

VECTREN CORP
Form DEF 14A
March 21, 2012

VVC DEF 14A 5/16/2012

Section 1: DEF 14A (DEFINITIVE PROXY STATEMENT)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. ___)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

VECTREN CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

VECTREN CORPORATION
One Vectren Square
211 N.W. Riverside Drive
Evansville, Indiana 47708-1251

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 16, 2012

TO THE SHAREHOLDERS OF VECTREN CORPORATION:

You are invited to attend our annual meeting of shareholders on Wednesday, May 16, 2012, at 10:00 a.m. (Central Daylight Time). The meeting will be held at our corporate offices located at One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana. The items of business are:

1. The election of all directors;
2. To approve a non-binding advisory resolution approving the compensation of our named executive officers;
3. The ratification of the reappointment of Deloitte & Touche LLP as the independent registered public accounting firm for Vectren for 2012; and
4. The consideration of any other business that is properly brought before the meeting or any adjournment of the meeting.

Shareholders of record at the close of business on March 14, 2012 are entitled to vote at the meeting and any postponement or adjournment of the meeting. Pursuant to the rules of the Securities and Exchange Commission (SEC), we have elected to deliver our proxy materials to many of our shareholders over the Internet. On March 21, 2012, we mailed to these shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and 2011 annual report to shareholders. Shareholders who did not receive the Notice of Internet Availability will receive a copy of the proxy statement and annual report by mail. Whether or not you plan to attend the meeting, your vote is important and we urge you to vote promptly. You may vote your shares by telephone at 1-800-560-1965 or on the Internet at www.eproxy.com/vvc. If you received a copy of the proxy by mail, you may vote by returning the enclosed proxy in the accompanying self-addressed envelope.

If your shares are held by your bank, broker, or nominee, please review the voting options provided on your voter instruction form and act accordingly. As required by federal law, this year, absent your vote, your broker, bank or nominee is not permitted to use its own discretion to vote your shares on Items 1 and 2. For your vote to be counted, you will need to communicate your voting decisions on these matters to your bank, broker or nominee.

You may also vote in person at the annual meeting. You can revoke your proxy at any time before it is exercised.

By order of the Board of Directors,
VECTREN CORPORATION

By: RONALD E. CHRISTIAN
*Executive Vice President, Chief Legal and External
Affairs Officer and Secretary*

Evansville, Indiana
March 21, 2012

**LOCATION OF MAY 16, 2012
ANNUAL SHAREHOLDERS MEETING**

**Vectren Corporation
One Vectren Square
211 N.W. Riverside Drive
Evansville, IN 47708-1251**

Parking for shareholders will be provided in the parking lot for Vectren Corporation at One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana. Vectren Corporation is located between Vine and Court Streets off Riverside Drive in Evansville.

Your Vote Is Important

Whether or not you plan to attend the meeting, your vote is important and we urge you to vote promptly. You may vote your shares via a toll-free number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. You may revoke your proxy prior to or at the meeting and vote in person if you wish. If your shares are held by a broker, bank or nominee, it is important that they receive your voting instructions.

**Important Notice Regarding the Availability of Proxy Materials for the 2012
Annual Meeting of Shareholders to be Held on
May 16, 2012
10:00 a.m. (CDT)**

Our Proxy Statement for the 2012 Annual Meeting of Shareholders and our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 are available at www.vectren.com.

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COMMUNICATIONS TO DIRECTORS

Our Corporate Governance Guidelines provide that the Board of Directors of Vectren Corporation (**Board**) select from the non-management directors a **Lead** director whose primary responsibilities, including serving as chair of executive sessions of the non-employee directors, are set forth in the Corporate Governance Guidelines. The guidelines are posted on our website at www.vectren.com. Those guidelines provide that the Chair of the Nominating and Corporate Governance Committee (**Governance Committee**) is to serve as the Lead director. In 2012, the Chair of the Governance Committee is J. Timothy McGinley.

The Audit and Risk Management Committee (**Audit Committee**) is responsible for, among other things, establishing, reviewing and updating a code of ethical conduct and ensuring that management has established a system to enforce this code. The code is posted on our website at www.vectren.com and is titled the Corporate Code of Conduct (**Code**). The Code applies to employees, officers and all directors, including non-employee directors. The Audit Committee also ensures that we implement and follow necessary and appropriate financial reporting processes. Presently, the Chair of the Audit Committee is Michael L. Smith.

Shareholders and other parties interested in communicating directly with the Lead director, Chair of the Audit Committee or with the non-employee directors as a group may contact them by writing to:

Lead Director, Audit Committee Chair, or Non-Employee Directors
Vectren Corporation
P. O. Box 3144
Evansville, IN 47731-3144

Interested parties may also contact our one director who is also a member of management by writing to the address above and directing the communication to the Chairman, President and Chief Executive Officer (**CEO**).

ACCESS TO INFORMATION

We make available copies of our Corporate Code of Conduct (which is applicable to all of our employees, including the principal executive officer, the principal financial officer and the principal accounting officer, as well as the non-employee members of the Board), our Corporate Governance Guidelines and all committee charters free of charge through our website at www.vectren.com, or by request, directed to Vectren Corporation Shareholder Services at the mailing address, phone number or email address that follow:

Mailing Address:
Vectren Shareholder Services
One Vectren Square
Evansville, Indiana 47708

Phone Number:
1-800-227-8625

Investor Relations Contact:
Robert L. Goocher
Treasurer and Vice President
Investor Relations
vvcir@vectren.com

VECTREN CORPORATION
One Vectren Square
211 N.W. Riverside Drive
Evansville, Indiana 47708-1251
(812) 491-4000

PROXY STATEMENT

The following information is furnished in connection with the solicitation of the enclosed proxy by and on behalf of the Board of Vectren Corporation (the **Company** or **Vectren**). The proxy will be used at the annual meeting of shareholders to be held at our corporate offices located at One Vectren Square, 211 N.W. Riverside Drive, Evansville, Indiana, on Wednesday, May 16, 2012, at 10:00 a.m. (Central Daylight Time), and at any adjournment of the meeting for the matters to be acted upon under its authority. Under the SEC rules that allow companies to furnish proxy materials to shareholders over the Internet, we have elected to deliver our proxy materials to many of our shareholders over the Internet. This delivery process will allow us to provide these shareholders with the information they need, while at the same time conserving natural resources and lowering the cost of delivery. On March 21, 2012, we mailed to these shareholders a Notice of Internet Availability of Proxy Materials (the **Notice**) containing instructions on how to access our proxy statement and 2011 Annual Report to Shareholders. The Notice also provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of the proxy materials by mail. On March 21, 2012, we also first mailed this proxy statement and the enclosed proxy card to shareholders who will not receive the Notice.

