

Tough Questions

Honest Answers



Annual Shareholder's Meeting

Niel C. Ellerbrook, Chairman & CEO

May 14, 2008

Forward-looking statement

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 federal, state or local legislative requirements, such as changes in tax laws or rates, environmental laws, including laws governing greenhouse gases, mandates of sources of renewable energy, and other regulations.*

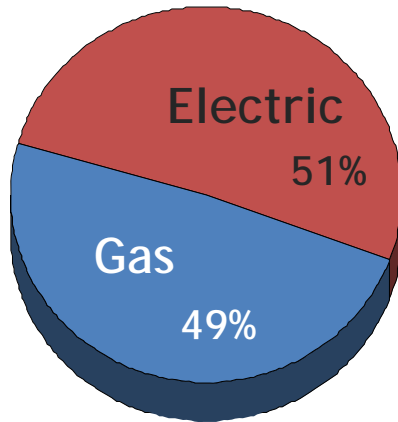
More detailed information about these factors is set forth in Vectren’s filings with the Securities and Exchange Commission, including Vectren’s annual report on Form 10-K filed on February 20, 2008. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether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

Agenda

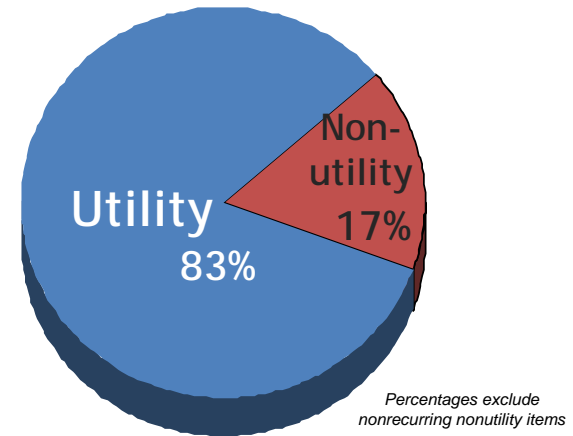
- Vectren today
- Financial review
- Energy industry outlook

Vectren today

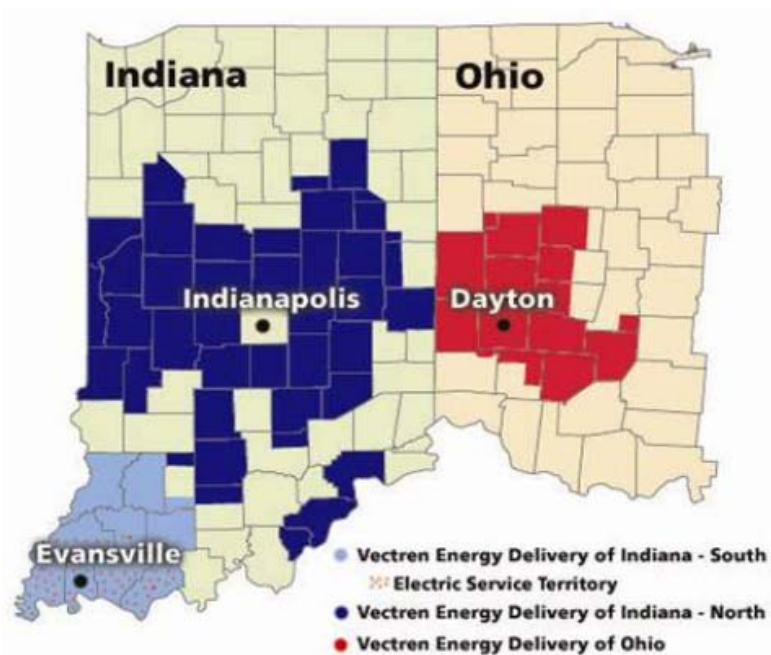
Utility Net Income - \$113.6 million
12 months ended 3/31/08



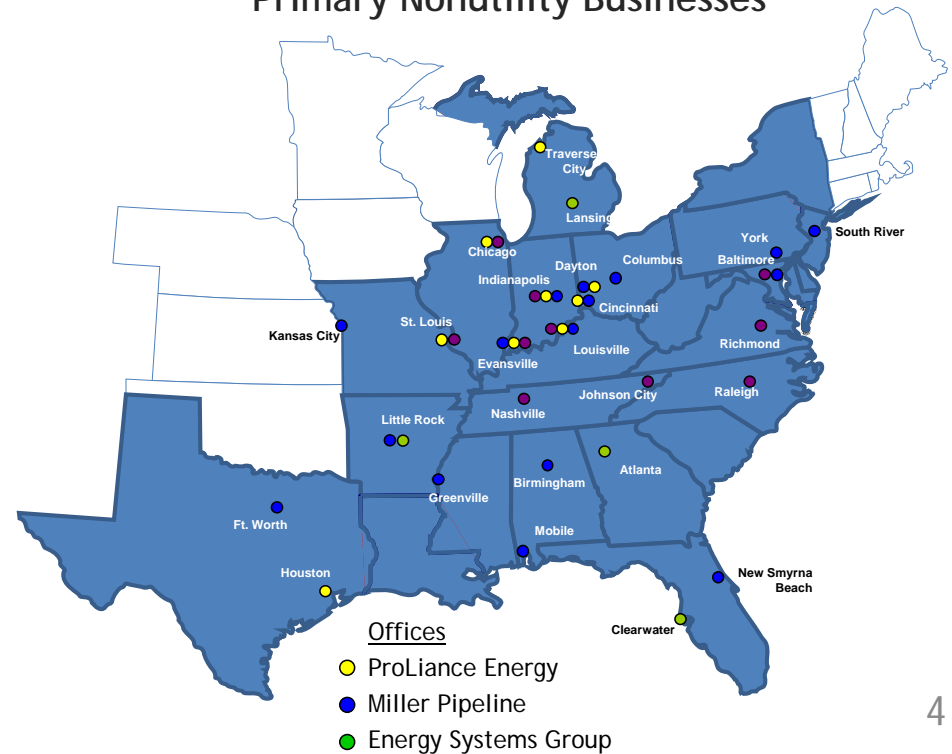
Consolidated Net Income - \$137.0 million
12 months ended 3/31/08



