



## REPORT OF THE FINANCE COMMITTEE

The Finance committee is primarily responsible for ensuring the discharge of the Board's duties relating to the financing activities of the Company's regulated and non-regulated businesses. The Finance committee consists of five members, four of whom are non-employee directors. The fifth member and chair of the Finance committee is Niel C. Ellerbrook, Chair of the Board and Chief Executive Officer. The Finance committee met four times during the last fiscal year.

### Scope of Responsibilities

The Finance committee's responsibilities are set forth in its charter, which is attached to this proxy statement as *Appendix E* and is also posted on the Company's website at [www.vectren.com](http://www.vectren.com). Those responsibilities include:

- Acting within parameters established by the full Board with respect to financing activities of the Company, including, as necessary or advisable, financing activities of one or more of its subsidiaries or affiliates; and
- Acting on behalf of the full Board in limited instances where it is impracticable for the full Board to meet and take action, and only within parameters prescribed and delegated by the full Board.

### 2007 Accomplishments

Early in 2007 the Company executed a common stock offering. As part of the offering, the Company entered an equity forward transaction whereby borrowed shares were utilized by the underwriters to fulfill the sale. The equity forward must be settled prior to February 29, 2009 and the Company currently expects to settle the equity forward by delivering shares and receiving the proceeds. The Finance committee was involved with the review and final approval of these transactions pursuant to a specific delegation of authority from the full Board. In the course of the review and approval of the offering, the committee received a number of presentations from management, as well as the external advisors that were engaged by the Company to assist with the transaction.

In the spring of 2007, the Finance committee reviewed and approved updates to the Company's 2007 financing plans. As part of this action, the committee received presentations from management regarding the Company's credit ratings and capitalization ratios, as well as the forms of financing instruments that are available to the Company to effectuate its financing requirements. In the summer of 2007, several members of the Finance committee accompanied management to meet with representatives of Moody's, Inc. and Standard and Poor's, the two entities that rate the debt issued by the Company's subsidiaries.

In the fall of 2007, the Finance committee reviewed and approved additional updates to the Company's 2007 financing plans and approved the Company's 2008 financing plans. As part of this process, the committee reviewed the existing and planned debt issuances, the implications of the financing plans on the Company's existing credit ratings and capitalization ratios, and the available forms of financing instruments that can be used to effectuate the transactions. The committee also reviewed the Company's Dividend Reinvestment Plan and reviewed a report from management regarding the proposed 2007/2008 common stock dividend policy.

### Annual Committee Charter Review and Performance Evaluation

As required by the Finance committee's charter, in early 2008 the committee reviewed the charter and determined that no changes were necessary or advisable at this time. Also, as required by the Finance committee's charter, the committee has conducted an annual performance evaluation; the results of which have been discussed with the committee.

### Commitment

The Finance committee is committed to overseeing the financing activities of the Company on behalf of the full Board and, in limited circumstances, to act on behalf of the Board when delegated authority to respond to certain circumstances. The Finance committee anticipates meeting at least three times in 2008 to continue to focus on the matters set forth in its charter.

Finance Committee

Niel C. Ellerbrook, *Chair*,  
John D. Engelbrecht,  
Robert L. Koch II,  
J. Timothy McGinley, and  
R. Daniel Sadlier