Further, the SEC rules permit us to deliver a single Notice or annual meeting materials to one address shared by two or more of our shareholders. This delivery method is referred to as **householding** and conserves natural resources and can result in significant cost savings. To take advantage of this opportunity we have delivered only a single Notice or set of annual meeting materials to any shareholder at the shared address to which a single copy of these documents was delivered. If you prefer to receive separate copies of the Notice or annual meeting materials, contact Vectren Corporation Shareholder Services Department by telephone at (800) 227-8625 or by e-mail at vcir@vectren.com and we will promptly deliver the copies to you. If you are currently a shareholder sharing an address with another shareholder and wish to receive only one copy of future Notices or annual meeting materials, contact Vectren Corporation Shareholder Services Department at the above telephone number or email address.

SOLICITATIONS OF PROXIES

The Board solicits your proxy for use at the meeting. Shares held in your name and represented by your proxy will be voted as you instruct if your proxy is duly executed and returned prior to the annual meeting. Shares represented by proxies that are returned signed but without instructions for voting will be voted as recommended by the Board. Shares represented by proxies that are returned unsigned or improperly marked will be treated as abstentions for voting purposes. You may revoke your proxy at any time before it is exercised by written notice to the Secretary of the Company received prior to the time of the meeting, or in person at the meeting.

If you are a participant in our Automatic Dividend Reinvestment and Stock Purchase Plan, your proxy card will represent the number of shares registered in your name and the number of shares credited to your plan account. For those shares held in the plan, your proxy card will serve as direction to the Plan Administrator as to how your account is to be voted.

If your shares are held in a brokerage account, you may instruct your broker, bank or other nominee to vote your shares by following instructions that the broker or nominee provides for you. Most brokers offer voting by mail, telephone and on the Internet.

If you do not give instructions, one of two things can happen depending on the type of proposal. For the proposal regarding the reappointment of our independent registered public accounting firm, the broker may vote your shares at its discretion. For all other proposals on our ballot this year, the broker, unless you have provided them with instructions, may not vote your shares at all. When that happens, it is called a broker non-vote. We urge you to exercise your right to vote.

PURPOSES OF MEETING

As of this date, the only known business to be presented at the 2012 annual meeting of shareholders is (1) the election of directors of the Company to serve for a term of one year or until their successors are duly qualified and elected, (2) the approval of a non-binding advisory resolution approving the compensation of our named executive officers, and (3) the ratification of the reappointment of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for 2012. The enclosed proxy authorizes the proxy holders to vote on these matters and on all other matters that may properly come before the meeting, and it is the intention of the proxy holders to take any such action utilizing their best judgment. Only shares held by those present at the meeting or for which proxies are returned will be considered to be represented at the meeting. For the purpose of determining a quorum, shares represented at the meeting are counted without regard to whether they are abstentions or broker non-votes as to any particular item.

VOTING SECURITIES

As of March 14, 2012, we had one class of capital stock outstanding, consisting of 81,983,868 shares of common stock without par value. The holders of the outstanding shares of common stock are entitled to one vote for each share held of record on each matter presented to a vote of the shareholders at the meeting. However, unless the holder personally appears and votes at the meeting, shares for which no proxy is returned (whether registered in the name of the actual holder thereof or in nominee or street name) will not be voted. Only shareholders of record at the close of business on March 14, 2012 will be entitled to vote at the meeting or at any adjournment of the meeting.

ITEM 1. ELECTION OF DIRECTORS

Our Board currently consists of one class of 12 directors. William G. Mays will be retiring after the May 16, 2012 annual meeting and the Board will thereafter consist of 11 directors. The Board recommends that the nominees listed below, all of whom are currently serving as directors, be reelected to a new one-year term. All nominees have consented to serve if elected. Each director will serve until the next annual meeting or until he or she is succeeded by another qualified director.

If the enclosed proxy is returned without specifying a vote for the election of directors, the Board intends that the enclosed proxy will be voted by the proxy holders in favor of the election of the nominees named below for the office of director of the Company to hold office for a term of one year or until their respective successors are duly qualified and elected. Directors are elected by a plurality of the votes cast. Plurality means that the individuals who receive the largest number of votes cast are elected up to the maximum number of directors to be chosen at the meeting. Abstentions, broker non-votes, and instructions on the accompanying proxy card to withhold authority to vote for one or more of the nominees might result in some nominees receiving fewer votes. However, the number of votes otherwise received by the nominee will not be reduced by such action. If, however, any situation should arise under which any nominee is unable to serve, the proxy holders may exercise the authority granted in the enclosed proxy for the purpose of voting for a substitute nominee.

The Board has adopted a policy providing for a majority vote standard for uncontested elections. Any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for his or her election (a **majority withheld vote**) shall tender his or her resignation to the

Chair of the Governance Committee promptly following certification of the shareholder vote. The Governance Committee will promptly consider the tendered resignation and recommend to the Board whether to accept or reject it. In determining whether to recommend acceptance or rejection of the tendered resignation, the Governance Committee will consider all factors it deems relevant including, without limitation, the stated reasons why shareholders withheld votes from the director, the director's length of service and qualifications, the director's contributions to the Company, and the Company's Corporate Governance Guidelines.

The Board will act on the Governance Committee's recommendation no later than 90 days following the date of the shareholders' meeting at which the election occurred. In deciding whether to accept the tendered resignation, the Board will consider the factors considered by the Governance Committee and any additional information and factors the Board believes to be relevant. Promptly following the Board's decision, we will disclose that decision (and provide a full explanation of the process by which the decision was reached) in a Form 8-K filed with the SEC.

If the Board decides to accept the director's resignation, the Governance Committee will recommend to the Board whether to fill the resulting vacancy or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this policy will not participate in the Governance Committee recommendation or the Board consideration whether to accept or reject the resignation. If a majority of the members of the Governance Committee receive a majority withhold vote at the same election, then the independent directors who did not receive a majority withhold vote will appoint a Board committee consisting only of such independent directors solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them.

Nominee Biographies

Certain information concerning the nominees and the retiring directors of the Company is set forth below and under the caption "Meetings and Committees of the Board of Directors." If not otherwise indicated, the principal occupation listed for any individual has been the same for at least five years.