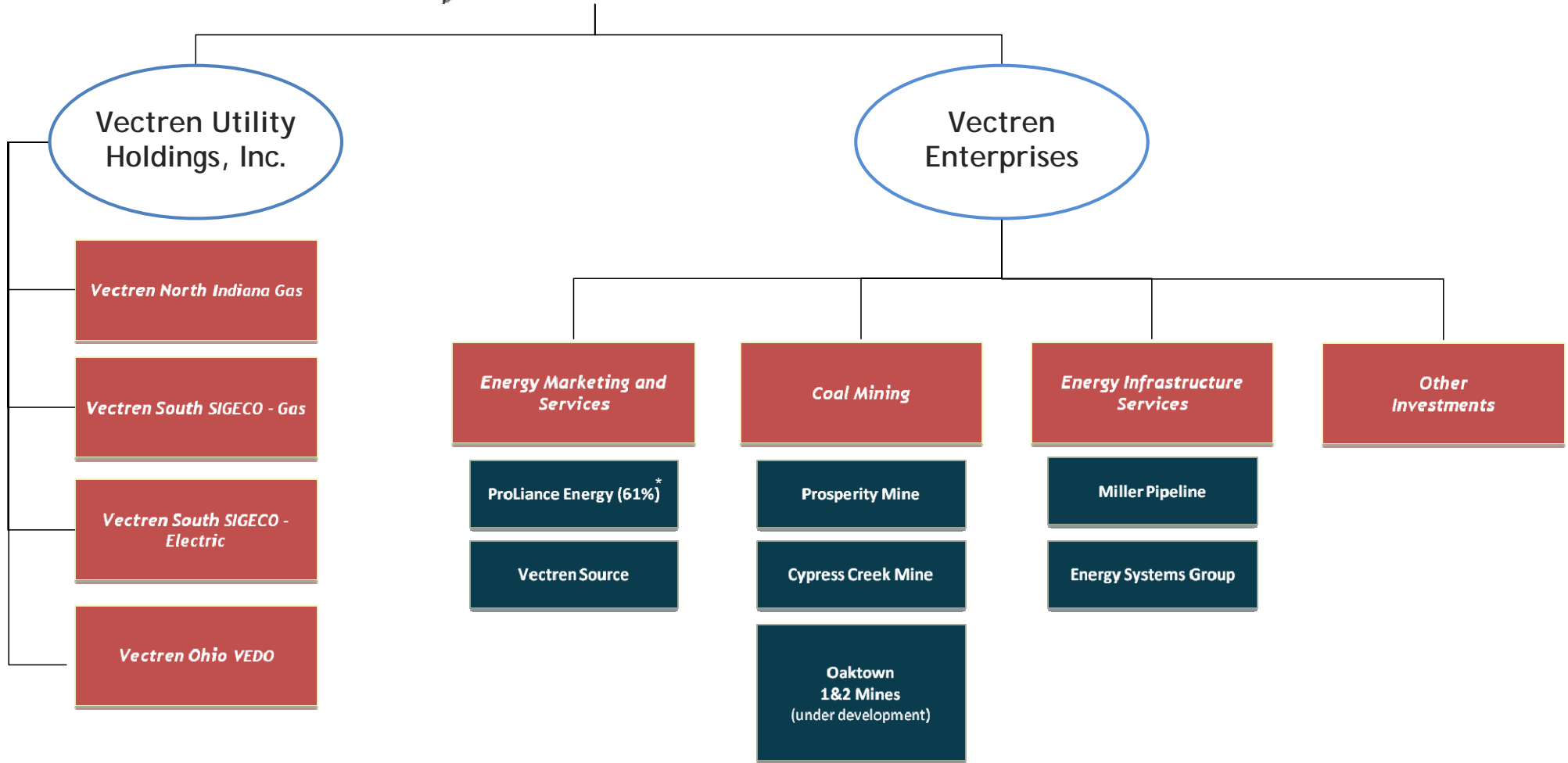
Utility Service Areas



Primary Nonutility Businesses



Vectren at a glance



* Jointly owned with a subsidiary of Citizens' Gas and Coke



Financial Review

2007 financial results

<i>Amounts in millions except per share data</i>	<i>12 Months Ended:</i>	
	12/31/2007	12/31/2006
Utility Operations	\$106.5	\$91.4
Nonutility Group		
Energy Marketing & Services	22.3	14.9
Coal Mining	2.0	5.0
Utility Infrastructure Services	9.4	4.6
Other Businesses	0.3	(1.1)
Total Nonutility Group	34.0	23.4
Corporate & Other	(0.4)	(0.7)
Net Income (Excluding Synfuels)	\$140.1	\$114.1
EPS (Excluding Synfuels)	\$1.85	\$1.51
Synfuels-Related EPS	0.04	(0.07)
Vectren Consolidated EPS	\$1.89	\$1.44
Avg. Shares Outstanding	75.9	75.7

