

VECTREN CORPORATION
REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management committee (“**Audit committee**”) oversees the Company’s financial reporting process on behalf of the full Board. The Audit committee currently consists of five members, who each satisfy the “independence” standard established by the full Board, as well as the independence requirements contained in the Corporate Governance Listing Standards of the NYSE. The Audit committee met five times during the past fiscal year.

Scope of Responsibilities

The Audit committee operates under a written Audit and Risk Management Committee Charter containing provisions that address requirements imposed by the SEC and the NYSE. That charter is posted on the Company’s website at www.vectren.com. The Audit committee’s responsibilities include the authority and the responsibility of:

- Overseeing the integrity of the Company’s financial statements;
- Overseeing the Company’s compliance with legal requirements;
- Overseeing the independent registered public accounting firm’s qualifications and independence;
- Overseeing the performance of the Company’s internal audit function and independent registered public accountant;
- Overseeing the Company’s system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board have established; and
- Overseeing the Company’s practices and processes relating to risk assessment and risk management.

2008 Accomplishments

In fulfilling its oversight responsibilities, the Audit committee reviewed and discussed with management and the independent registered public accounting firm the financial statements and report of management on the effectiveness of internal control over financial reporting included in the Annual Report on Form 10-K. The Audit committee also received reports from management with respect to each of the Company’s Quarterly Reports on Form 10-Q and reviewed drafts of the Company’s earnings releases prior to public dissemination.

Richard W. Shymanski continued to serve the Audit committee as the designated “financial expert,” as previously determined by the Board of Directors. In addition, Michael L. Smith also is a designated “financial expert.” These designations were reviewed and approved by the Nominating and Corporate Governance committee and confirmed by the Board of Directors.

The Audit committee reviewed with the independent registered public accounting firm its judgments as to the quality and the acceptability of the Company’s financial reporting and such other matters as are required to be discussed with the Audit committee under generally accepted auditing standards.

In addition, the Audit committee has discussed with the independent registered public accounting firm its independence from management and the Company, including the matters in such firm’s written disclosures made to the Audit committee pursuant to the requirements of the Independence Standards Board.

The Audit committee also discussed with the Company’s internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit committee meets periodically with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of the examinations, their evaluations of the Company’s internal controls, and the overall quality of the Company’s financial reporting.

During the year, the Audit committee administered the Company’s policy to govern when and under what circumstances the Company can engage its independent registered public accounting firm to provide non-audit related services.

During the year, the Audit committee received regular reports regarding risk management issues arising from the Company’s business. As part of this process, management periodically provided presentations to the Audit committee regarding the matters considered by the Company’s risk management committee. In addition, the Audit committee oversaw an extensive strategic risk assessment project that was undertaken by management with assistance from an external advisor. The results of this effort were ultimately shared with the full Board as part of the ongoing reporting to the Board by the Audit committee.

During the year, the Audit committee received reports from the Company's legal counsel with respect to litigation, claims and other legal matters potentially affecting the Company.

During the year, the Audit committee was involved in monitoring the efforts undertaken by management to document, test and evaluate the Company's system of internal controls over financial reporting in response to the certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

In early 2008, the Audit committee reviewed and approved the Internal Audit department work plan for activities to be undertaken by the department during 2008.

The Audit committee has discussed with Deloitte & Touche LLP the matters required to be discussed by the Statement of Auditing Standards No. 61 (Codifications of Statements on Auditing Standards, AU380), as amended, as adopted by the Public Company Accounting Oversight Board. The Audit committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit committee concerning independence, and has discussed with Deloitte & Touche LLP their independence.

Corporate Code of Conduct

As provided for in its charter, the Audit committee is responsible for establishing, reviewing and updating periodically a Corporate Code of Conduct ("**Code**") and ensuring that management has established a system to enforce this Code. This includes ensuring that the Code is in compliance with all applicable rules and regulations. Additionally, processes have been outlined within the Code that provides the ability to directly contact the Chair of the Audit Committee with issues arising under the Code. A copy of the Code is posted on the Company's website at www.vectren.com. The Audit committee reviews management's monitoring of the Company's compliance with the Code, and ensures that management has the proper review system in place to provide that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements. The Audit committee also confirmed, with assistance from the Internal Audit department, that during 2008 the members of the Board have complied with the Code.

Risk Management

As provided for in its charter, throughout the year the Audit committee received and reviewed reports from management regarding enterprise risk issues affecting the company and considered by management's risk management committee. This included a comprehensive and regular review of numerous business matters that present potential risks for the company.

Sarbanes-Oxley Section 404 Compliance

Throughout the year the Audit committee received and reviewed reports from the director of Internal Audit regarding the company's ongoing compliance with Sarbanes-Oxley Section 404. The Audit committee also received reports on this subject from the company's chief financial officer and chief accounting officer, as well as commentary from the company's independent registered public accounting firm with respect to the company's compliance.

Delineation of Responsibilities Between Management, the Independent Registered Public Accounting Firm, and the Audit Committee

Management is responsible for the Company's financial reporting process, including its system of internal controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; establishing and maintaining disclosure controls and procedures; establishing and maintaining internal controls over financial reporting; evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal controls over financial reporting; and evaluating any change in internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

The Company's independent registered public accounting firm is responsible for auditing the financial statements prepared by management and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America, as well as expressing an opinion on the effectiveness of internal controls over financial reporting.

The Audit committee's responsibility is to monitor and review the processes performed by management and the independent registered public accounting firm. It is not the Audit committee's duty or responsibility to conduct auditing or accounting reviews or

procedures. The Audit committee members are not employees of the Company. Therefore, the Audit committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the representations of the independent registered public accounting firm included in its report on the Company's financial statements. Furthermore, the Audit committee's considerations and discussions with management and the independent registered public accounting firm concerning the Company's audited and unaudited financial statements, internal controls and related matters do not assure that the Company's financial statements are presented in accordance with generally accepted accounting principles, that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's independent registered public accounting firm is in fact "independent."

2008 Form 10-K

In reliance on the reviews and discussions referred to above, the Audit committee recommended to the full Board that the audited consolidated financial statements of the Company and its subsidiaries for 2008 be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the SEC.

A copy of the Company's 10-K is available without charge upon request. Send your request to:

Attn: Investor Relations
Vectren Corporation
P.O. Box 209
Evansville, IN 47702-0209
vvcir@vectren.com

Reappointment of Deloitte & Touche LLP ("Deloitte")

The Audit committee considered and has recommended to the full Board that Deloitte be reappointed as the Company's independent registered public accounting firm for fiscal year 2009. That recommendation calls for the reappointment to be subject to ratification by the shareholders of the Company at the 2009 Annual Meeting.

Annual Committee Charter Review and Performance Evaluation

As required by the Audit committee's charter, in late 2008 the committee reviewed the charter and determined that its provisions, as amended, remain appropriate. Also, as required by the Audit committee's charter, the committee conducted an annual performance evaluation, the results of which have been discussed among the committee members.

Commitment

The Audit committee is committed to ensuring that the Company implements and follows necessary and appropriate financial reporting processes. The Audit committee anticipates meeting at least quarterly throughout 2009.

Audit and Risk Management Committee

Richard W. Shymanski, *Chair*,
John D. Engelbrecht,
Richard P. Rechter,
Michael L. Smith, and
Jean L. Wojtowicz