Carl L. Chapman, age 56, was elected as Chair of the Board effective May 11, 2011. He was elected to the Board in 2009 and has served as Chief Executive Officer and President since June 2010. He served as President and Chief Operating Officer of the Company from November 1, 2007 to May 31, 2010, as Chief Operating Officer from August 1, 2004 to June 2010 and as Executive Vice President from March 31, 2000 to November 1, 2004. From March 31, 2000 until August 2004, Mr. Chapman also served as President of Vectren Enterprises, Inc. (**Vectren Enterprises**). Prior to March 31, 2000 and since 1999, Mr. Chapman served as Executive Vice President and Chief Financial Officer of Indiana Energy, Inc., a predecessor of the Company (**Indiana Energy**). Mr. Chapman served as President of IGC Energy, Inc., which has been renamed Vectren Energy Marketing and Services, Inc. (**VEMS**). Mr. Chapman has been a director of Indiana Gas Company, Inc. (**Indiana Gas**), Southern Indiana Gas and Electric Company (**SIGECO**), and Vectren Utility Holdings, Inc. (**VUHI**) since 2004. Mr. Chapman is the Chair of the board of Vectren Infrastructure Services Corporation (**VISCO**), Vectren Energy Services Corporation (**VESCO**) and Vectren Fuels, Inc.; Chair of the board of representatives of ProLiance Holdings, LLC and Vice Chair of Reliant Services, LLC.

Mr. Chapman has been in a leadership position with Vectren since its inception in 2000. His decades of energy industry experience and his current and former duties on behalf of the Company and its predecessor, Indiana Energy, have afforded him intimate knowledge of our operations and business. His service on the Board enables him to continue to interact directly with the other members of the Board as they make strategic decisions regarding our businesses and their future direction.

James H. DeGraffenreidt, Jr., age 58, was elected to the Board in 2010. Mr. DeGraffenreidt is the retired Chairman and Chief Executive Officer of WGL Holdings, Inc. and Washington Gas Light Company, a natural gas utility serving over 1 million customers in the District of Columbia, Maryland and Virginia. He has significant

experience as an attorney working on energy regulatory issues, as well as from his past service as chair of the American Gas Association and as former co-chair and board member of the Alliance to Save Energy. He is also director of Massachusetts Life Insurance Company, Harbor Bankshares Corporation and Maryland State Board of Education, all non-public companies.

As the former chief executive officer of a New York Stock Exchange listed energy company, Mr. DeGraffenreidt brings not only a utility background to the Board but also significant public company experience. His background and expertise in the energy regulatory area enables him to provide valuable insight as a member of the Board, Audit Committee and Governance Committee regarding such matters.

Niel C. Ellerbrook, age 63, has been a director of Indiana Gas, Indiana Energy, SIGECO, VUHI, or the Company since 1991. He served as non-executive Chair of the Board from June 2010 to May 2011 and as Chair and CEO from March 2000, when SIGCORP and Indiana Energy merged to create the Company, until his retirement from the Company on May 31, 2010. Additionally, Mr. Ellerbrook served as President from May 2003 until November 2007. Prior to that time and since June 1999, Mr. Ellerbrook served as President and Chief Executive Officer of Indiana Energy. Prior to his retirement in 2010, Mr. Ellerbrook was the Chair, Chief Executive Officer and a director of VUHI. Mr. Ellerbrook was also the Chair and a director of Vectren Capital Corp. and Vectren Enterprises and President, Chair and a director of Vectren Foundation, Inc. (**Vectren Foundation**). He is also a director and chair of the compensation committee of Old National Bancorp, a publicly traded company. He also serves on the Board of Trustees of the University of Evansville. Mr. Ellerbrook is chair of the Finance Committee of the Board and serves on the Corporate Affairs Committee.

Mr. Ellerbrook's prior experience as Chief Executive Officer provides him with keen insight into the Company's challenges and opportunities as well as its day-to-day operations. His decades of experience in the energy industry equip him to assist his fellow Board members in assessing issues affecting those businesses.

John D. Engelbrecht, age 60, has been a director of SIGCORP or the Company since 1996. Mr. Engelbrecht is Chair and President of South Central Communications Corporation, owner and operator of radio and television stations in Indiana, Kentucky and Tennessee and MUZAK franchises in 12 U.S. cities. Mr. Engelbrecht is also secretary and partner in Corner Homecare, serving the home medical needs of patients throughout western Kentucky.

Mr. Engelbrecht, as Chair and President of South Central Communications, brings to our Board strong managerial and marketing experience as the owner and operator of a communications business in one of the service territories of our utility business. His entrepreneurial background is particularly useful to his service as a member of the Board regarding their consideration of the Company's non-utility businesses. These strengths have positioned him as a valued member of the Finance Committee and Corporate Affairs Committee.

Anton H. George, age 52, has been a director of Indiana Energy or the Company since 1990. Mr. George is the principal of Vision Investments, LLC. He is a director and the former Chief Executive Officer of Hulman & Company and its affiliates Clabber Girl Corporation, Indianapolis Motor Speedway Corporation and Indy Racing League, LLC. He is a director of First Financial Corporation, a public company.

Mr. George, as principal of Vision Investments, LLC, as well as his prior experience as Chief Executive Officer of Hulman & Co. and its affiliates, demonstrates his leadership ability and unique insight into the challenges and opportunities of running successful businesses. His experiences have made him a valuable contributor to the Compensation and Benefits Committee and Governance Committee.

Martin C. Jischke, age 70, was elected to the Board in 2007. Dr. Jischke is the President Emeritus of Purdue University, an institution of higher education. He is a director of Duke Realty Corporation and director and Chair of the board of directors of Wabash National Corporation, both of which are public companies.

Dr. Jischke has been the CEO of four major research universities, served as a director of four publicly-traded corporations and brings to the Board a background of science, engineering and research, as well as experience in

public company governance. Dr. Jischke's background has provided expertise to our Corporate Affairs Committee and Compensation and Benefits Committee.

Robert G. Jones, age 55, was elected to the Board on February 2, 2011. Mr. Jones is President and Chief Executive Officer and a member of the board of directors of Old National Bancorp, which is a public company.

Mr. Jones, as President and Chief Executive Officer of Old National Bancorp, provides the Board with financial, business and management expertise gained through over 32 years in the areas of banking and finance. As a financial leader in the Company's service territory, he brings strong understanding and knowledge of the markets in Indiana and Ohio that Vectren serves. Mr. Jones' expertise is utilized as a valued member of the Finance Committee and Corporate Affairs Committee.