- **Utility earnings increased \$15.1 million**

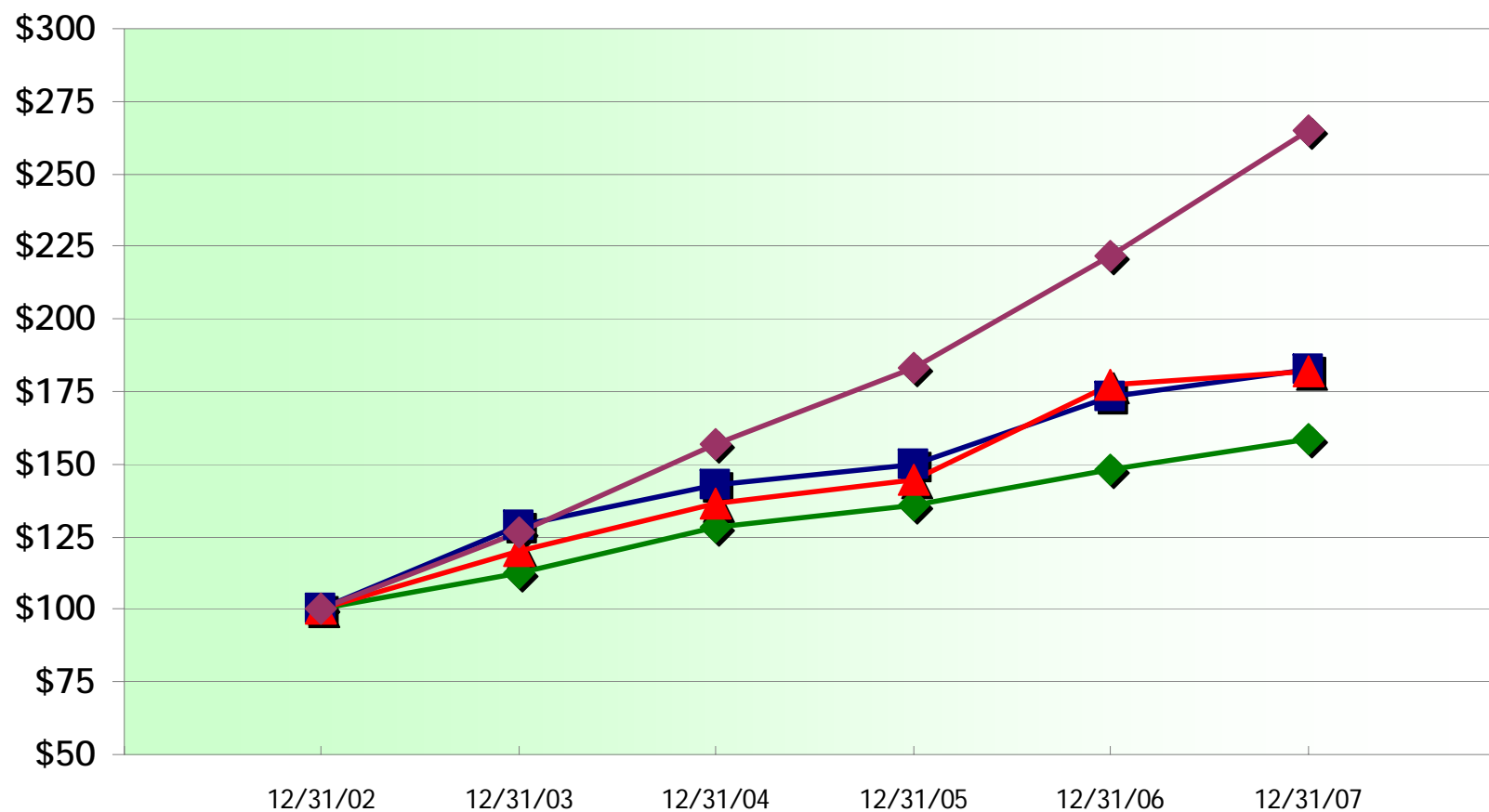
- ✓ Base rate increases, increased residential and commercial usage including lost margin recovery, favorable impact of weather and increased wholesale power marketing margins, partially offset by higher operating costs, including depreciation and lower effective tax rate in 2006

- **Nonutility earnings increased \$10.6 million**

- ✓ Record earnings from Miller Pipeline, Energy Systems Group and Vectren Source as well as the unfavorable impact of the litigation settlement recorded in the 4th quarter of 2006

Stock performance

Comparison of Cumulative Total Return since December 31, 2002



* \$100 invested on 12/31/2002 in stock or index, including reinvestment of dividends and fiscal year ending December 31.

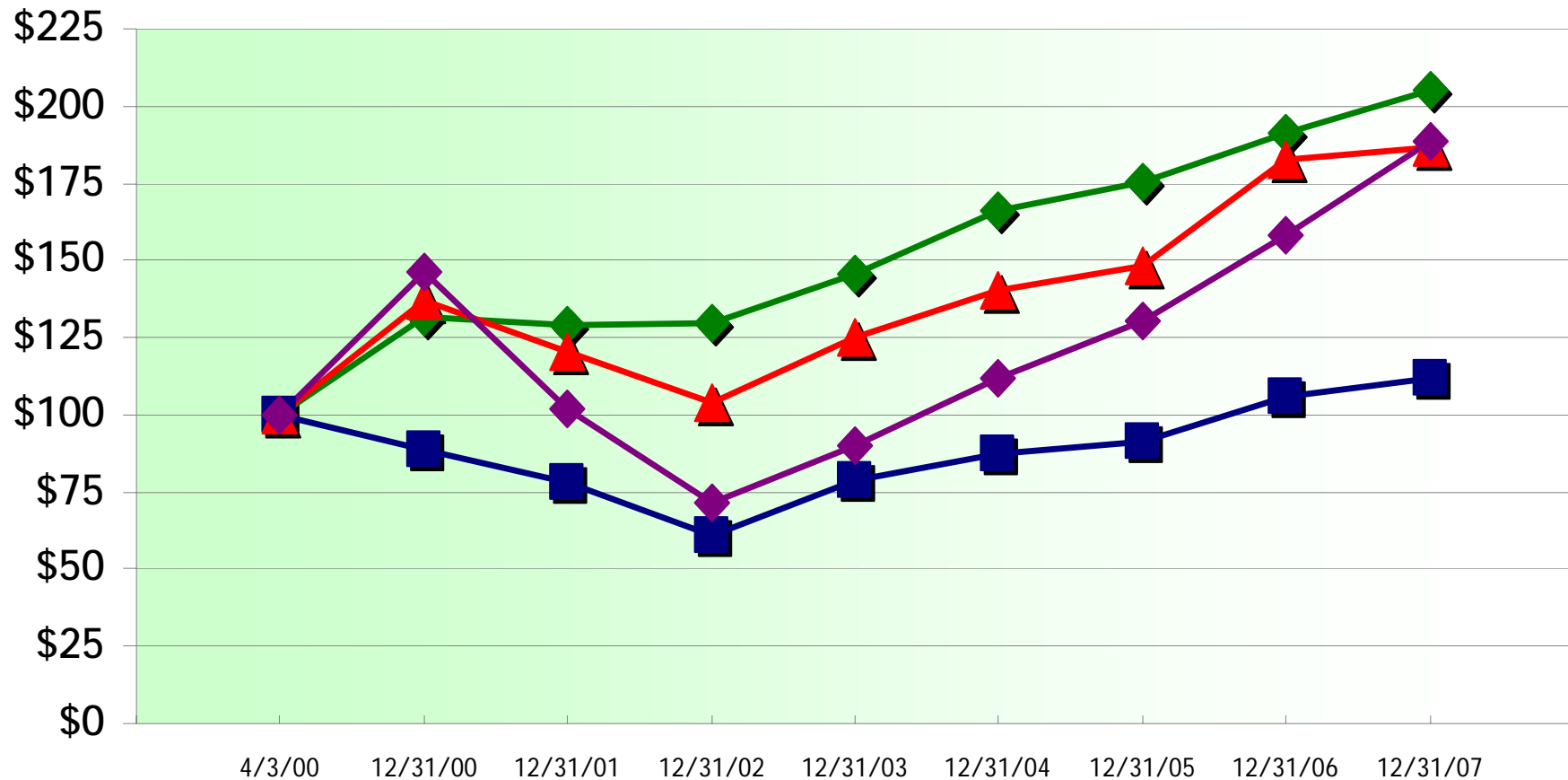
◆ Vectren ■ S&P 500 ▲ Peer Group ◆ S&P Utilities

