



2008 3rd Quarter
Earnings Conference Call
October 31, 2008 – 2:00 p.m. EDT

Hosted by:

Niel Ellerbrook – Chairman and CEO

Carl Chapman – President and COO

Jerry Benkert – EVP and CFO

Ron Christian – EVP, General Counsel and Secretary

Robert Goocher - VP and Treasurer

Steve Schein - VP, Investor Relations

Forward-Looking Statements



A "safe harbor" for forward-looking statements is provided by the Private Securities Litigation Reform Act of 1995 (Reform Act of 1995). The Reform Act of 1995 was adopted to encourage such forward-looking statements without the threat of litigation, provided those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Certain matters described in Management's Discussion and Analysis of Results of Operations and Financial Condition are forward-looking statements. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management. When used in this filing, the words "believe", "anticipate", "endeavor", "estimate", "expect", "objective", "projection", "forecast", "goal" and similar expressions are intended to identify forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause the Company's actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unusual maintenance or repairs; unanticipated changes to fossil fuel costs; unanticipated changes to gas transportation and storage costs, or availability due to higher demand, shortages, transportation problems or other developments; environmental or pipeline incidents; transmission or distribution incidents; unanticipated changes to electric energy supply costs, or availability due to demand, shortages, transmission problems or other developments; or electric transmission or gas pipeline system constraints.
- Increased competition in the energy industry, including the effects of industry restructuring and unbundling.
- Regulatory factors such as unanticipated changes in rate-setting policies or procedures, recovery of investments and costs made under traditional regulation, and the frequency and timing of rate increases.
- Financial, regulatory or accounting principles or policies imposed by the Financial Accounting Standards Board; the Securities and Exchange Commission; the Federal Energy Regulatory Commission; state public utility commissions; state entities which regulate electric and natural gas transmission and distribution, natural gas gathering and processing, electric power supply; and similar entities with regulatory oversight.
- Economic conditions including the effects of an economic downturn, inflation rates, commodity prices, and monetary fluctuations.
- Increased natural gas commodity prices and the potential impact on customer consumption, uncollectible accounts expense, unaccounted for gas and interest expense.
- Changing market conditions and a variety of other factors associated with physical energy and financial trading activities including, but not limited to, price, basis, credit, liquidity, volatility, capacity, interest rate, and warranty risks.
- The performance of projects undertaken by the Company's nonutility businesses and the success of efforts to invest in and develop new opportunities, including but not limited to, the realization of synfuel income tax credits and the Company's coal mining, gas marketing, and energy infrastructure strategies.
- Direct or indirect effects on the Company's business, financial condition, liquidity and results of operations resulting from changes in credit ratings, changes in interest rates, and/or changes in market perceptions of the utility industry and other energy-related industries.
- Employee or contractor workforce factors including changes in key executives, collective bargaining agreements with union employees, aging workforce issues, or work stoppages.
- Legal and regulatory delays and other obstacles associated with mergers, acquisitions and investments in joint ventures.
- Costs, fines, penalties and other effects of legal and administrative proceedings, settlements, investigations, claims, including, but not limited to, such matters involving compliance with state and federal laws and interpretations of these laws.
- Changes in or additions to federal, state or local legislative requirements, such as changes in or additions to tax laws or rates, environmental laws, including laws governing greenhouse gases, mandates of sources of renewable energy, and other regulations.

More detailed information about these factors is set forth in Vectren's filings with the Securities and Exchange Commission, including Vectren's annual report on Form 10-K filed on February 20, 2008. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

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3rd Quarter 2008 Highlights



- 3rd Quarter earnings of \$0.29 per share, compared to \$0.18 per share in 2007 (exclusive of synfuels-related earnings of \$0.05 per share)
- YTD 2008 earnings of \$1.18 per share, compared to \$1.25 per share in 2007 (exclusive of synfuels-related earnings of \$0.11 per share)
- Adequate liquidity with credit facilities in place with quality partners
- Stable Utility results supported by appropriate rate design and rates
- ProLiance benefits from extreme market volatility and wider cash to NYMEX spreads to optimize assets
- Write-down of commercial real estate assets impacted by broad economic downturn
- Affirmed 2008 earnings guidance range of \$1.60 to \$1.75 per share
- Increased prices and growing production improve 2009 and later years outlook for Coal Mining
- Increased quarterly dividend 3.1% to \$0.335 per share