J. Timothy McGinley, age 71, has been a director of Indiana Energy or the Company since January 1999. As Chair of the Governance Committee of the Board, Mr. McGinley also serves as the Lead director. He is a principal of House Investments, Inc., a real estate investment company. Mr. McGinley retired from the Board of Trustees of Purdue University in 2009 after serving nearly 20 years as a trustee and 16 years as board Chair. He was previously a director of Waterfield LLC, retiring in 2010.

Mr. McGinley, as principal of House Investments, Inc., provides the Board with valuable financial experience and business acumen. The Board has utilized his talents as Lead director, Chair of the Governance Committee and as a member of the Finance Committee.

R. Daniel Sadlier, age 65, was elected to the Board in 2003. Mr. Sadlier is the retired President and Chief Executive Officer of Fifth Third Bank (Western Ohio) and Chairman of Premier Health Care Services, a privately-held company.

Mr. Sadlier, as retired President and Chief Executive Officer of Fifth Third Bank, has nearly 30 years of senior management experience in the financial service sector and significant community involvement and representation in the Company's Ohio footprint. Mr. Sadlier's knowledge of Ohio is particularly helpful to his service as a member of the Board when assessing the Company's Ohio operations. The Board has utilized his leadership skills and background in finance as resources for both the Audit Committee and Compensation and Benefits Committee of which he is a member.

Michael L. Smith, age 63, was elected to the Board in 2006. In addition to the Company, Mr. Smith serves on the following other public company boards of directors: Kite Realty Group, Inc., H.H. Gregg, Inc., and Brightpoint, Inc. He also serves on the audit committees of each of these companies. Mr. Smith was Executive Vice President and Chief Financial Officer of WellPoint, Inc. from 1999 until he retired on January 31, 2005. Previously, he was a director of the following publicly traded companies: Calumet Specialty Products Partners, InterMune Inc, First Indiana Corporation (which was acquired by Marshall & Ilsley Corporation in 2008) and Emergency Medical Services Corporation. Mr. Smith also serves on the board of Hulman and Company, Lockton, Inc. and LDI Ltd., LLC, which are private companies.

Mr. Smith, as former Executive Vice President and CFO of WellPoint, Inc. and current member of several public company audit committees, brings to the Board a wealth of knowledge in dealing with financial and accounting matters. His experience in evaluating financial results and overseeing the financial reporting process of a large public company make him an important resource for our Board. He provides skilled advice in his role as Financial Expert as well as Chair of the Audit Committee. The Board has further utilized his financial expertise on the Compensation and Benefits Committee, of which he is a member.

Jean L. Wojtowicz, age 54, has been a director of Indiana Energy or the Company since 1996. Ms. Wojtowicz is President and founder of Cambridge Capital Management Corp., a consulting and venture capital firm. She is also a director of First Merchants Corporation, a public company, where she serves as the chair of the audit

committee and as its designated Financial Expert. Ms. Wojtowicz is also a director of American United Mutual Holding Company, a privately-held company.

Ms. Wojtowicz is very experienced in matters of finance and entrepreneurship. Her understanding of financial strategy and her business acumen make her a valued resource in the performance of her roles as Chair of the Compensation and Benefits Committee and as a member of the Audit Committee.

The Board of Directors Recommends a Vote FOR All Nominees.

Retiring Director s Biography

William G. Mays, age 66, has been a director of Indiana Energy or the Company since 1998. Mr. Mays is President and Chief Executive Officer and founder of Mays Chemical Company, Inc., an Indianapolis, Indiana based chemical distribution company. Mr. Mays retired as a director of WellPoint, Inc., a public company, in December of 2011. Previously, Mr. Mays was a director of First Indiana Corporation, a public company (which was acquired by Marshall & Ilsey Corporation in 2008). After 14 years of Board service, Mr. Mays has decided to retire from the Board

OTHER EXECUTIVE OFFICERS

Other executive officers of the Company during 2011 were Jerome A. Benkert, Jr., age 53, Ronald E. Christian, age 54, William S. Doty, age 61 and John M. Bohls, age 55.

Mr. Benkert has served as Executive Vice President, Chief Financial Officer and President, Vectren Shared Services, since September 2010. He served as Executive Vice President and Chief Financial Officer of the Company since March 2000 and as Treasurer of the Company from October 2001 to March 31, 2002. Mr. Benkert has also served as director of Indiana Gas, SIGECO and VUHI since March 31, 2000. Prior to March 31, 2000 and since October 1, 1997, he was Executive Vice President and Chief Operating Officer of Indiana Energy s administrative services company. Mr. Benkert is a member of the board of representatives of ProLiance Holdings, LLC, and the board of directors of Vectren Energy Services Corporation and Energy Systems Group, LLC.

Mr. Christian has served as Executive Vice President, Chief Legal and External Affairs Officer, Corporate Secretary and President, Vectren South, since September 2010. He served as Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary of the Company from August 1, 2004 to September 2010 and Executive Vice President, General Counsel and Secretary of the Company from May 1, 2003 to September 2010. Prior to May 1, 2003 and since March 31, 2000, Mr. Christian served as Senior Vice President, General Counsel and Secretary of the Company. Mr. Christian has also served as director of Indiana Gas, SIGECO and VUHI since March 31, 2000. Prior to March 31, 2000, and since 1999, he was Vice President and General Counsel of Indiana Energy. Mr. Christian is a member of the board of representatives of ProLiance Holdings, LLC, and a member of the board of directors of Vectren Infrastructure Services Corporation.

William S. Doty has served as Executive Vice President of Utility Operation and President of VUHI since May 1, 2003. Mr. Doty also served as Senior Vice President of Energy Delivery for the Company from April of 2001 to May of 2003. He was Senior Vice President of Customer Relationship Management from January 2001 to April 2001. From January 1999 to January 2001, Mr. Doty was Vice President of Energy Delivery for SIGECO. Mr. Doty is a member of the board of directors of Indiana Gas, SIGECO and VUHI.

John M. Bohls has served as President, Vectren Energy Marketing and Services, Inc., since September 2010. He also served as President, Vectren Enterprises, Inc., from August 1, 2004 until August 31, 2010. Prior to August 31, 2004, Mr. Bohls served as President, Vectren Energy and Marketing Services, Inc. Mr. Bohls is also a member of the board of representatives of ProLiance Holdings, LLC.