S&P Utilities and Vectren Peer Group

S&P Utilities	Market Cap (\$B)	Vectren Peer Group	Market Cap (\$B)
1 Exelon Corp.	54.4	1 Wisconsin Energy	5.6
2 Southern Co.	27.9	2 Pepco Holdings, Inc.	5.1
3 FPL Group	26.6	3 CenterPoint Energy	5.0
4 Dominion Resources	26.0	4 NiSource Inc.	4.9
5 Duke Energy	23.3	5 SCANA	4.6
6 FirstEnergy Corp.	23.1	6 Northeast Utilities	4.2
7 Entergy Corp.	21.9	7 Alliant Energy	4.1
8 Public Serv. Enterprise Inc.	21.5	8 TECO Energy	4.0
9 PPL Corp.	17.9	9 Energy East	3.8
10 American Electric Power	17.6	10 Integrys Energy Group, Inc.	3.8
11 Edison Int'l	16.8	11 Puget Energy	3.6
12 Constellation Energy Group	14.5	12 NSTAR	3.5
13 PG&E Corp.	14.3	13 Sierra Pacific Resources	3.2
14 Sempra Energy	14.3	14 AGL Resources	2.7
15 AES Corp.	12.8	15 Atmos Energy	2.5
16 Consolidated Edison	11.4	16 Vectren	2.2
17 Questar Corp.	11.2	17 Piedmont Natural Gas Co.	1.9
18 Progress Energy, Inc.	10.8	18 NICOR Inc.	1.7
19 Ameren Corporation	9.6	19 WGL Holdings	1.7
20 Xcel Energy Inc	9.1	20 New Jersey Resources	1.4
21 Allegheny Energy	8.6	21 ALLETE	1.3
22 Dynegy Inc.	7.6	22 Southwest Gas	1.3
23 DTE Energy Co.	6.9	23 Northwest Natural Gas Co.	1.2
24 Pepco Holdings, Inc.	5.1	24 UniSource Energy	1.1
25 CenterPoint Energy	5.0	25 South Jersey Industries	1.1
26 NiSource Inc.	4.9	26 Avista	1.1
27 TECO Energy	4.0	27 PNM Resources	1.1
28 Integrys Energy Group, Inc.	3.8	28 Laclede Group	0.9
29 CMS Energy	3.4	29 Empire District Electric	0.7
30 Pinnacle West Capital	3.4	30 CH Energy Group	0.6
31 NICOR Inc.	1.7		

Stock performance

Comparison of Cumulative Total Return since Inception on April 3, 2000

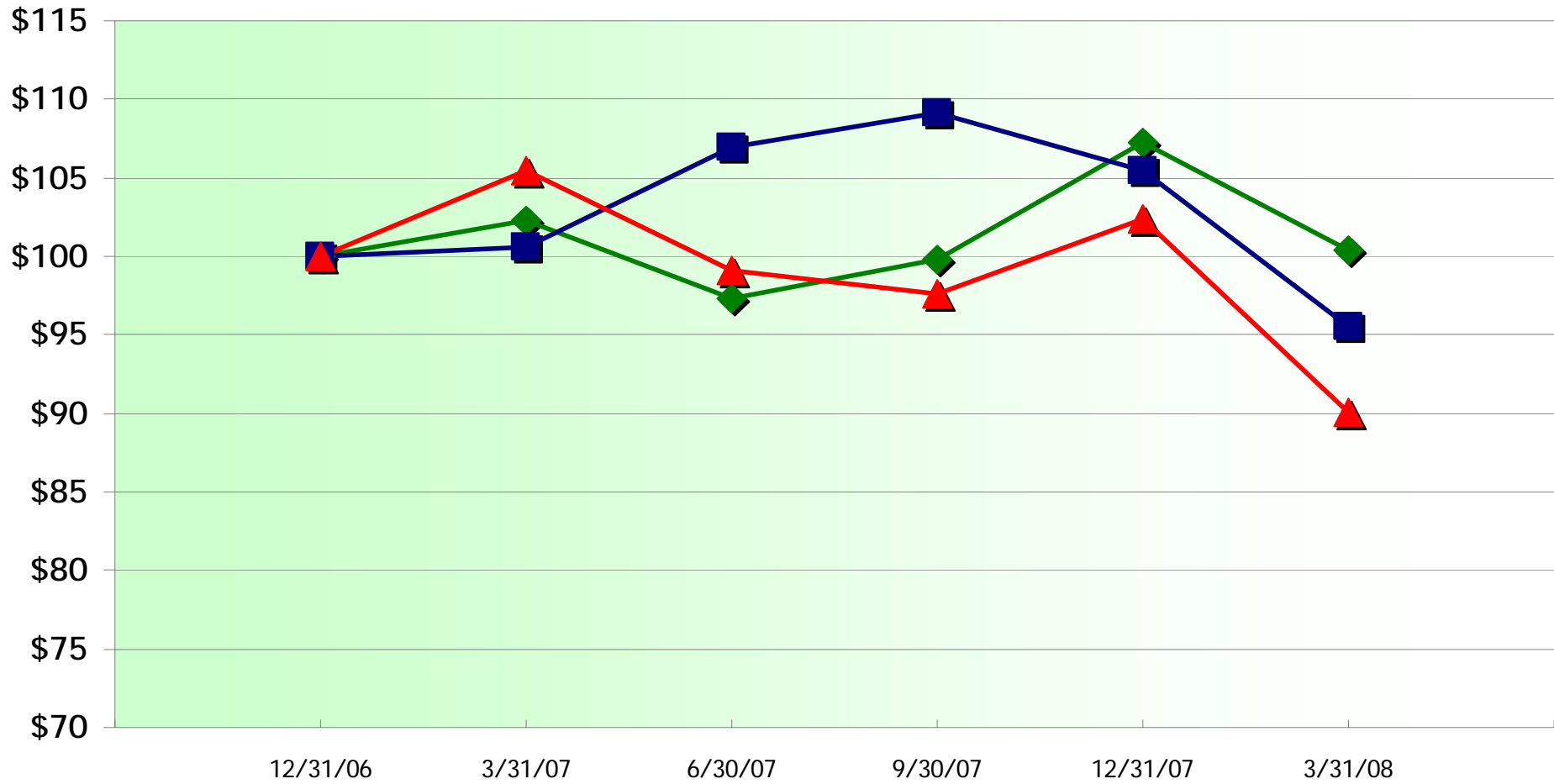


* \$100 invested on 4/3/2000 in stock or index, including reinvestment of dividends and fiscal year ending December 31.

