

VECTREN CORPORATION
REPORT OF THE CORPORATE AFFAIRS COMMITTEE

The Corporate Affairs committee is primarily responsible for ensuring the discharge of the Board's duties relating to the Company's policies, practices and procedures as a responsible corporate citizen. The Corporate Affairs committee consists of five members and is composed entirely of non-employee directors. The Corporate Affairs committee met three times during the past fiscal year.

Scope of Responsibilities

The Corporate Affairs committee's responsibilities are set forth in its charter, which is posted on the Company's website at www.vectren.com. Those responsibilities include:

- Overseeing policies, practices and procedures relating to business practices, including compliance with applicable laws and regulations;
- Overseeing policies, practices and procedures relating to public communications with key stakeholders, other than the financial community;
- Overseeing policies, practices and procedures relating to community relations, including charitable contributions and community affairs;
- Overseeing policies, practices and procedures relating to customer relations, including customer satisfaction and quality of customer service;
- Overseeing policies, practices and procedures relating to employer practices and procedures, including the Company's objective of being an employer of choice, the attainment of workforce diversity, and compliance with employment related laws, regulations and policies and the promotion of a culture of safety; and
- Overseeing policies, practices and procedures relating to environmental compliance and stewardship, including adherence to environment related laws and regulations.

2008 Accomplishments

The Corporate Affairs committee considered several matters during the year. Management presentations were provided regarding the Company's relationships with its customers, including the ongoing measurement of customer satisfaction which is used by the Compensation and Benefits committee as a performance metric under the Company's At Risk Compensation Plan ("At Risk Plan"). That performance metric is discussed further at pages 30-31 of this Proxy Statement.

The Corporate Affairs committee considered how the Company communicates with its customers, including with respect to topics such as customers' energy conservation and the impacts of high natural gas prices. As part of this dialogue, presentations were provided by management regarding the Company's programs supporting customer conservation, the roll out of the Company's new "Live Smart" tag line, and also with respect to the measures employed to assist customers in paying their utility bills.

The Corporate Affairs committee monitored the activities of the Vectren Foundation. This monitoring included receiving regular reports regarding the foundation's activities in the Company's operating areas. The committee also provided input regarding the design of a director charitable contribution matching program prior to the program being submitted to the Nominating and Corporate Governance committee and the full Board for review and approval.

The Company's safety performance was monitored by the Corporate Affairs committee. Considerable attention was given to vehicular safety training, the company's safety focus through communications to employees, as well as efforts that can and should be implemented to minimize workplace accidents and injuries. Safety performance is also used by the Compensation and Benefits committee as a metric in establishing annual payment awards under the existing At Risk Plan. That performance metric is discussed further at pages 30-31 of this Proxy Statement.

The Corporate Affairs committee monitored the Company's employment practices, including the preparation for negotiations of a new labor contract at one of the Company's operating utilities and the Company's continuing diversity efforts. These reports included a review of the Company's workforce diversity, as well as the Company's focus on its supplier diversity program.

The Company's environmental compliance and stewardship were considered at each meeting of the Corporate Affairs committee. Presentations were provided with respect to various environmental initiatives being undertaken by the Company, including manufactured gas plant remediation, initiatives pertaining to greenhouse gases, and potential changes in emission regulation.

Finally, legislative matters that are of importance to the Company at the federal level, as well as in Indiana and Ohio, were reviewed and discussed with the Corporate Affairs committee. In particular, the Company reported on potential legislation related to minimum energy requirements from renewable projects. The Company's interest in various elections at the state and federal level were also discussed with the committee.

Annual Committee Charter Review and Performance Evaluation

As required by the Corporate Affairs committee's charter, in late 2008 the committee reviewed its charter and determined that no modifications were necessary or advisable at this time. Also, as required by the Corporate Affairs committee's charter, the committee conducted an annual performance evaluation, the results of which will be discussed by the committee at the next regularly scheduled meeting.

Commitment

The Corporate Affairs committee is committed to ensuring that the Company conducts its operations consistent with being a good corporate citizen. The Corporate Affairs committee anticipates meeting at least three times in 2009 to continue to focus on the matters set forth in its charter.

Corporate Affairs Committee

William G. Mays, *Chair*,
John M. Dunn,
Martin C. Jischke,
Richard P. Rechter, and
R. Daniel Sadlier