COMMON STOCK OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the number of shares of common stock of the Company beneficially owned by the directors, the Chief Executive Officer, the four additional named executive officers, and all directors and named executive officers as a group, as of February 10, 2012. Except as otherwise indicated, each individual has sole voting and investment power with respect to the shares listed below.

Name of Individuals or Identity of Group	Beneficial Ownership (1)
	105,053
Carl L. Chapman	(2)(4)(5)
James H. DeGraffenreidt, Jr.	6,328 (5)
	216,083
Niel C. Ellerbrook	(3)(4)(5)(6)
	11,647
John D. Engelbrecht	(5)
	16,936
Anton H. George	(5)(8)
Martin C. Jischke	1,000 (2)(5)
Robert G. Jones	823 (5)(7)
William G. Mays	1,395 (2)(5)
	17,684
J. Timothy McGinley	(2)(4)(5)
R. Daniel Sadlier	585 (2)(5)
Michael L. Smith	6,644 (2)(5)
	12,955
Jean L. Wojtowicz	(2)(4)(5)
	73,696
Jerome A. Benkert, Jr.	(2)(4)(5)
	52,989
Ronald E. Christian	(2)(4)(5)
	23,982
William S. Doty	(2)(3)(4)(5)
	33,985
John M. Bohls	(2)(4)(5)
All Directors and Named Executive Officers as a Group (16 Persons)	581,785 (1)

- (1) No director or named executive officer owned beneficially as of February 10, 2012, more than 0.26% of the common stock of the Company. All directors and named executive officers owned beneficially an aggregate of 581,785 shares or 0.71% of common stock of the Company.
- (2) This amount does not include phantom securities held under the Company's nonqualified deferred compensation plans, which are in the form of stock units that are valued as if they were Company common stock. The phantom securities in those plans are shown below:

Name of Individuals or Identity of Group	Phantom Stock Units
Carl L. Chapman	35,268
Martin C. Jischke	6,949
William G. Mays	10,247
J. Timothy McGinley	3,318
R. Daniel Sadlier	30,518
Michael L. Smith	7,611
Jean L. Wojtowicz	6,827
Jerome A. Benkert, Jr.	2,934
Ronald E. Christian	39,921
William S. Doty	17,932
John M. Bohls	5,082

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All Directors and Named Executive Officers as a
Group 166,607

- (3) Includes shares held by spouse, jointly with spouse or as custodian for a minor.
- (4) Includes shares which the named individual has the right to acquire as of February 10, 2012 pursuant to options granted under the At Risk Plan.

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- (5) This amount does not include stock unit awards granted to the named executive officers on February 12, 2009, January 1, 2010, January 1, 2011, and January 1, 2012, and dividend equivalents earned on these grants under the Vectren Corporation At Risk Compensation Plan and to the non-employee directors on May 11, 2011. The following stock unit awards and dividend equivalents are valued as if they were common stock and are subject to certain transferability restrictions and forfeiture provisions.

<u>Name of Individuals or Identity of Group</u>	<u>Stock Unit Awards</u>
Carl L. Chapman	138,997
James H. DeGraffenreidt	1,805
Niel C. Ellerbrook	85,641
John D. Engelbrecht	1,805
Anton H. George	1,805
Martin C. Jischke	1,805
Robert G. Jones	1,805
William G. Mays	1,805
J. Timothy McGinley	1,805
R. Daniel Sadlier	1,805
Michael L. Smith	1,805
Jean L. Wojtowicz	1,805
Jerome A. Benkert, Jr.	72,662
Ronald E. Christian	57,083
William S. Doty	50,088
John M. Bohls	45,052
All Directors and Named Executive Officers as a Group	467,573

- (6) Includes 45,000 shares held by the Niel & Karen Ellerbrook Family Foundation, for which he is a director. Mr. Ellerbrook has shared voting power and shared investment power over the shares held by the foundation.
- (7) Robert G. Jones was elected to the board on February 2, 2011. Our director ownership guidelines provide a five year transition period for compliance and are further described on pages 18-19.
- (8) This amount does not include any shares held by certain charitable organizations and other corporations with which Mr. George is associated and to which he disclaims beneficial ownership.

OWNERSHIP OF VECTREN STOCK

Securities Owned by Certain Beneficial Owners

According to information filed with the SEC, the following shareholders were beneficial owners of more than 5 percent of our common stock as of December 31, 2011.

<u>Name and Address of Beneficial Owner</u>	<u>Shares of Common Stock Beneficially Owned</u>	<u>Beneficial Percent of Class</u>
BlackRock, Inc. ¹ 40 East 52nd Street New York, NY 10022	4,663,253	5.70%
State Street Corporation ¹ State Street Financial Center One Lincoln Street Boston, MA 02111	5,608,940	6.90%

¹ The information shown in this table for BlackRock, Inc. and State Street Bank Corporation is derived from information filed on January 20, 2012 and February 9, 2012, respectively with the SEC on Schedule 13G.

BlackRock and State Street filings state that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of our common stock and that no one person's interest in our common stock is more than 5 percent of the total outstanding common shares.

RELATED PERSON TRANSACTIONS

Review and Approval Policies and Procedures

We do not have a separate policy that codifies in a single document all of our policies regarding related person transactions. We do, however, have policies, procedures and practices for monitoring the occurrence of transactions involving us and our subsidiaries and related persons (directors and executive officers or their immediate family members, or shareholders owning 5% or greater of our outstanding stock) and for reviewing and approving related person transactions. Our Corporate Code of Conduct directs officers and employees to avoid relationships and financial interests in vendors, suppliers and contractors with whom we do business or who are seeking to do business with us. Further, the corporate policy requires employees owning or acquiring a financial interest of \$25,000 or more or 5% ownership in such vendors, suppliers or contractors to report such relationships to their immediate supervisor. If the supervisor determines that a conflict exists, the supervisor is required to contact the appropriate executive officer and the director of Corporate Audit for resolution. Annually, as required by the Corporate Code of Conduct, the director of Corporate Audit requires all directors, officers and key employees to complete a certification regarding relationships and financial interests in vendors, suppliers, contractors and customers. The director of Corporate Audit also annually mails letters to our major vendors, suppliers and contractors to inform them of these restrictions.