◆ Vectren ■ S&P 500 ▲ Peer Group ◆ S&P Utilities

Stock performance

Comparison of Cumulative Total Return since December 31, 2006



* \$100 invested on 12/31/2006 in stock or index, including reinvestment of dividends and fiscal year ending December 31.

◆ Vectren

■ S&P 500

▲ Peer Group

2008 1st quarter financial results

<i>Amounts in millions except per share data</i>	<i>Net Income for 3 Months Ended:</i>		<i>EPS for 3 Months Ended:</i>	
	<i>3/31/2008</i>	<i>3/31/2007</i>	<i>3/31/2008</i>	<i>3/31/2007</i>
Utility Operations	\$58.0	\$50.9	\$0.76	\$0.67
Nonutility Group	6.3	15.6	0.08	0.21
Corporate & Other	(0.3)	0.2	-	-
Net Income (Excluding Synfuels)	\$64.0	\$66.7	\$0.84	\$0.88
Avg. Shares Outstanding	76.0	75.8	76.0	75.8

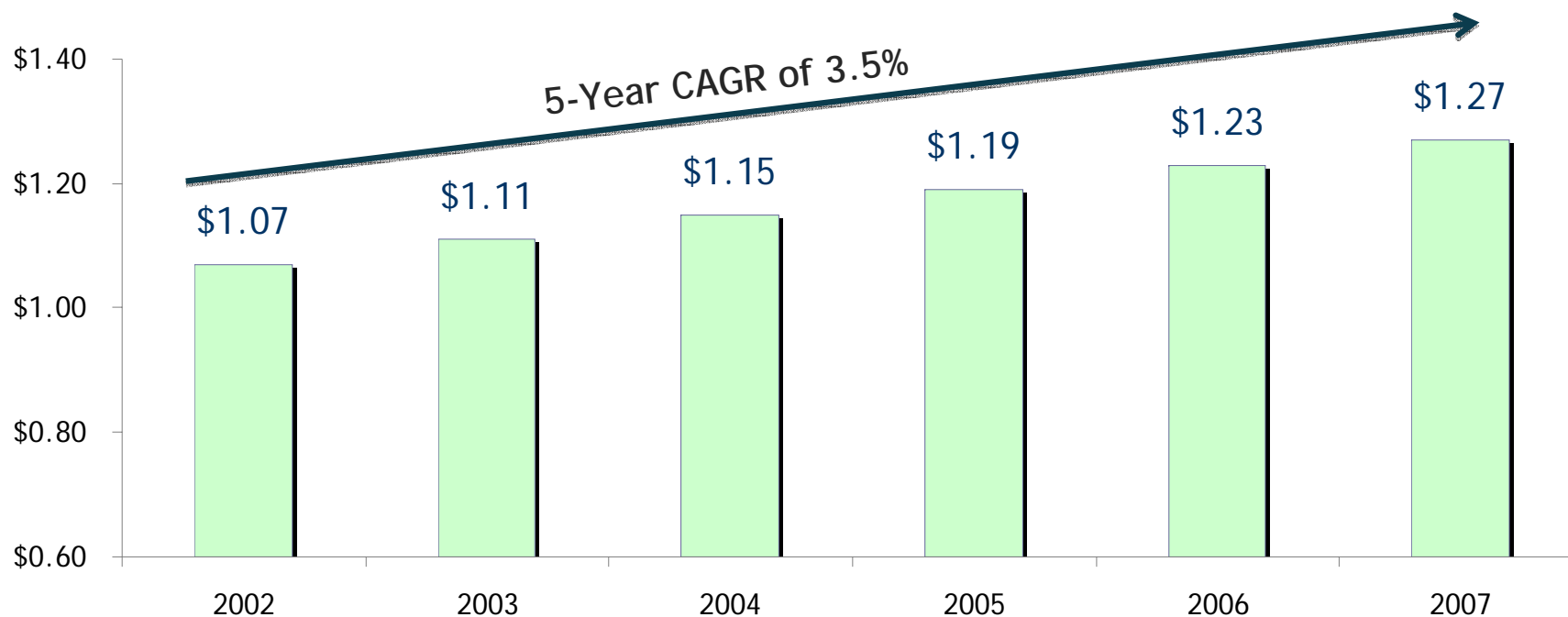
NOTE: 2007 was the last year for synfuel operations - synfuel-related results generated earnings of \$3.4 million, or \$0.04 per share in the first quarter of 2007.

- **Utility earnings of \$58.0 million, an increase of \$7.1 million, or \$0.09 per share**

 - ✓ Increase primarily attributable to impacts of regulatory initiatives, including base rate increases in Indiana service territories, and increased earnings from the sale of wholesale power
 - ✓ The increase was partially offset by higher operating costs related to increasing maintenance and reliability costs contemplated in the base rate cases
- **Nonutility earnings of \$6.3 million, a decrease of (\$9.3) million, or (\$0.13) per share**

 - ✓ The decrease was primarily attributable to lower ProLiance and Coal Mining earnings
 - ✓ Operating earnings from ProLiance decreased (\$7.4) million, or (\$0.10) as a result of lower price volatility in the wholesale natural gas markets
 - ✓ Coal Mining earnings decreased (\$2.5) million or (\$0.03) per share as a result of the continued impact of changing safety guidelines impacting production and costs

Consistent dividend growth



48 consecutive years with increased dividends

- 3.2% increase payable Dec. 3, 2007
- Current quarterly dividend - \$0.325 (Annualized - \$1.30)
- Sustainable EPS growth
- Target ~ 65% payout ratio over time

2003 Federal tax act

- Dividends received from Vectren are effectively taxed twice - once at the corporate level and again at the individual level when personal income taxes are paid
- In 2003, the Jobs and Growth Tax Relief Reconciliation Act was passed, lowering the federal tax rate on corporate dividends paid to individual taxpayers to a maximum rate of 15% in part to address this inequity
- The reduction was originally effective through 12/31/08, but was extended through 12/31/10
 - ✓ If the current rate expires in 2010, shareholders will be subject to higher dividend tax rates, likely creating a negative impact to the value of their utility stock holdings
- According to a study commissioned by *The American Gas Association* and *The Edison Electric Institute*:
 - ✓ The dividend tax cut didn't impact only wealthy and institutional investors - the majority of utility shareholders are individuals with household incomes of less than \$75,000
 - ✓ Most utility shareholders are over age 55 - many are retired and depend on dividend income to help with daily living expenses
 - ✓ Taxpayers with investments directly and indirectly in utility company stocks account for 68% of all tax returns with qualified dividends
- We encourage shareholders to contact their members of Congress to urge them to take action and make the current tax rate permanent

