



Vectren Energy Delivery Winter Outlook

Carl Chapman, Chairman, President & CEO

October 13, 2011



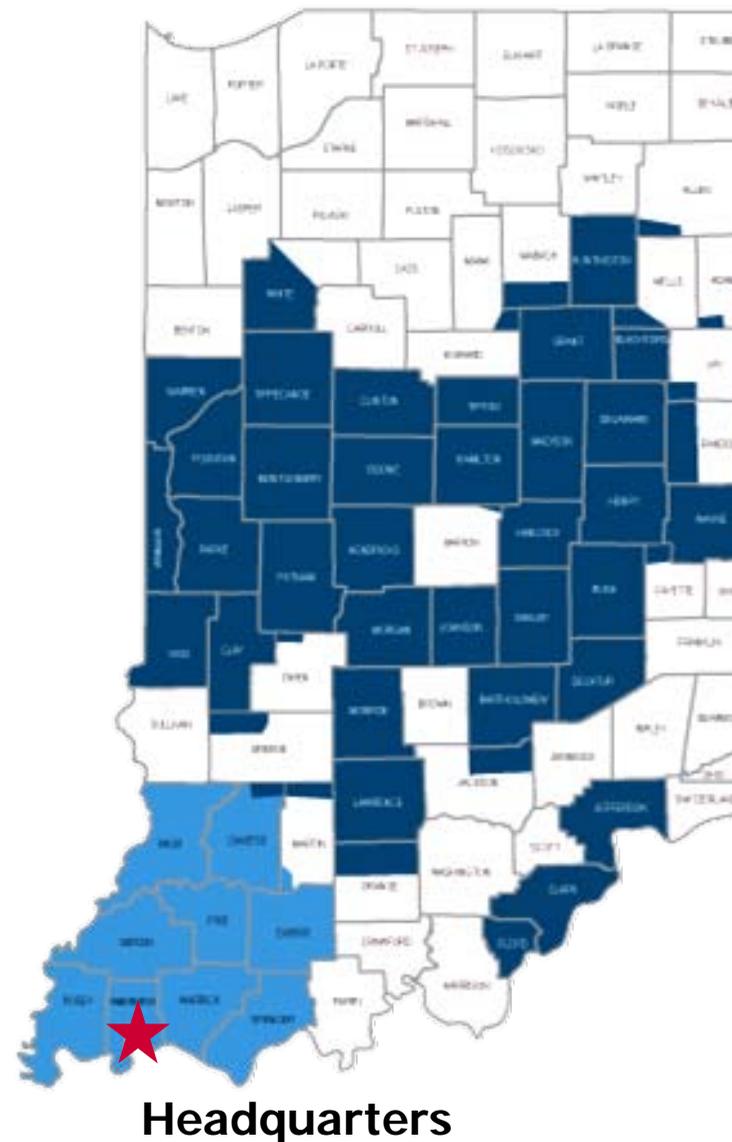
➤ Vectren Energy Delivery of Indiana – North