Our combined Corporate Code of Conduct and Code of Ethics for the Board require directors to promptly disclose to the Chair of the Governance Committee any situation that involves, or may potentially involve, a conflict of interest. These codes also provide for the Governance Committee to review all relationships that exist between Vectren and a non-management director other than relationships relating to the director's service on the Board. We also obtain information from directors at least annually about any of these relationships or transactions. The Corporate Code of Conduct, Code of Ethics for the Board and related acknowledgment forms are posted in the Corporate Governance section of our website at www.vectren.com.

In connection with the preparation of our annual proxy statement and Form 10-K, we distribute a director and officer questionnaire to our directors and executive officers to elicit information about, among other matters, related person transactions. Data compiled from these questionnaires is reviewed by management, our executive vice president, chief legal and external affairs officer and secretary, the Governance Committee of the Board and by the full Board.

CORPORATE GOVERNANCE AND MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

Director Independence

The Board has determined that with the exception of Mr. Ellerbrook, who is our retired Chief Executive Officer, and Mr. Chapman, who is our Chairman, President and Chief Executive Officer, all members of the Board are independent since they satisfy our Director Independence Standards. The Director Independence Standards are set forth on pages 19-20 of this proxy statement.

Nomination of Directors By Shareholders

If a shareholder entitled to vote for the election of directors at a shareholders' meeting desires to nominate a person for election to the Board, our By-Laws require the shareholder to deliver or mail a notice that is received

at our principal office not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting of the shareholders for the preceding year. If, however, the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date, the shareholder notice shall be given by the later of: (a) the date 90 days prior to the actual date of the shareholder meeting, or (b) the tenth day following the day on which the annual meeting date is first publicly announced or disclosed. In any case, such shareholder's notice must set forth, in addition to the name and address of the shareholder submitting the nomination, as to each person whom the shareholder proposes to nominate for election or re-election as a director: (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of our shares which are beneficially owned by such person, (iv) any other information relating to such person that is required to be disclosed in the solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including, without limitation, such person's written consent to be named in the proxy statement as a nominee and to serve as a director, if elected), and (v) the qualifications of the nominee to serve as our director.

The process described in the preceding paragraph is currently the sole formal process for shareholders to nominate persons to our Board. However, there is a framework in place for shareholders to contact the Board's Lead director, and, as part of that process shareholders may communicate regarding any prospective candidate for membership on the Board. The criteria employed by the Governance Committee when considering all nominees to the Board are contained in our Code of By-Laws and are set forth in *Appendix A*.

Board Leadership Structure

In May of 2011, Mr. Chapman assumed the role of Board Chair and he now holds the combined positions of Board Chair, President and Chief Executive Officer. Prior to that time, Mr. Ellerbrook, Mr. Chapman's predecessor, had held the position of non-executive Board Chair since May of 2010. The split of the position of Board Chair from the positions of President and Chief Executive Officer occurred in May 2010 upon Mr. Ellerbrook's retirement from active employment with the Company, with his last position being Board Chair and Chief Executive Officer. As part of the succession planning process for Mr. Chapman, in 2010 the Governance Committee determined, as provided in Section 1.G of the Corporate Governance Guidelines, that providing for Mr. Ellerbrook's continued role as non-executive Board Chair would facilitate the transition of leadership to Mr. Chapman, and, so long as that the transition process occurred as envisioned by the Governance Committee and the Board, the positions of Board Chair and President and Chief Executive Officer could ultimately be reconsolidated with Mr. Chapman assuming all of those responsibilities. Under the oversight of the Nominating and Corporate Governance Committee, which actively oversaw the transition of leadership from Mr. Ellerbrook to Mr. Chapman, the Governance Committee and the Board concluded in early 2011 that this transition had successfully occurred and that Mr. Chapman was capable of assuming all of these responsibilities. Since the inception of the Company's operations in 2000, the combination of the Board Chair and Chief Executive Officer positions has positively served the Company's interests because of the efficiencies of having the roles combined. Because of the Board's confidence in Mr. Chapman's leadership, and based upon his performance since he assumed the leadership of the Company, the Board concluded that similar efficiencies would be realized by vesting him with the responsibilities of the Board Chair, in addition to the responsibilities of the Chief Executive Officer. By combining the performance of all of these responsibilities with Mr. Chapman, he is able to optimize his first hand knowledge of the operations of the Company, which facilitates his leadership of the Board regarding the Company's business by allowing the Board to have the benefit of his insight and perspective regarding the affairs of the Company during its deliberations. To ensure the preservation of good governance, the Board has and will continue to maintain the position of an independent Lead director in order that when it is advisable or necessary to have the non-employee, independent directors consider matters and take action, there will be a strong, independent leader in place to facilitate those considerations and actions. The responsibilities of the Chair and the Lead director are set forth in the Corporate Governance Guidelines, which are posted at the Company's website at www.vectren.com.

Board's Role In Risk Oversight

The Board is ultimately responsible for risk oversight across the organization. That responsibility is shared by the Committees of the Board in addressing financial, compensation, reputational and governance risks with specific responsibility for reviewing management's risk oversight function delegated to the Audit Committee, as provided for in its charter. The Risk Management Committee (RMC), which is comprised of the Chief Executive Officer, senior executives and other key members of management and led by the Treasurer and Vice President of Investor Relations, meets approximately on a bi-weekly basis. The RMC identifies and oversees organizational efforts to address the top strategic risks facing the Company, as well as other risks that arise during the course of operations, and ensures that risk management efforts are aligned with the Company's strategic objectives. The types of strategic risks the RMC considers and monitors include, but are not limited to, financial, regulatory, environmental and compliance risks that could impact the business. For example, during 2011, the RMC oversaw and monitored issues relating to commodity hedging, coal mining operations, pipeline safety, cyber-security and credit risks. The Audit Committee receives detailed reports throughout the year regarding the activities of the RMC and strategic risk management efforts within the Company. In response to those reports, the Audit Committee may direct management to consider additional issues or provide additional information to the Audit Committee regarding the RMC's actions. The Audit Committee chair reports regularly to the Board regarding enterprise risk matters presented to the Audit Committee. Similarly, other Board committee chairs regularly report to the Board regarding risk matters overseen by their respective committee. An example of this is the Compensation and Benefits Committee chair reports to the Board regarding the oversight of risk in the Company's compensation plans.

Board Meetings

The Board had 10 meetings during the last fiscal year. No member attended fewer than 87.5% of the aggregate of Board meetings and meetings of the respective committees of the Board of which they are members. All of the members of the Board attended last year's annual meeting.

