



## **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, Chair of the Board. The Finance Committee met two 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 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 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.

### **2010 Accomplishments**

In the spring of 2010 the Finance Committee reviewed and approved updates to the Company's 2010 financing program. 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 both its short and long-term financing requirements. The Committee also received an overview of the state of the financial markets. At that meeting, the committee received a report from management with respect to the company's retirement plans. Those reports addressed investment criteria, fund performance, funding requirements and plan administration matters. The committee also 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 reduce the reliance on short-term credit facilities.

At its meeting in the fall of the year, the Committee reviewed the Company's 2011 financing plans, as well as management's recommended dividend level to be effective December 1, 2010. The Committee also received a capital markets report from one of the Company's investment bankers. Finally, the Committee received a status report on the execution of the Company's 2010 financing program.

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

As required by the Finance Committee's charter, in early 2011 the Committee reviewed the charter and determined that no changes were necessary or advisable at this time. At its fall 2010 meeting, the Committee revised its charter to address its involvement with respect to the Company benefit plans. The Committee's role in those matters is summarized above in the Scope of Responsibilities section of this report and is more fully set forth in the Finance Committee's charter. 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 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 2011 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, and  
J. Timothy McGinley