- 49 counties
- 570,000 gas customers

➤ Vectren Energy Delivery of Indiana – South

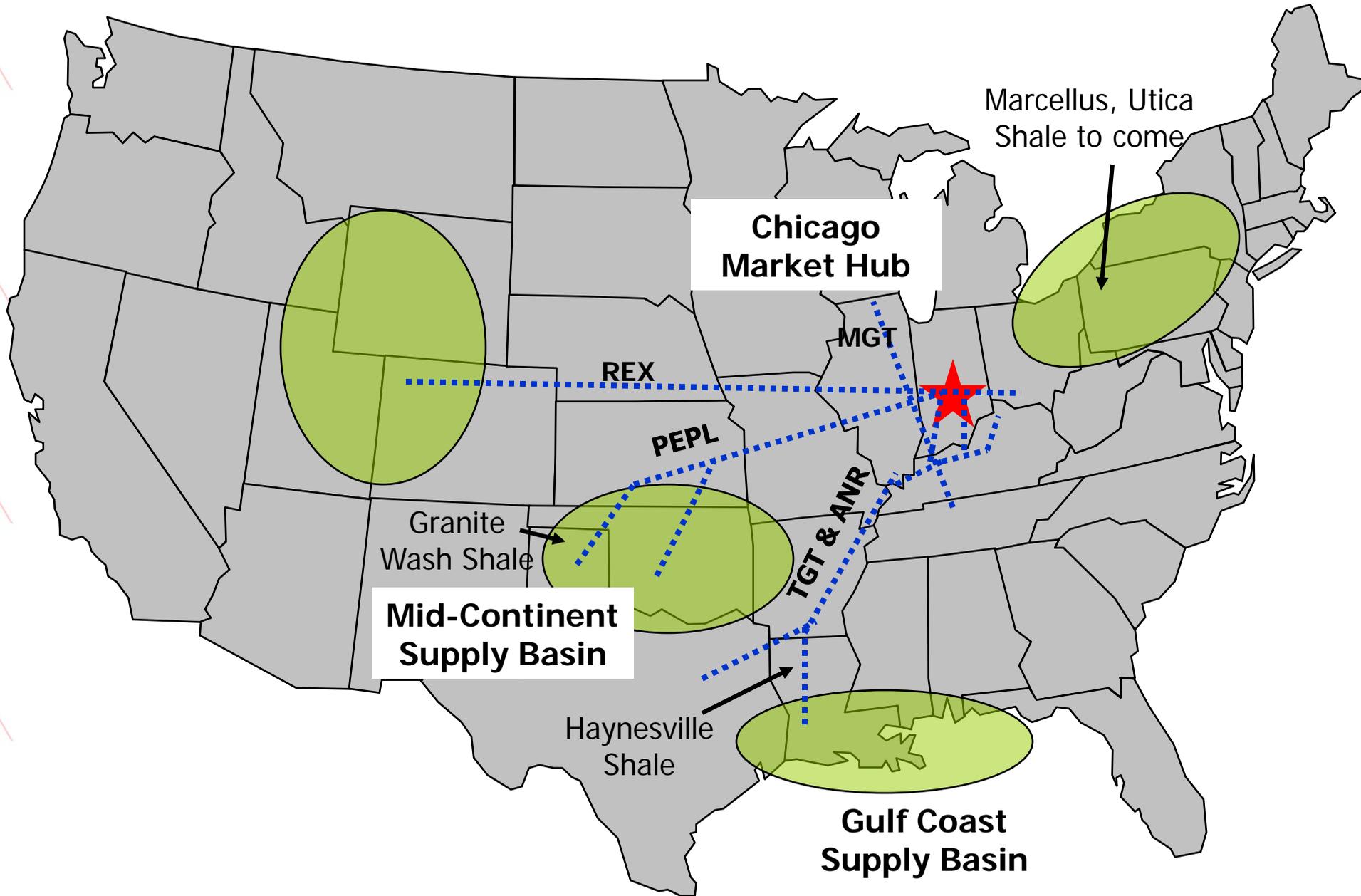
- 10 counties
- 111,000 gas customers
- 142,000 electric customers

Vectren in Indiana



- Shale gas has been a game changer for natural gas pricing and supply
- Natural gas prices are projected to remain relatively constant through 2015; and only rise slightly through 2025.
 - Source: “Indiana Electricity Projections: The 2011 Forecast”, State Utility Forecasting Group
- This September, Gov. Mitch Daniels said: “The one good break this economy has gotten in the last few years is shale gas... (environmental/fracking concerns) are secondary. I've had a long, long look at the evidence, and these problems are very improbable and secondly, manageable if they ever happen.”
 - Source: [CNBC Squawk Box – Sept. 21, 2011](#)

Gas Supply Sources for Vectren



Objectives

- Mitigate price volatility for the gas sold to customers
- Purchase reliable gas supply at the lowest, reasonable cost possible