The members of our Board are elected to various committees. The standing committees of our Board are: the Nominating and Corporate Governance Committee, the Corporate Affairs Committee, the Audit and Risk Management Committee, the Finance Committee and the Compensation and Benefits Committee.

The members of the Nominating and Corporate Governance Committee are J. Timothy McGinley, Chair, James H. DeGraffenreidt, Jr., Anton H. George and William G. Mays. As Chair of the Committee, Mr. McGinley is also the Company's Lead director. Membership on the Committee is restricted to non-employee members of the Board who must be independent under New York Stock Exchange rules. The functions of the Nominating and Corporate Governance Committee are described under Report of the Nominating and Corporate Governance Committee below. There were three meetings of the committee during the past fiscal year.

The members of the Corporate Affairs Committee are William G. Mays, Chair, Niel C. Ellerbrook, John D. Engelbrecht, Martin C. Jischke and Robert G. Jones. None of the members is an officer or employee of the Company. The functions of the Corporate Affairs Committee are described under Report of the Corporate Affairs Committee below. There were three meetings of the Corporate Affairs Committee during the past fiscal year.

The members of the Audit and Risk Management Committee are Michael L. Smith, Chair, James H. DeGraffenreidt, Jr., R. Daniel Sadlier and Jean L. Wojtowicz. The Board has determined that Mr. Smith is the Audit and Risk Management Committee's designated Financial Expert under the SEC definition. Membership on the Audit and Risk Management Committee is restricted to non-employee members of the Board who must be independent under New York Stock Exchange rules. The functions of the Audit and Risk Management Committee are described under Report of the Audit and Risk Management Committee below. There were six meetings of the Committee during the past fiscal year.

The members of the Finance Committee are Niel C. Ellerbrook, Chair, John D. Engelbrecht, Robert G. Jones and J. Timothy McGinley. The Finance Committee acts on behalf of the Board with respect to financing activities of the Company and its subsidiaries and also in instances where the Board has delegated authority to the Finance Committee to act on behalf of the Board. The functions of the Finance Committee are described under "Report of the Finance Committee" below. There were three meetings of the Committee during the past fiscal year.

The members of the Compensation and Benefits Committee are Jean L. Wojtowicz, Chair, Anton H. George, Martin C. Jischke, R. Daniel Sadlier and Michael L. Smith. Membership on the Compensation and Benefits Committee is restricted to non-employee members of the Board who must be independent under the rules of the New York Stock Exchange. The functions of the Compensation and Benefits Committee are described under "Report of the Compensation and Benefits Committee" below. There were three meetings of the Compensation and Benefits Committee during the past fiscal year.

Director Compensation

As more fully discussed in the Report of the Nominating and Corporate Governance Committee, which begins on page 14 of this proxy statement, the establishment of compensation for non-employee directors is part of the responsibilities of that Committee. The philosophy for the compensation decisions is discussed in that report.

In 2011, non-employee directors received a cash retainer of \$45,000 per year for service on the Board. The fees were paid in the form of a monthly retainer of \$3,750. The Lead director received a retainer of \$15,000, paid in the form of a monthly retainer of \$1,250. The Chair of the Audit Committee received a retainer of \$10,000, paid in the form of a monthly retainer of \$833.33. The Chair of the Compensation and Benefits Committee received a retainer of \$7,000, paid in the form of a monthly retainer of \$583.33. All other committee Chairs received a retainer of \$5,000, paid in the form of a monthly retainer of \$416.66.

Non-employee directors also receive a fee of \$1,250 for each Board meeting attended. Each non-employee member of a committee of the Board is paid a fee of \$1,250 for each committee meeting attended.

As part of the total compensation package provided to non-employee directors, subject to each director's re-election to the Board, a grant of stock unit awards will be made as of May 16, 2012, and the grant will vest on May 1, 2013. The equity compensation provided to non-employee directors is solely in the form of stock unit awards. In 2011, the value of the equity compensation awards was \$50,000 per director.

In addition to the compensation paid to all other non-employee board members, Mr. Ellerbrook received an annual stipend in the amount of \$150,000 for his performance of responsibilities as non-executive Board Chair beginning in June of 2010. This stipend was paid in monthly payments beginning July 2010 and was discontinued in June 2011.

Pursuant to a director expense reimbursement policy approved by the Board, we reimburse the reasonable travel and accommodation expenses of directors to attend meetings and other corporate functions.

The Board has adopted a director education policy. The Vectren Corporation Director Education Policy is administered by the Chairman, President and Chief Executive Officer, with oversight by the Governance Committee, and provides each non-employee director with an annual education allowance of up to \$7,500 to use for continuing education programs to assist them with the discharge of their duties.

Under the Vectren Foundation Directors Matching Policy the Vectren Foundation will match qualifying contributions up to \$5,000 annually, made by active non-employee members of the Board. Qualifying organizations must meet two criteria: (1) be designated a 501(c)(3) Federal tax exempt entity by the Internal Revenue Service and (2) promote and implement activities and programs, some of which are within the Company's

service area. This policy encourages and supports contributions that promote the preservation and restoration of natural resources, energy efficiency and renewable resources and institutions of higher education. The maximum match amount of \$5,000 may be used by matching a single college or university gifts not to exceed \$2,500 in total and matching gifts to organizations focused on preservation and restoration of natural resources, energy efficiency and renewable resources not to exceed \$2,500 in total.

Directors are eligible to participate in the Vectren Corporation Nonqualified Deferred Compensation Plans described starting on page 51 under the heading Nonqualified Deferred Compensation. At the present time, directors may defer all or a portion of their director fees and stock unit awards upon the lapse of restrictions applicable to those stock unit awards into the Vectren Corporation Nonqualified Deferred Compensation Plan, effective January 1, 2005, which is designed to comply with Section 409A of the Internal Revenue Code of 1986, as amended (**Internal Revenue Code**).

The plans investment options mirror the investment options in the Company s 401(k) Plan except that the deferred compensation plans do not include any limitation on the amount of the contributions which can be allocated to the Company s common stock. Participants have the ability to elect a scheduled distribution of any amounts deferred into the plans as long as the distribution is at least three plan years after the end of the plan year for which the participant elects the deferral. Once the director s service on our Board has ended, the balance in these plans is paid in either a lump sum or annual installments over 5, 10 or 15 years.

The following table summarizes the compensation paid to non-employee directors for the fiscal year ended December 31, 2011. Mr. Chapman does not receive any additional compensation for his service as a director. No option awards or non-equity incentive plan awards were made to directors. Directors do not receive pensions and did not receive any above-market or preferential earnings on deferred compensation.