- Credit Ratings
 - Unsecured debt A-/Baa1 by S&P and Moody's – stable outlooks
 - Commercial paper A2/P2 by S&P and Moody's

- Utility Short-term Borrowing Capacity of \$520 million
 - \$345 million available at October 30
 - \$515 million 5-year facility expires November 2010 - 11 participating banks
 - \$5 million subsidiary credit line expires June 2009

- Nonutility Short-term Borrowing Capacity of \$385 million
 - \$95 million available at October 30
 - \$255 million facility expires November 2010 - 8 participating banks
 - \$120 million facility expires September 2009 – 7 participating banks
 - \$10 million subsidiary credit line expires May 2009

- ProLiance Stand-Alone \$400 million Credit Facility
 - \$307 million available at October 30
 - \$300 million annual commitment level with additional \$100 million surge Oct 1 to Mar 31
 - Facility expires June 2009 – 9 participating banks
 - Storage gas ~ 97% full with peak borrowing needs having been met

- Greater than 90% of 2008 sales to investment grade counterparties

- 2008 sales approaching \$2.8 billion with less than \$1.1 million of receivables over 30 days and write offs to date less than \$200,000

- ProLiance viewed as excellent trading partner and has received expansion of \$30 million trade credit in last 60 days

LTD Maturity Profile



- LTD outstanding - \$1.4 Billion
- Weighted average life – 14 years
- Effective interest rate – 6.4%
- 2009 - \$80 million one time investor put - August
- 2010 - \$10 million one time investor put – May
- 2010 - \$47.5 million maturity – Dec

Consolidated 3rd Quarter Results



<i>Amounts in millions except per share</i>	<u>3 Months Ended Sep 30</u>		<u>9 Months Ended Sep 30</u>	
	2008	2007	2008	2007
Utility Operations	\$ 13.6	\$ 10.7	\$ 80.4	\$ 69.6
Nonutility Group	9.8	3.1	12.1	25.1
Corporate & Other	(0.2)	(0.2)	(0.6)	0.2
Net Income (Excluding Synfuels)	\$ 23.2	\$ 13.6	\$ 91.9	\$ 94.9
Utility Operations	\$ 0.17	\$ 0.14	\$ 1.04	\$ 0.92
Nonutility Group	0.12	0.04	0.15	0.33
Corporate & Other	-	-	(0.01)	-
EPS (Excluding Synfuels)	\$ 0.29	\$ 0.18	\$ 1.18	\$ 1.25
Avg. Shares Outstanding	80.6	75.9	77.6	75.9

NOTE: 2007 was the last year for synfuel operations - synfuel-related results generated earnings of \$3.5 million or \$0.05 per share in the third quarter of 2007 and \$8.3 million or \$0.11 per share year to date in 2007.

- Improved YTD utility results were primarily due to impacts of regulatory initiatives, including base rate increases in Indiana service territories, and higher wholesale power sales
 - The increase was partially offset by higher operating costs related to increasing maintenance and reliability costs contemplated in the base rate cases and favorable weather in 2007
- Lower YTD nonutility results were primarily attributable to lower results from the primary nonutility operations and an impairment charge related to legacy commercial real estate investments within Other Businesses
 - Third quarter results were strong due to ProLiance and Energy Infrastructure Services

Utility EPS Reconciliation



	3 months	9 months
9/30/07	\$ 0.14	\$ 0.92
Weather - Ohio & Electric	(0.05)	(0.06)
Retail Margin	0.09	0.32
Wholesale Power Sales	0.03	0.05
O&M and Depreciation	(0.03)	(0.16)
Other	(0.01)	(0.03)
9/30/08	\$ 0.17	\$ 1.04