Targets

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

Hedging Components

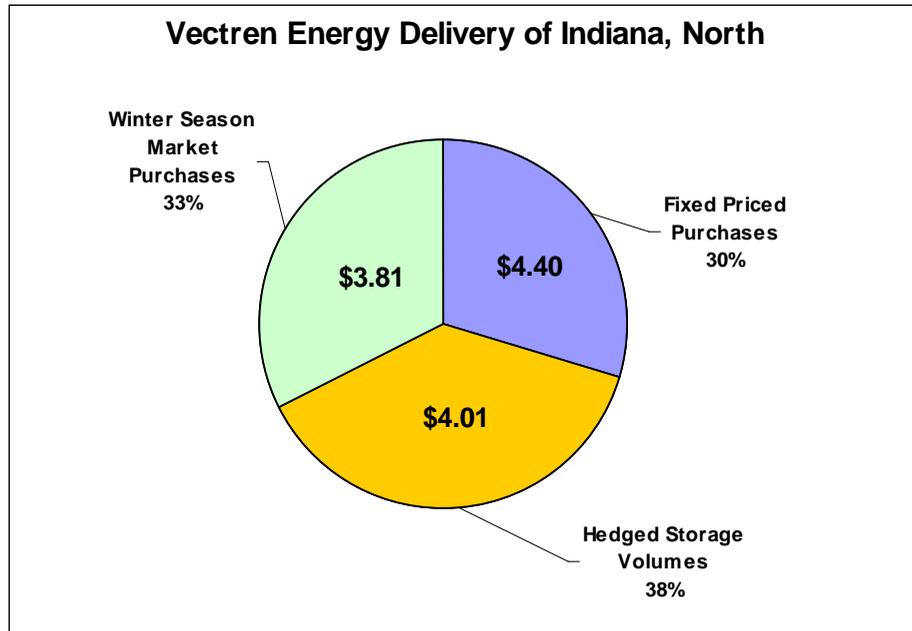
- Storage gas
- Fixed priced advance purchases
- Financial hedges
- Long-term fixed priced purchases

