



## **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 utility and non-utility businesses. The Finance Committee consists of four members, all of whom are non-employee directors. The chair of the Finance Committee is Niel C. Ellerbrook. The Finance Committee met three times during the last fiscal year. At each meeting, the Finance Committee conducts an executive session with only Committee members present.

### **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](http://www.vectren.com). Those responsibilities include:

- Acting within parameters established by the full Board with respect to the financing activities of the Company, including, as necessary or advisable, financing activities of one or more of its subsidiaries or affiliates;
- Acting on behalf of the full Board in limited instances where it is not practical for the full Board to meet and take action with respect to finance matters and only within parameters prescribed and delegated by the full Board; and
- Appointing from among management the members of the Company's Investment Committee, which is charged with monitoring retirement plan investments; developing retirement plan investment policies; selecting and reviewing investment managers and investment advisors; reviewing the funded status of the pension plans; and recommending Company contribution levels. The Finance Committee is also kept informed of the general activities of the Investment Committee for informational purposes only, but does not make investment decisions, nor does it perform any functions delegated to the Investment Committee.

### **2011 Accomplishments**

In the spring of 2011 the Finance Committee reviewed and approved the Company's 2011 financing program. As part of this action, the Finance 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 both our short and long-term financing requirements. The Finance Committee received an overview of the state of the financial markets. At that meeting, the Finance Committee also received a report from management with respect to the Company's retirement plans, including the retirement plans of the Company's non-regulated business subsidiaries. Those reports addressed investment criteria, fund performance, funding requirements and plan administration matters. The Finance Committee reviewed and provided input on the Company's plans to renew and extend its credit facilities, as well as its efforts to execute long-term debt issuances in favorable markets to refinance maturing and callable long term debt and to reduce the reliance on short-term credit facilities. Finally, the Finance Committee reviewed the scope of responsibilities performed by "finance" committees of the boards of directors for companies that are within the Company's peer group, which is described more fully on pages 41-43. After discussion and deliberation, as well as dialogue with the Lead director and the Nominating and Corporate Governance Committee, the Finance Committee concluded that its scope of responsibilities remains appropriate.

At the Company's second meeting of the year the Finance Committee reviewed the status of the Company's execution of the 2011 financing plans. They also reviewed and approved long-term debt refinancing activities by

Vectren Utility Holdings, Inc. and the extension of the Company's credit facilities for its regulated and non-regulated business operations.

At its third meeting of the year, the Finance Committee reviewed the status of the Company's execution of its 2011 financing plans, as well as management's recommended dividend level to be effective December 1, 2011. Management also provided a report to the Finance Committee with respect to meetings that had been held with credit rating agencies. Finally, the Finance Committee received a report on the Company's 2012 expected financing program.

#### **Annual Committee Charter Review and Performance Evaluation**

As required by the Finance Committee's charter, in the first quarter of 2012 the Finance Committee reviewed the charter and determined that no changes were necessary or advisable at this time. Also, as required by the Finance Committee charter, the Finance Committee will conduct an annual performance evaluation at its first meeting in 2012, which is scheduled to occur in April.

#### **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 with respect to financing matters when delegated authority to respond to certain circumstances. The Finance Committee is also committed to discharging its role with respect to the Company's benefit plans, as more fully defined in the charter. The Finance Committee anticipates meeting at least two times in 2012 to continue to focus on the matters set forth in its charter.

Finance Committee

Niel C. Ellerbrook, *Chair*,  
John D. Engelbrecht,  
Robert G. Jones, and  
J. Timothy McGinley