Financial Summary

- Aligning with customers' interests
 - ✓ Conservation
 - ✓ Advocating additional natural gas supply
 - ✓ Renewable/Cleaner energy sources
- Sensible nonutility portfolio with continuing opportunities
- 48 consecutive years of dividend increases



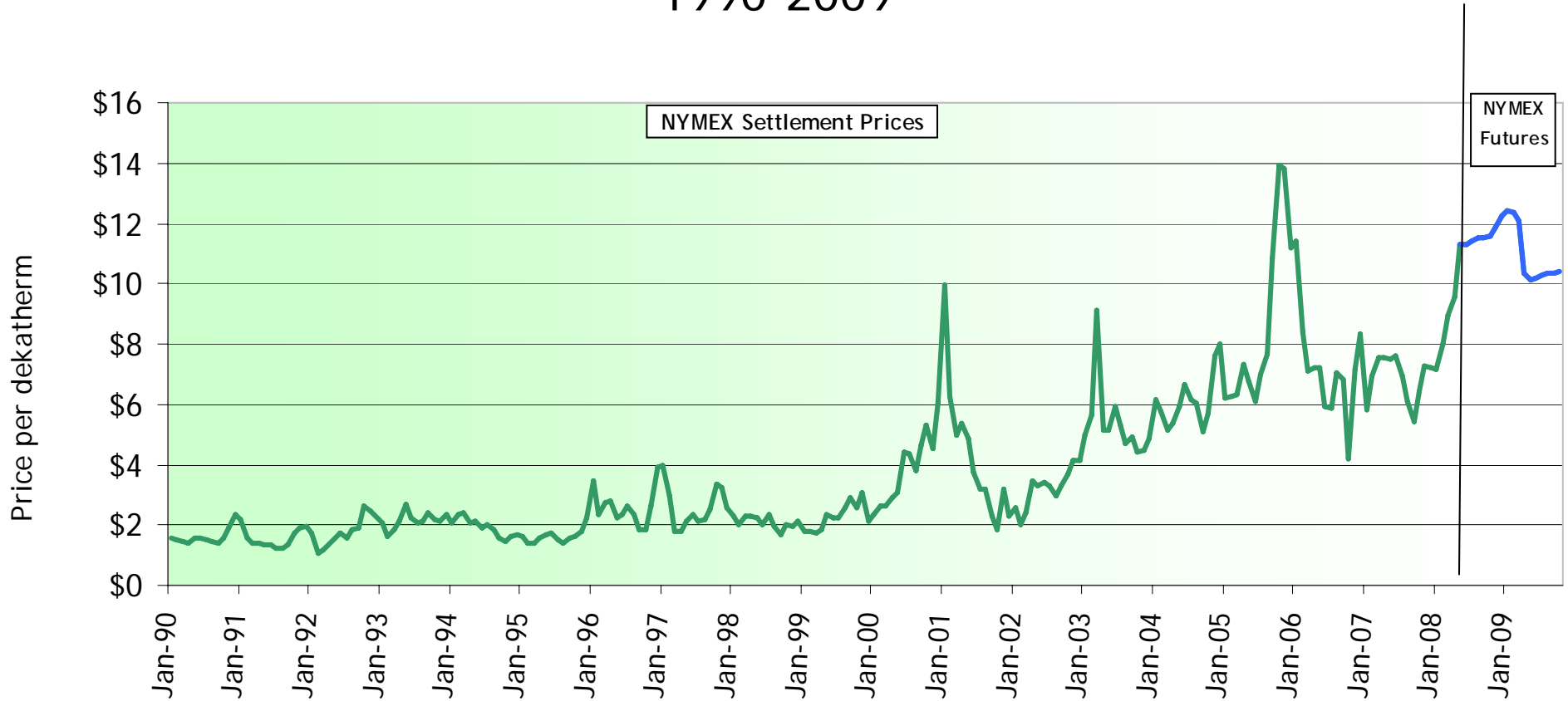
Energy Industry Outlook

Setting the stage

- Significant challenges lie ahead for the United States
- Energy pricing pressure continues
 - ✓ \$4 gasoline
 - ✓ \$125+ per barrel oil
 - ✓ \$10-\$12 per dekatherm natural gas
- Response to global warming appears eminent
 - ✓ Legislating a carbon constraining environment
 - Presidential election/Congressional activity
 - Obama/Clinton - cut carbon emissions by 80% by the year 2050
 - McCain - cut emissions by 65% by 2050
 - ✓ Renewable portfolio standards
 - Federal and State
- The U.S. economy and ultimately customers will be further challenged