Other Component

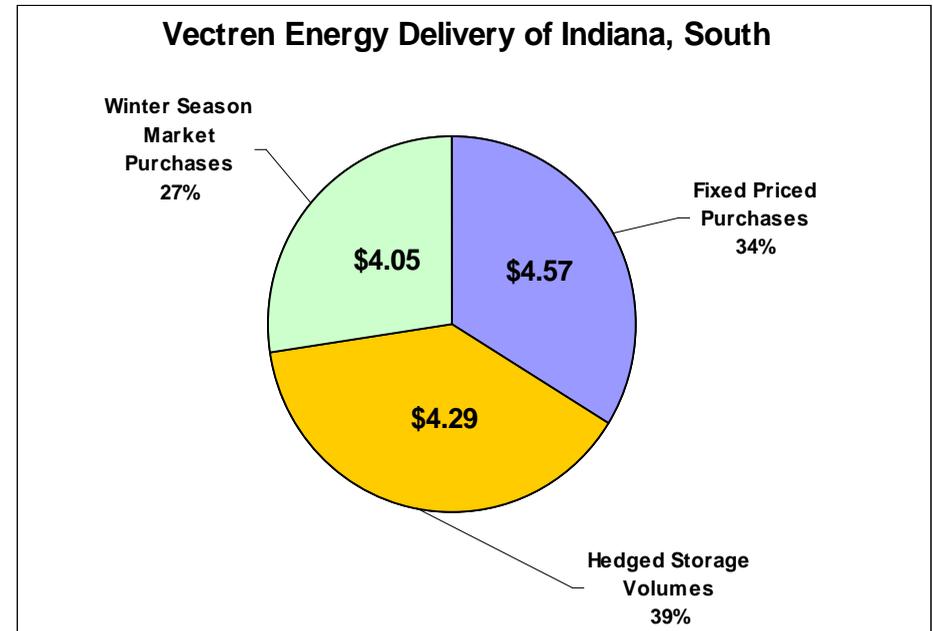
- Market purchases in month of delivery

Supply Pricing for November 2011 – March 2012 Deliveries

Vectren North



Vectren South



Vectren North

Vectren South

Commodity Cost per dth

\$4.03

\$4.26

Demand Cost per dth

\$0.96

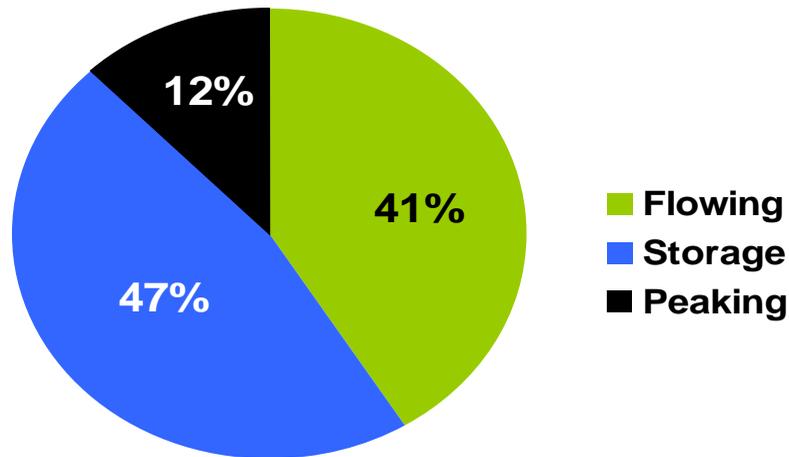
\$0.62

Total Cost per dth

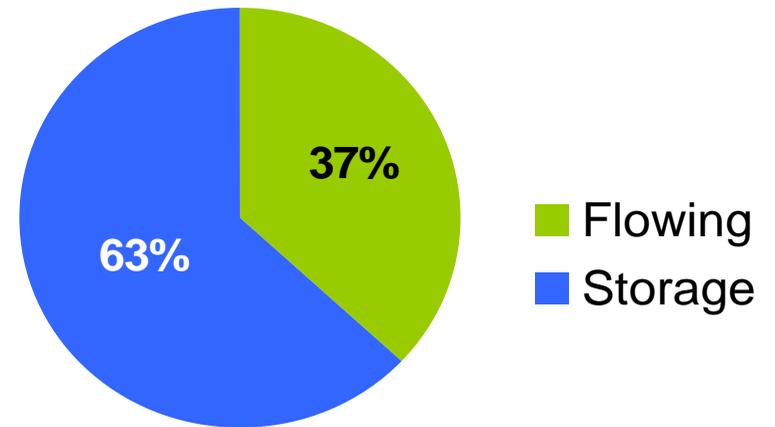
\$4.99

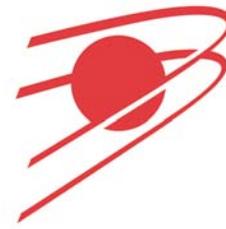
\$4.88

Vectren North Peak Day Supply



Vectren South Peak Day Supply





VECTREN
Live Smart

Customer Communications & Solutions to Manage Bills



Projections released Oct. 12

- Vectren North – Flat
 - 5-month bill averages \$560 to \$580
- Vectren South – 2% - 4% decrease
 - 5-month bill averages \$430 to \$450

Key messages

- Continued lower gas prices are helping ease winter bills
- Customers should still focus on lowering usage by being energy efficient
- Many remain challenged to pay; reach out to Vectren before you get behind

Budget Bill – Vectren enrollment has remained steady

- 9% of South customers
- 19% of North customers
 - Vectren’s peers in the mid-sized category average 21%

- Levels the annual estimated bill throughout the year, removing seasonal highs and lows

- At the end of the Budget Bill cycle (recalculation occurs early summer), there is no “true up” balance due
 - The debit/credit balance is amortized into the next year’s Budget Bill
 - Mid-term adjustments if needed

- If the customer fails to make a budget payment, the account is removed from Budget Bill and the full account balance becomes due
 - The customer may return to Budget Bill at any time the account balance is “zero”

Conservation Connection program highlights for 2011

- In 5th year of the initial 5-year program
 - Through 4.5 years: Saved approximately 25 million therms of natural gas, which is enough to heat 30,000 homes annually.
- Achieved 5-year therm savings goal in 4 years
- Program extended for another 4 years in August

