing	(3.0)
Other Interest - balances and rates	(2.0)
Regulatory approval of electric decoupling, if delayed	(2.0)
	<u>\$ (12.0)</u>

Risk Analysis for Enterprises - After Tax

Enterprises Upside

ProLiance - Improved volatility of seasonal and cash to NYMEX spreads	\$ 7.0
Coal Mining - Cost of sales decline to \$39.50 per ton compared to budget of \$42.50 per ton	9.0
Energy Infrastructure Services	
Miller - Easing of customer capital constraints	0.5
ESG - Additional performance contracts and renewable projects	2.0
	<u>\$ 18.5</u>

Enterprises Downside

ProLiance - less volatility of seasonal and cash to NYMEX spreads	\$ (3.5)
Coal Mining	
Cost of sales increase to \$43.50 per ton compared to budget of \$42.50 per ton	(3.0)
Delay in Oaktown production of 0.3 million tons	(3.0)
Energy Infrastructure Services	
Miller - Customer capital constraints worsen, operations breakeven	(3.5)
ESG - Fewer new performance contracts and renewable projects	(1.0)
	<u>\$ (14.0)</u>

2009 Utility Projections

Amounts are in millions.

	<u>2007</u>	<u>2008</u>	<u>Budget 2009</u>
Net Income	<u>\$ 106.5</u>	<u>\$ 111.1</u>	<u>\$105</u>
Utility Margin	\$ 737.0	\$ 792.7	\$820
Utility O & M	245.8	270.3	\$270
Utility O & M - Pass thru	20.3	30.0	\$50
Depreciation	158.4	165.5	\$180
Other Taxes	68.1	72.3	\$70
Interest	80.6	79.9	\$86
Other Income	9.4	4.0	\$7
Income Taxes	66.7	67.6	\$65

Nonutility Metrics

ProLiance Energy	3 months ended		12 months ended		Budget
	12/31/07	12/31/08	12/31/07	12/31/08	2009
Gross Margin	\$ 22.8	\$ 27.9	\$ 97.4	\$ 95.6	\$ 75.0
Margin from Asset Optimization	83%	90%	80%	92%	80%
EBITDA	\$ 16.5	\$ 16.7	\$ 69.1	\$ 65.4	\$ 45.0
Vectren Net Income ⁽¹⁾	\$ 5.3	\$ 3.6	\$ 22.9	\$ 19.3	\$ 9.5
Firm Storage Capacity (Bcf) - End of Period	40	42	40	42	47

\$ in millions

Mining Operations	3 months ended		12 months ended		Budget
	12/31/07	12/31/08	12/31/07	12/31/08	2009
Revenue	\$ 40.4	\$ 38.8	\$ 164.6	\$ 164.5	\$ 280.0
Cost of Sales	\$ 41.3	\$ 41.9	\$ 159.7	\$ 168.0	\$ 230.0
DD&A	\$ 3.5	\$ 5.1	\$ 16.8	\$ 16.9	\$ 25.0
EBITDA	\$ 2.4	\$ 1.7	\$ 20.7	\$ 12.2	\$ 70.0
Net Income ⁽¹⁾	\$ (0.3)	\$ (2.4)	\$ 3.0	\$ (3.3)	\$ 28.0
Tons Produced	0.9	0.9	4.1	3.5	4.9
Mine Yield - Prosperity	61%	61%	60%	56%	55%
Mine Ratio - Cypress Creek	12:1	15:1	11:1	12:1	11:1
Avg Realized Price/Ton (w/o freight)	\$ 33.28	\$ 36.02	\$ 32.20	\$ 36.01	\$ 52.50
Cost of Sales/Ton (w/o freight)	\$ 34.05	\$ 39.13	\$ 31.17	\$ 36.85	\$ 42.50

\$ in millions, except per ton

(1) Excludes holding company allocations

Nonutility Metrics

Miller Pipeline	3 months ended		12 months ended		Budget
	12/31/07	12/31/08	12/31/07	12/31/08	2009
Net Revenue	\$ 42.6	\$ 49.0	\$ 162.0	\$ 174.5	\$ 180.0
Gross Margin as % of Revenue	16%	17%	16%	14%	11%
EBITDA	\$ 5.4	\$ 7.2	\$ 23.0	\$ 21.7	\$ 20.0
Net Income ⁽¹⁾	\$ 1.4	\$ 2.6	\$ 6.1	\$ 6.2	\$ 3.5

\$ in millions

Energy Systems Group	3 months ended		12 months ended		Budget
	12/31/07	12/31/08	12/31/07	12/31/08	2009
Revenue	\$ 31.1	\$ 41.1	\$ 122.8	\$ 118.6	\$ 115.0
Gross Margin as % of Revenue	24%	30%	23%	27%	24%
EBITDA	\$ 2.7	\$ 5.6	\$ 7.5	\$ 9.9	\$ 9.0
Net Income ⁽¹⁾	\$ 1.5	\$ 3.8	\$ 4.0	\$ 6.7	\$ 4.5
Backlog	\$ 51.9	\$ 65.1	\$ 51.9	\$ 65.1	\$ 50.0
New Performance Contracts	\$ 20.5	\$ 48.7	\$ 101.1	\$ 120.8	\$ 90.0

\$ in millions

(1) Excludes holding company allocations

ProLiance Investment in Liberty Gas Storage

- Liberty Gas Storage, LLC (Liberty) – JV between ProLiance (25%) and Sempra Energy
 - High deliverability storage services projects utilizing multiple salt dome storage caverns in southern Louisiana (Sulphur and Hackberry)
 - Estimated at least 28 Bcf of working gas capacity once developed under current plans
 - ProLiance has a long term contract for approximately 5 Bcf at Sulphur
 - As of September 30, 2008, the total Sulphur project investment is estimated at \$200 million, with ProLiance's portion estimated at \$50 million
- Development at the Sulphur site delayed by subsurface and well-completion problems
- Possible impairment charges should ongoing corrective measures prove unsuccessful
 - Some portion of the investment would be used for development or operation of the Hackberry site
 - ProLiance's maximum estimated pre-tax exposure at risk for the current investment is \$35 million (the Company's proportionate share of the investment would be \$21 million).
 - The Company believes that such a charge, should it occur, would not have a material adverse effect on its or ProLiance's financial position, cash flows, or liquidity, but it could be material to net income in any one accounting period.
 - Further, it is not expected that the delay in Liberty's development will impact ProLiance's ability to meet the needs of its customers