- 75% of Vectren's gas margins are weather normalized – the estimated impact of weather on margin to the Electric and Ohio territories not protected by weather normalization mechanisms was \$7.2 million unfavorable in the quarter and \$8.0 million unfavorable year to date as compared to the prior year.
 - Electric cooling weather near normal in 2008 compared to 2007 and approximately 27% warmer than normal
- Incremental margins associated with base rate increases were \$11.1 million for the quarter and \$39.1 million year to date as compared to the prior year. Costs in 2008 resulting from increased maintenance and other activities contemplated in rate cases totaled \$9.1 million in the quarter and \$25.6 million year over year.
- Wholesale power marketing margins increased \$6.4 million for the quarter and \$9.1 million year to date.
 - Margins from wholesale power sales retained by the company increased \$4.4 million in the quarter and \$5.9 million year to date due to the increase in off peak volumes available for sale off system, driven primarily by expiring municipal contracts, and increases in wholesale prices.
 - Higher quarterly and year to date transmission revenues of \$2.0 million and \$3.2 million, respectively were primarily due to the Company receiving returns on transmission projects from MISO beginning in June 2008

Nonutility EPS Reconciliation



	3 months	9 months	Net Income YTD (millions)
9/30/07(Excluding Synfuels)	\$ 0.04	\$ 0.33	
Energy Marketing and Services	0.15	(0.04)	\$ 12.4
Coal Mining	(0.01)	(0.06)	(1.6)
Energy Infrastructure Services	0.02	(0.01)	5.5
Other Businesses	(0.01)	-	1.7
Commercial Real Estate Impairment Charge	(0.07)	(0.07)	(5.9)
9/30/08	\$ 0.12	\$ 0.15	\$ 12.1

- Energy Marketing and Services – Lower year to date earnings reflect lower cash to NYMEX and summer/winter spreads in the wholesale gas markets, which reduced ProLiance’s ability to optimize storage and transportation resources. Record earnings in the third quarter 2008 reflect wider cash to NYMEX spreads.
- Coal Mining – Year to date declines were primarily due to lost production, increased roofing structure costs, and higher diesel fuel, somewhat offset by revenue increases. The quarter was also impacted by increased costs to enhance the BTU content of mined coal from the surface mine.
- Energy Infrastructure Services –Year to date results from Miller Pipeline and Energy Systems Group are slightly below 2007 record years and results for the quarter were strong.
- Impairment Charge – Year to date losses reflect impairment charges recorded in the 3rd quarter following the recent economic downturn impacting the value of legacy commercial real estate investments.

- Storage optimization is the primary driver of ProLiance earnings (includes arbitrage opportunities for price differences across time and location in physical and financial markets)
- Seasonal spreads (summer to winter and winter to summer)
 - Historically 20% to 50% of realized storage margins
 - YTD 2008 spreads less than historic levels
- Prompt month spreads or cash to NYMEX (today's physical market and next month's financial markets – relies on short-term market supply and demand imbalances, such as gas on gas competition)
 - Historically 40% to 70% of realized storage margins
 - Opportunistic with large upside potential with ProLiance positioned to benefit from volatility in spreads
- The third quarter 2008 had significant price volatility with the prompt NYMEX price trading from over \$13.00 to less than \$7.00 creating the opportunity for ProLiance to utilize a short term storage hedging strategies without exposing the storage book to open position risk
- Significant cash to NYMEX opportunities continued into October but overall price volatility has somewhat declined as NYMEX stabilized at lower price levels than in the third quarter
- As of September 30, storage was almost full and the seasonal spreads have not returned to historic levels impacting the fourth quarter storage optimization opportunity

- 2008 decline in results primarily due to lost production, increased roofing structure costs net of pass-throughs, higher diesel fuel, and lower BTU content
 - Prosperity costs increased ~ \$6 per ton with compliance of the MINER Act of 2006 and MSHA “Zero Roof Fall” initiatives in 2008
- Illinois Basin Coal (ILB) pricing remains strong with increasing demand and limited supply
- Vectren reserves total over 120 million tons, including the Oaktown mines
 - Development of Oaktown Mines on schedule – mine production May 2009
- Coal Mining production estimates - (millions of tons)