Volatile natural gas market

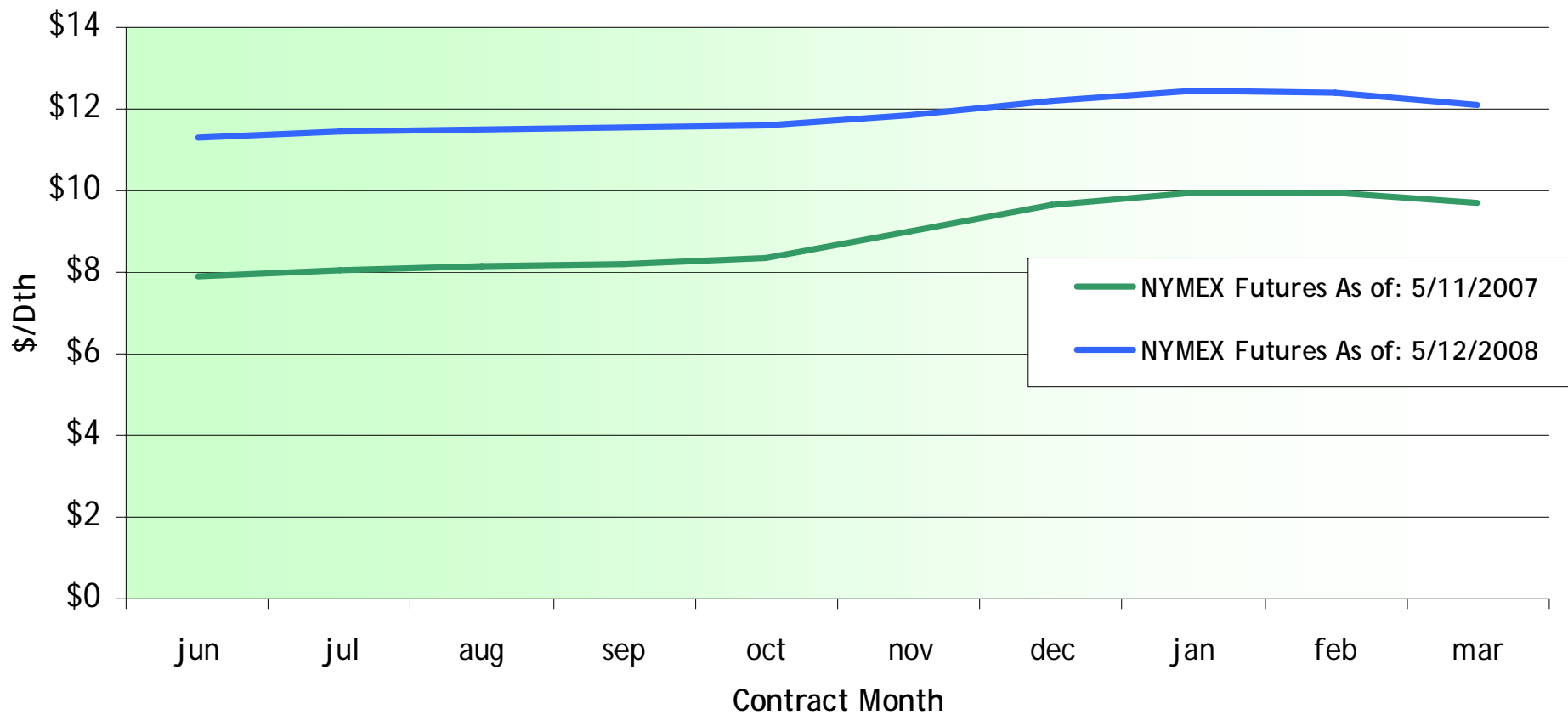
NYMEX Natural Gas Pricing 1990-2009



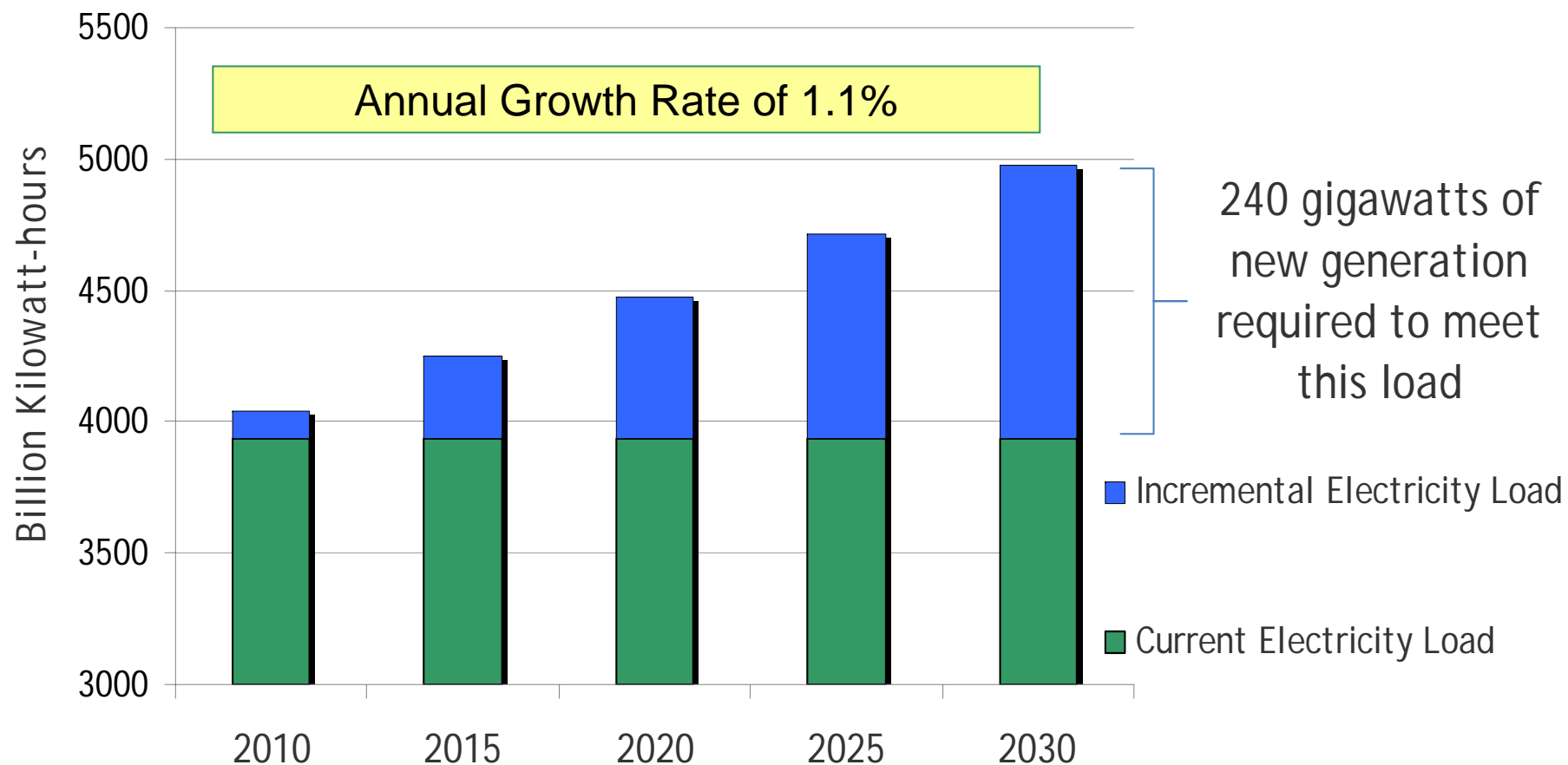
5/12/08 Closing
NYMEX Price

Change in natural gas prices

NYMEX Natural Gas Futures



U.S. electric demand & projected growth

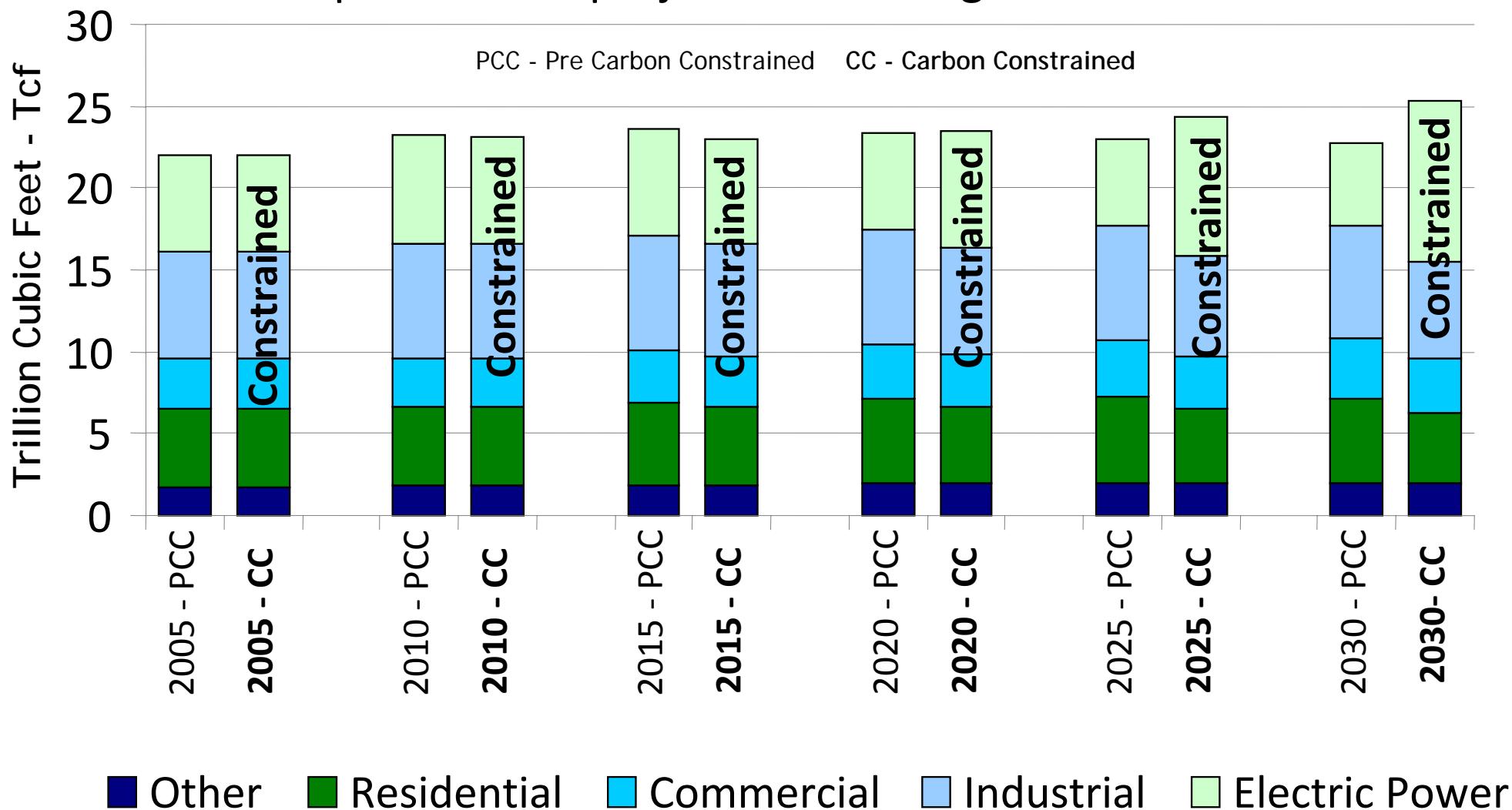


Impact on electricity

- Rising national demand means more infrastructure investment
 - ✓ \$800 billion for new generation, transmission and distribution facilities in the next 15 years
- Increasing customer consumption is on a collision course with a carbon constrained environment
 - ✓ Proposed federal legislation has significant ramifications
 - ✓ Consequences of a carbon tax or cap and trade schemes

U.S. gas demand to 2030

Proposed carbon legislation puts additional pressure on projected natural gas use



Source: EIA Annual Energy Outlook 2008 Revised, S.2191 Limited Alternatives Case

Impact on natural gas

- Price pressure
 - ✓ Steadily averaged around \$2.50 in the 1990s
 - ✓ June futures are priced at \$11.30
- Seen as an intermediate substitute for coal
 - ✓ More gas used to produce electricity than to heat homes
 - ✓ Increased summer demand
- Proposed climate change legislation is very likely to significantly increase demand for natural gas fired electric generation over the next several decades
- The energy environment has become even more complex and challenging



Solutions

National solutions

- Within the next 18 months, America may likely be at a tipping point
- Congress must strike a balanced approach
 - ✓ Proposed carbon legislation must consider economic impact and available alternatives - the voter will ultimately pay the bill
