

Electric Rate Adjustment Fact Sheet

A guide to understanding Vectren's electric rate adjustment and how it affects you.

April 27, 2011

Overview

On Dec. 11, 2009, Vectren Energy Delivery of Indiana – South (Vectren) filed a request with the Indiana Utility Regulatory Commission (IURC) for a base rate adjustment for its southwestern Indiana electric utility. The regulatory filing requested approval of a base rate increase to address capital investments in its energy delivery infrastructure.

As initially proposed, a typical residential combination gas and electric customer who uses around 900 kilowatt hours per month would experience a monthly bill increase of about \$18 per month. The filing was adjusted in the summer of 2010 to lower the request to a monthly bill increase of \$12.50. After a comprehensive review by the IURC of Vectren's investments to serve customers and the reasonableness of operating costs, a monthly bill increase of approximately \$10 to \$11 was granted on April 27, 2011. *The new electric rates will likely take effect in early May 2011.* This increase will not impact natural gas bills.

Vectren Electric Service Territory



Vectren South serves more than 142,000 electric customers in Dubois, Gibson, Pike, Posey, Spencer, Vanderburgh and Warrick counties.

Reliability, Safety & Sustainability

Vectren has worked aggressively to manage operating costs, cutting costs where possible to help delay the need to raise rates. More than half of the request to increase rates was driven by the need to recover costs on roughly \$325 million spent in infrastructure construction within the past three years to serve more than 142,000 customers. Additionally, the rate increase reflects a slight increase in the utility's annual operating and maintenance costs. Key infrastructure investments around reliability and sustainability include:

Reliability & Safety

- \$150 million in new infrastructure including new substations, poles and underground and overhead transmission and distribution lines.

Sustainability

- **Environmental/emissions control:** This filing will shift the \$99-million investment to install a scrubber at our coal-fired generation unit, Warrick Unit 4, next to our F.B. Culley power plant in Warrick County into base rates; all units are now scrubbed improving local air quality.
- **Renewable energy:** \$11 million for the Blackfoot Clean Energy Facility, a landfill-gas-to-electricity project that was brought on line in 2009 and provides 3.2 megawatts (MW) of renewable energy to Vectren's electric customers.
- **Sustainability:** \$20 million to construct storage, conveyor and loading equipment to avoid landfilling fly ash, a by-product of coal-fired generation, and instead selling it to a company in Missouri for reuse in cement manufacturing. Nearly 100% of Vectren's fly ash is now being recycled.
- **Energy efficiency programs:** A residential customer program, including on-site energy audit, automatic retailer discounts on CFLs, early retirement of older, in-efficient appliances, and new construction and commercial energy efficiency programs are being proposed.

See back for more details.

Sustainability

The Warrick Unit 4 scrubber concludes the spend of more than \$410 million over the past several years, in which Vectren's generation fleet is now 100% scrubbed for sulfur dioxide, 90% controlled for nitrogen oxide and filtered for particulate matter and a significant portion of mercury from the flue gas before exiting the stacks, which directly improves the air quality of southwestern Indiana. These investments make Vectren's generation fleet one of the cleanest in the Midwest. Note: Customers' bills have already been adjusted for the majority of the costs incurred for the Warrick 4 scrubber project.

The Blackfoot facility represents Vectren's first 100%-owned green energy venture and the third renewable energy project in the last three years. Combined with two wind power purchases from Benton County, Ind., wind farms, these three initiatives create enough renewable energy to power 25,000 homes and allow Vectren to meet more than 5% of its customers' needs with renewable energy.

Reliability & Safety

Vectren has invested \$150 million in critical energy infrastructure, including new substations, poles and underground and overhead transmission and distribution lines. Since 2006, key capital projects that include new substations and high-voltage transmission lines, which will ensure reliability in the region and foster continued expansion:

- \$14 million for the Pigeon Creek area substation enhancement;
- \$19 million in the McCutchanville area; and
- a \$15 million expenditure to expand the Oak Grove substation on Evansville's east side.

Resources

To access dozens of free and low-cost ways to cut energy usage and lower bills, including tips, how-to videos and an online energy audit, visit Vectren.com or call Vectren's Conservation Connection call center at (866) 240-8476.

Current residential energy efficiency programs

- **Appliance Recycling** - provides a rebate for the removal and disposal of operable, inefficient secondary refrigerators, freezers and window A/C units.
- **Summer Cycler** - provides a bill credit to customers who allow Vectren to cycle off air conditioners and/or electric water heaters to help Vectren meet peak energy demand during the summer cooling months.
- **Energy Efficient Lighting** - provides discounted pricing for compact fluorescent lighting (CFL) products at participating retailers.
- **Low-Income Weatherization** - provides home weatherization for customers with incomes falling into the specified federal poverty guidelines.
- **New Construction** - provides incentives for homes that are constructed at least 15% more energy efficient than current building codes.

Current commercial/business energy efficiency programs

- **Summer Cycler** - provides a bill credit to customers who allow Vectren to cycle off air conditioners and/or electric water heaters to help Vectren meet peak energy demand during the summer cooling months.
- **Audit and Customized Efficiency** - provides technical assistance and financial incentives for energy efficiency projects including, on-site energy audits and custom measures.
- **New Construction** - provides rebates and assistance to develop projects that are more energy efficient than current Indiana building codes.

Furthermore, federal and state energy assistance programs are available to assist low-income individuals and are administered through local community action agencies. These agencies can also assist with bills and home weatherization services.

- The Community Action Program of Evansville and Vanderburgh County serves Gibson, Posey and Vanderburgh counties and can be contacted at (812) 425-4241 or www.capeevansville.org.
- TRI-CAP serves Dubois, Pike and Warrick counties and can be contacted at (812) 482-2233.
- Spencer County customers should contact Lincoln Hills Development Corporation at (812) 547-3435 or www.lhdc.org.