– 2009	4.6 to 5.2	100% priced
– 2010	6.0 to 6.3	85% priced
– 2011	7.7 to 8.3	35% priced
- 100% of 2009 production sold on term contracts
 - 1.0 million tons priced in 2007, 6-year contract with price re-opener after 2010
 - 3.0 million tons sold to Vectren’s utility - 6-year contracts signed with initial pricing over 2, 3 and 4 years
 - 0.6 to 1.2 million tons sold to third parties – 6-year contracts either signed or being finalized with initial pricing over 2 & 3 years
- 2009 estimated average margin of \$8 to \$12 per ton, pre-tax
- 2009 estimated overheads, including interest and corporate allocations, of \$2 to \$3 per ton, pre-tax

Vectren Enterprises - Investments in Other Businesses

<i>(in millions)</i>	Carrying Value Before Impairment	Impairment Charge	Carrying Value After Impairment
Commercial Real Estate Investments	\$ 29.9	\$ (8.9)	\$ 21.0
Leveraged Leases	17.2	-	17.2
Haddington Energy Partnerships	14.0	-	14.0
Affordable Housing Projects	10.8	-	10.8
Other Investments	11.0	(1.1)	9.9
	<u>\$ 82.9</u>	<u>\$ (10.0)</u>	<u>\$ 72.9</u>

Investment in Liberty Gas Storage



- Liberty Gas Storage, LLC (Liberty) – JV between ProLiance (25%) and Sempra Energy
 - High deliverability storage services projects utilizing multiple salt dome storage caverns in southern Louisiana (Sulphur and Hackberry)
 - Estimated 35 Bcf of working gas capacity once developed under current plans
 - ProLiance has a long term contract for approximately 5 Bcf at Sulphur
 - As of September 30, 2008, the total Sulphur project investment is estimated at \$200 million, with ProLiance's portion estimated at \$50 million
- Development at the Sulphur site delayed by subsurface and well-completion problems
- Possible impairment charges should ongoing corrective measures prove unsuccessful
 - Some portion of the investment would be used for development or operation of the Hackberry site
 - ProLiance's maximum estimated exposure at risk for the current investment is \$35 million (the Company's proportionate share of the investment would be \$21 million).
 - The Company believes that such a charge, should it occur, would not have a material adverse effect on its or ProLiance's financial position, cash flows, or liquidity, but it could be material to net income in any one accounting period.
 - Further, it is not expected that the delay in Liberty's development will impact ProLiance's ability to meet the needs of its customers

2008 Earnings Guidance



Earnings Per Share	2008 Guidance
Utility	\$ 1.46 to \$ 1.54
Nonutility	0.15 to 0.23
Corporate & Other	(0.02) to (0.01)
Vectren	\$ 1.60 to \$ 1.75

- Affirmed 2008 consolidated earnings guidance range of \$1.60 to \$1.75 per share
- Adequate liquidity with credit facilities in place with quality partners
- Stable utility results supported by appropriate rate design and rates
- Increased prices and growing production improve outlook for Coal Mining in 2009 and later years
- Increased quarterly dividend 3.1% to \$0.335 per share

These earnings expectations are based on normal weather in the company's electric business and Ohio gas territory for the remainder of 2008. Further, these earnings expectations assume no impairment charge related to the company's investment in Liberty Gas Storage. While the earnings expectation remains unchanged, further deterioration in the economy and credit markets beyond that currently anticipated could negatively impact results. Changes in these events or other circumstances, including economic conditions, could materially impact earnings and result in earnings for 2008 significantly above or below this guidance. These targeted ranges are subject to such factors discussed below under "Forward-Looking Statements."