Home weatherization through Conservation Connection

- Will/have weatherize(d) 220 homes; energy savings of 350 therms per home
- New: Vectren South program will integrate with Vectren South electric program

Rental (apartments) direct install

- Direct installation of water heating measures
- Completed more than 20,000 units

Conservation Connection call center

- Offers energy efficiency tips and services to all customers
- Handled nearly 75,000 calls from Indiana customers since 2007

Officer devoted to Community Sustainability

- Focused on revitalizing hardest hit communities and emphasis on low-income program enhancements

Universal Service Program (USP) (at or below 150% of the Federal poverty level)

- Provided \$3,367,000 (exclusive of the crisis hardship fund) to 27,500 customers in 2010/2011
 - Emergency filing recently made with IURC for extension of USP

USP Crisis/Hardship Fund (at or below 200% of the Federal poverty level)

- Provides assistance for customers connecting or maintaining service with past due balances
- Distributed \$433,000 assistance to nearly 2,300 customers in 2010/2011

Increased outreach through Vectren community round tables for providers of customer assistance and related stakeholder groups

- 37 roundtables held in 19 counties January through September 2011
- Additional Community Connect events and health fairs providing direct contact with low income customers

Increased and efficient access to service

- Implemented seasonal Saturday call center hours in October (now underway)
 - Piloted a March/April 2010 session; not enough call volume
- Additional call routing to a specialized service group of service specialists handling payment arrangements and reconnections
 - Nearly 200,000 calls handled since introducing in March 2010

Reduced deposits for LIHEAP- eligible customers in need of reconnection

- \$50 per meter

LIHEAP-eligible customers will be provided the opportunity to pay defaulted payment arrangement amounts to avoid disconnection

Special extended payment arrangements will be offered to LIHEAP eligible customers to avoid disconnection

- In addition to offering standard payment arrangements, customers contacting Vectren who have received LIHEAP and have a past due balance will be offered a payment arrangement that will extend the balance through September 2012

Aggressive LIHEAP advocacy efforts

- Multiple visits with congressional representatives
 - united as an industry
 - independently as Vectren
- Signatory on numerous trade association letters
- Chairman correspondence directly to Indiana delegation
- Coordinate letters with Indiana delegation supporting funding amounts
- Indiana Utility Shareholders Association – working to mobilize shareholders
- Vectren employees to write their elected officials

LIHEAP impact on Vectren Energy Delivery Customers

	# LIHEAP Customers	LIHEAP Benefit (in millions)	Average Bill Amount (Nov-Mar)	Weighted Average GCA (Nov-Mar)	Federal LIHEAP Budget (in billions)
2009	35,000	\$12.8	\$755	\$8.90/Dth	\$5.1
2010	34,000	\$12.5	\$514	\$5.66/Dth	\$5.1
2011	29,000	\$11.7	\$499	\$5.51/Dth	\$4.7
2012 Projections	24,000	\$5.6	\$495	\$4.94/Dth	\$2.5 to \$3.6

- Funding challenges come in the form of timing of Federal dollars (disruption due to budget contingency funding) and fluctuating funding amounts

2010 Economic Stress Index – developed to focus and prioritize engagement with hard hit communities in service territory

Hardest hit segment profile

- Homes valued around \$50,000 or below
- Per capita income approx. \$13,000
- Home vacancy rates of nearly 20% or higher
- Utility disconnect notices avg. 2.5 per premise
- Homes receiving over \$150 in energy assistance (HEAP, EAP, USF, etc.) since January 2009

Operating Area -City, State	% of active prems with high index score
Terre Haute, IN	67%
Marion, IN	30%
Muncie, IN	15%
Evansville, IN	15%
Anderson, IN	11%

Initiatives launched in Evansville and Marion

- Evansville neighborhood revitalization effort
 - Vectren led weatherization effort with Office of Energy Development grant, neighborhood association, Habitat for Humanity and faith-based community – nearly 80 homes complete, 200+ volunteers investing over 1,300 hours

