

VECTREN CORPORATION
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 three times during the last fiscal year.

Scope of Responsibilities

The Finance committee's responsibilities are set forth in its charter, which is posted on the Company's website at 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 not practical for the full Board to meet and take action and only within parameters prescribed and delegated by the full Board.

2008 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 was required to be settled prior to February 29, 2009, and in fact was physically settled on June 27, 2008, by delivering 4.6 million shares of Vectren's common stock in exchange for \$124.9 million of cash proceeds.

In the spring of 2008, the Finance committee reviewed and approved updates to the Company's 2008 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 addition, the Committee reviewed the details of Vectren Utility Holdings, Inc.'s issuance of \$125 million of unsecured long-term debt for 31 years at an interest rate of 6.25% that was completed in March 2008 and the remarketing of 3 issues of SIGECO's tax exempt debt totaling \$62 million that was also completed in March 2008. The interest rate of this SIGECO debt had previously been set weekly in the auction rate market, prior to the market's collapse in February 2008. In March, the interest rate on the 3 SIGECO tax exempt debt issues was fixed to maturity at interest rates of 5.15%, 5.35% and 5.45%.

In the fall of 2008, members of the committee also met, together with management, with various members of the financial community including, among others, representatives of the company's banks and of a credit rating agency. Also in the fall of 2008 the committee reviewed and approved additional updates to the Company's 2008 financing plans and approved the Company's 2009 financing plans. As part of this process, the committee reviewed the extraordinary difficulties in the financial markets, the banking system in the United States and world economy, the Company's existing and planned debt issuances, the implications for the Company's existing credit ratings and capitalization ratios, the ability to maintain financial flexibility and liquidity in the face of challenging market conditions, 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 2008/2009 common stock dividend policy.

Annual Committee Charter Review and Performance Evaluation

As required by the Finance committee's charter, in early 2009 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 will be discussed with the committee at its next meeting.

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 two times in 2009 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