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Appendix

2008 Nonutility Metrics



ProLiance Energy	3 months ended		9 months ended		Projected 2008	
	9/30/08	9/30/07	9/30/08	9/30/07		
Gross Margin	\$ 44.6	\$ 10.5	\$ 71.4	\$ 74.6	\$ 85.0	to \$ 100.0
Margin from Asset Optimization	94%	70%	86%	80%	83%	to 88%
EBITDA	\$ 36.9	\$ 1.1	\$ 49.4	\$ 52.5	\$ 52.0	to \$ 67.0
Vectren Net Income ⁽¹⁾	\$ 12.4	\$ (0.2)	\$ 15.7	\$ 17.6	\$ 15.0	to \$ 20.0
Firm Storage Capacity (Bcf) - End of Period	42	40	42	40	42	

\$ in millions

(1) Excludes holding company allocations

Mining Operations	3 months ended		9 months ended		Projected 2008	
	9/30/08	9/30/07	9/30/08	9/30/07		
Revenue	\$ 44.6	\$ 43.8	\$ 125.7	\$ 124.2	\$ 165.0	to \$ 170.0
Cost of Sales	\$ 44.8	\$ 42.8	\$ 126.1	\$ 118.4	\$ 167.0	to \$ 172.0
DD&A	\$ 3.5	\$ 4.6	\$ 11.8	\$ 13.3	\$ 15.5	to \$ 16.5
EBITDA	\$ 3.0	\$ 5.5	\$ 10.5	\$ 18.4	\$ 12.0	to \$ 14.0
Net Income ⁽¹⁾	\$ (0.4)	\$ 0.6	\$ (1.0)	\$ 3.3	\$ (2.5)	to \$ (1.5)
Tons Produced	0.9	1.0	2.6	3.2	3.4	to 3.6
Mine Yield - Prosperity	57%	60%	55%	60%	55%	to 57%
Mine Ratio - Cypress Creek	13:1	11:1	11:1	10:1	10:1	to 12:1
Avg Realized Price/Ton (w/o freight)	\$ 36.28	\$ 32.24	\$ 36.01	\$ 31.87	\$ 35.75	to \$ 36.25
Cost of Sales/Ton (w/o freight)	\$ 36.42	\$ 31.46	\$ 36.12	\$ 30.28	\$ 36.25	to \$ 36.75

\$ in millions, except per ton

(1) Excludes holding company allocations

2008 Nonutility Metrics



Miller Pipeline	3 months ended		9 months ended		Projected 2008	
	9/30/08	9/30/07	9/30/08	9/30/07		
Net Revenue	\$ 52.4	\$ 48.9	\$ 125.6	\$ 119.3	\$ 155.0 to	\$ 165.0
Gross Margin as % of Revenue	18%	20%	13%	16%	13% to	15%
EBITDA	\$ 8.5	\$ 9.3	\$ 14.5	\$ 17.6	\$ 19.0 to	\$ 21.0
Net Income ⁽¹⁾	\$ 3.3	\$ 3.7	\$ 3.6	\$ 4.8	\$ 5.0 to	\$ 6.0
<i>\$ in millions</i>						

(1) Excludes holding company allocations

Energy Systems Group	3 months ended		9 months ended		Projected 2008	
	6/30/08	6/30/07	6/30/08	6/30/07		
Revenue	\$ 35.1	\$ 43.1	\$ 77.6	\$ 91.7	\$ 110.0 to	\$ 120.0
Gross Margin as % of Revenue	28%	21%	26%	23%	25% to	27%
EBITDA	\$ 3.9	\$ 2.3	\$ 4.3	\$ 4.8	\$ 8.0 to	\$ 10.0
Net Income ⁽¹⁾	\$ 3.0	\$ 1.2	\$ 2.9	\$ 2.5	\$ 5.0 to	\$ 6.0
Backlog	\$ 54.5	\$ 64.4	\$ 54.5	\$ 64.4	\$ 50.0 to	\$ 60.0
New Performance Contracts	\$ 37.4	\$ 36.7	\$ 71.9	\$ 80.6	\$ 100.0 to	\$ 120.0
<i>\$ in millions</i>						

(1) Excludes holding company allocations