Marion neighborhood revitalization effort

- Vectren is the catalyst leading stakeholders in the community to focus on a hard hit area of the city to drive deep sustainable change
- Weatherization planning is underway

Expansion of Vectren's Share the Warmth Program

- Dollars donated to weatherize homes
 - Indiana customer solicitation
 - Employee contribution via payroll deduction
 - Vendor solicitation
 - \$200,000 matching dollars available

Sponsoring/enabling poverty minimization programs

- Bridges out of Poverty - Vectren is a certified trainer
 - One day training and poverty simulators held in Evansville and Lafayette
 - Assisting faith based organizations in Crawfordsville initiating Bridges Out of Poverty model
 - Assisting various social service agencies and community leaders in Richmond with poverty simulator initiative
- Circles™ - Vectren is a funder of the Evansville initiative, coalition member and provides mentors

Continue outreach and promotion of Vectren's speakers bureau

- Increased resources to further broaden the program's reach (winter 2010-2011)
- Reached 950 people through 40 presentations (winter 2010-2011)
- Reached 1,430 people through 58 presentations (winter 2009-2010)

Ensures service for LIHEAP recipients during the coldest months of the year

- Minimizes the risk of a LIHEAP recipient choosing potentially unsafe alternative heating method versus retention of safe, reliable delivery of natural gas

Often creates a backlog of disconnections in the spring

- Field and customer service staff prepare for:
 - Increased call volume
 - Increased service orders

Company carries balance for customers not paying due to moratorium

- Non-paying customers have high balance when moratorium ends
- Leads to higher total of bad debt
 - Vectren, Citizen's & NIPSCO have Universal Service Program offering discounts on monthly billed charges which makes payments more affordable



VECTREN
Live Smart

Pipeline Safety Initiatives & Public Outreach



Transmission Integrity Management

➤ 820 Miles of Transmission Pipelines in Indiana

- Generally rural system - 60 miles within areas of high population density requiring assessment as part of the Integrity Management Program

➤ Conservative Approach to applying IM Pipeline Safety Regulations

- Assessing pipelines ahead of 2012 deadline
- Repair all identified anomalies, including the replacement of two transmission pipelines
- Processes applied to all transmission lines (not just those in highly populated areas)
 - Assessing more mileage than required through the implementation of in-line inspection technology in areas of high population density
 - Proactive improvements to transmission regulator stations including security, painting and corrosion protection
 - Implemented monthly aerial patrols and encroachment management program on 100% of transmission pipeline mileage to protect pipelines from third party damage

➤ Extensive Data Collection and Record Keeping Effort

- Completed thorough records collection effort on all transmission pipelines
- Completed field activities to gather material specifications
- GPS surveys of 100% of transmission pipeline mileage

Bare Steel & Cast Iron Replacement Program

- Have retired 110 Miles of bare steel or cast iron main infrastructure
- Reduced system leakage
- Reduced customer interruptions
- Invested in communities throughout Indiana

Public Awareness Program

- Educating our key stakeholders on pipeline safety and natural gas awareness
- Conducting meetings with excavators and emergency responders
- Using mass media to communicate with the general public
- Targeting communications to customers and property owners
- Reaching children (and parents) through school programs
- Educating employees through newsletters, training and intranet postings
- National and state involvement on damage prevention initiatives
- Completed a successful federal and state audit of the program

Emergency Preparedness

- Regularly conduct mock emergencies to exercise and demonstrate emergency preparedness and response
- Natural gas emergency response plan
- Earthquake response plan
- Disaster recovery plan
- Performance metrics on emergency response
- Involvement in national, state and local emergency response activities

- Vectren's gas purchasing strategy continues to mitigate volatility
- Continued lower gas prices – spurred by shale gas - have sent bills to lows not seen in nearly a decade
- We are prepared to aid customers who find themselves challenged to pay
 - Preparing for LIHEAP cuts
 - Understand the economic recession continues
 - Providing support to a growing number of Hoosiers living in poverty
- Pipeline safety and public awareness remain a priority; and we're prepared for new federal mandates

Questions?

