



**VECTREN CORPORATION COMPENSATION AND BENEFITS COMMITTEE
CONSULTANT ENGAGEMENT POLICY
Adopted February 14, 2011**

I. PURPOSE AND APPLICABILITY

The Compensation and Benefits Committee (Committee) of the Board of Directors (Board) of Vectren Corporation (Company) discharges the responsibility of the Board relating to the establishment of total compensation of the Company's executive officers and such other senior executives as the Committee may determine (collectively, management) and related matters. Pursuant to its charter, the Committee is empowered, without management approval, to secure the services of one or more independent advisors and consultants (singularly Consultant and collectively Consultants) to provide such advice and assistance, as the Committee deems necessary or advisable. For purposes of this policy, the Consultant shall include the individual or individuals who perform the services, as well as the firm or entity that employs them.

The Committee is directly responsible for the appointment, compensation and oversight of the work of the Consultants and shall have the sole authority to approve such the Consultants' fees and terms of engagement. The purpose of this policy is to ensure that the Consultants engaged by the Committee are independent of the Company and its management.

II. CONSULTANT INDEPENDENCE

The Consultants retained by the Committee shall be independent. The Committee using its reasonable business judgment shall determine "independence" for purposes of this policy. The Committee will also consider and comply with the "independence" requirements prescribed by the Dodd-Frank Wall Street Reform and Consumer Protection Act, including any related regulations and regulatory pronouncements pursuant to that act (collectively, Dodd-Frank Act). In exercising their reasonable business judgment in determining whether a Consultant is independent, the Committee shall consider all of the relevant facts and circumstances, including the following:

- (1) The amount of fees received from the Company by the Consultant, as a percentage of the total revenues of the Consultant;
- (2) Whether and to what extent the Consultant provides services to the Company other than the services that are requested by the Committee;
- (3) The policies and procedures of the Consultant that are designed to prevent conflicts of interest;
- (4) Any business or personal relationship of the Consultant with a member of the Committee; and
- (5) Any stock of the Company owned by the Consultant.

Before engaging a Consultant, the Committee shall confirm that the Consultant is "independent" within the meaning of this policy. Prior to the re-engagement of a Consultant the Committee will reconfirm their "independence." If at anytime during the course of the engagement of a Consultant circumstances develop that cause the Consultant to no longer be "independent" within the meaning of this policy, the Consultant shall immediately provide written notice of that development to the Chair of the Committee, together with a proposal to cure that deficiency within a reasonable period of time. Upon receipt of that notice, the Chair of

the Committee will promptly advise the balance of the Committee and management of the Company. If the Consultant fails or is unable to cure the circumstances which have caused them to no longer be independent within a time frame that is satisfactory to the Committee, then their engagement shall be terminated.

In adopting this policy, the Committee acknowledges that the Securities and Exchange Commission (SEC) has yet to release its final guidance regarding this subject under the Dodd-Frank Act. Following the receipt and consideration of that guidance, the Committee will revise this policy, if necessary or advisable, to conform to that action.

III. OVERSIGHT OF COMPENSATION CONSULTANTS

The Consultant will report to the Chair of the Committee. Except as provided in Section V, which relates to the Nominating and Corporate Governance committee, the Consultant will not provide services for the Company other than in accordance with the prior approval, and under the direction and supervision, of the Chair of the Committee.

IV. ENGAGEMENT LETTERS WITH COMPENSATION CONSULTANTS

On and after the effective date of this policy, all engagement letters entered into between the Committee and each Consultant will incorporate the terms of this policy as conditions of that engagement. For existing engagements, each Consultant will be required to execute a written acknowledgement of this policy and a commitment to comply with the terms herein.

V. CONSULTANT INVOICES

On and after the effective date of this policy, all invoices incurred pursuant to the engagements will be reviewed and approved by the Chair of the Committee. The Company will process the payment of those invoices following the receipt of the approval from the Chair.

VI. CORPORATE GOVERNANCE COMMITTEE

In the event the Consultant provides services relating to director compensation for the Nominating and Corporate Governance committee, those services will be performed under a separate engagement letter with that committee.

VII. DISCLOSURE

In conformity with applicable legal and regulatory requirements, the Company shall make all required disclosures with respect to the Consultants.