 - ✓ Increased access to oil and gas in America is essential
 - ✓ Energy efficiency/conservation must play a role
 - ✓ Emphasis on natural gas should be focused on direct use
 - ✓ Coal is currently and will be part of the future
 - ✓ Renewables will play a significant role
 - ✓ Nuclear must re-emerge

Vectren is providing local solutions

- Aligning customer interest with company interests
 - ✓ Successful gas conservation initiatives in Indiana
 - ✓ Electric conservation and Ohio gas programs pending
- Utilizing wind power and exploring future developments
- Supporting a diverse energy portfolio, which includes tapping clean-coal technology
- Increased sustainable development
 - ✓ Holcim/Geocycle; fly-ash-to-cement project

Summary

- Vectren has positioned itself well for consistent financial performance
 - ✓ Utility successful with both equitable rate relief and rate design
 - ✓ Nonutility companies support the core utility business
- Vectren is leading change in the energy industry
 - ✓ Has aligned interests with the customer in using less energy
 - ✓ Incorporating renewable energy and adopting sustainability projects
 - ✓ Educating elected officials about the serious financial impact on customers/voters
- Climate change will continue to dominate the industry
 - ✓ All energy sources will be impacted
- Must find a **balance** that protects the customer and the environment
- A permanent dividend tax credit is critical
 - ✓ Working to extend the 15 percent dividend tax rate beyond 2010
 - ✓ Establishing a state shareholder organization in Indiana to work on dividend and other common issues

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Honest Answers