2011 Director Compensation Table

Name (a)	Fees Earned or Paid in Cash (1) (\$) (b)	Stock Awards (2)(\$) (c)	Option Awards (3) (d)	All Other Compensation (4)(\$) (e)	Total (\$) (f)
James H. DeGraffenreidt, Jr.	\$ 66,252	\$ 50,739		\$ 2,468	\$ 119,458
Niel C. Ellerbrook	\$ 142,501	\$ 50,739		\$ 4,968	\$ 198,208
John D. Engelbrecht	\$ 63,752	\$ 50,739		\$ 2,468	\$ 116,958
Anton H. George	\$ 63,752	\$ 50,739		\$ 2,468	\$ 116,958
Martin C. Jischke	\$ 64,168	\$ 50,739		\$ 4,968	\$ 119,875
Robert G. Jones	\$ 68,752	\$ 50,739		\$ 4,377	\$ 123,868
Robert L. Koch II	\$ 37,083			\$ 3,591	\$ 40,674
William G. Mays	\$ 66,251	\$ 50,739		\$ 2,468	\$ 119,458
J. Timothy McGinley	\$ 77,501	\$ 50,739		\$ 3,468	\$ 131,708
R. Daniel Sadlier	\$ 67,502	\$ 50,739		\$ 4,468	\$ 122,708
Michael L. Smith	\$ 76,251	\$ 50,739		\$ 7,468	\$ 134,458
Jean W. Wojtowicz	\$ 74,501	\$ 50,739		\$ 2,468	\$ 127,708

- (1) This column represents annual cash retainers and meeting attendance fees paid to Board members. For Mr. Ellerbrook this amount also includes a monthly stipend of \$12,500 paid in the months of January through June 2011 in accordance with his retirement agreement. For Mr. Jones this amount includes \$3,333.33 paid for the months of February through April 2011, which is the monthly equivalent of the equity award granted to other board members on May 1, 2010. These amounts are more fully discussed above under Director Compensation. Mr. Koch retired from the Board at the 2011 annual meeting of shareholders.

(2) This column reflects the value at the grant date based on FASB ASC Topic 718, which in this instance is the number of stock units issued multiplied by the share price on the date of grant.

(3) No stock options were granted to directors in 2011 and no stock options have been granted to directors since 2003. All unexercised options held by Mr. Ellerbrook were granted to him while he was an executive of the Company. At the end of the fiscal year ended December 31, 2011, the following directors had unexercised nonqualified stock options:

(a) Mr. Ellerbrook held the following unexercised nonqualified stock options, which he received when he was an executive of the company:

Grant Date	Expiration Date	No. of Shares	Exercise Price
1/1/2004	1/1/2014	71,000	\$24.74
1/1/2005	1/1/2015	85,100	\$26.63

(b) Mr. McGinley held the following unexercised nonqualified stock options:

Grant Date	Expiration Date	No. of Shares	Exercise Price
5/1/2002	5/1/2012	1,384	\$24.90
10/1/2002	5/1/2012	2,400	\$22.37
5/1/2003	5/1/2013	3,900	\$22.57

(c) Ms. Wojtowicz held 3,900 unexercised stock options granted to her on May 1, 2003 with an expiration date of May 1, 2013 and an exercise price of \$22.57.

(4) This column includes dividends paid on stock unit awards in 2011, and matching of qualifying charitable contributions. The table below discloses the breakdown of payments in the All Other Compensation column:

2011 Director Compensation - All Other Compensation

Name	Stock Unit Dividend	Directors Matching Policy Contributions	All Other Compensation (4)(\$)
James H. DeGraffenreidt, Jr.	\$2,468		\$ 2,468
Niel C. Ellerbrook	\$2,468	\$ 2,500	\$ 4,968
John D. Engelbrecht	\$2,468		\$ 2,468
Anton H. George	\$2,468		\$ 2,468
Martin C. Jischke	\$2,468	\$ 2,500	\$ 4,968
Robert G. Jones	\$1,877	\$ 2,500	\$ 4,377
Robert L. Koch II	\$ 591	\$ 3,000	\$ 3,591
William G. Mays	\$2,468		\$ 2,468
J. Timothy McGinley	\$2,468	\$ 1,000	\$ 3,468
R. Daniel Sadlier	\$2,468	\$ 2,000	\$ 4,468
Michael L. Smith	\$2,468	\$ 5,000	\$ 7,468
Jean W. Wojtowicz	\$2,468		\$ 2,468

Mr. Koch retired from the Board at the 2011 annual meeting of shareholders.

REPORT OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee (**Governance Committee**) is primarily responsible for corporate governance matters affecting the Company and its subsidiaries. The Governance Committee has four members and is composed entirely of non-employee directors all of whom the Board has determined to be

independent pursuant to the New York Stock Exchange (**NYSE**) rules. The Governance Committee met three times during the past fiscal year. At each meeting, the Governance Committee conducts an executive session without management present.

Scope of Responsibilities

The Governance Committee has a number of significant responsibilities which are set forth in its charter posted at www.vectren.com, including:

Serving as a conduit for shareholders and other interested parties to communicate with the non-employee members of the Board regarding nominees and other matters affecting Company business;

Overseeing the succession planning process for the office of Chief Executive Officer, senior management and the primary leadership of the Company's subsidiaries and affiliates;

Monitoring other corporate governance matters, including periodically reviewing the Company's Code of By-Laws and Articles of Incorporation as they relate to corporate governance;

Formulating recommendations concerning the composition, organization and functions of the Board and its committees;

Identifying and selecting qualified nominees for election to the Board, including assessing the viewpoint, background and demographics of nominees, and whether their presence on the Board would contribute to the overall diversity of the Board;

Recommending programs for continuing Board member education and development;

Establishing qualification criteria for service as a member of the Board, including independence;

Assessing the contributions of existing members of the Board for reelection;

Monitoring the effectiveness and functioning of the Board and its various committees;

Approving management participation on compensated third party boards of directors; and

Establishing compensation for non-employee members of the Board.

2011 Accomplishments

Throughout the year, the Governance Committee gathered, assessed, and, as appropriate, acted upon information relating to corporate governance, including governance-related items described in the Sarbanes-Oxley Act of 2002 (**Sarbanes-Oxley**), the Dodd-Frank Wall Street Reform and Consumer Protection Act (**Dodd-Frank**), and those regulatory changes affecting listed companies established by the New York Stock Exchange (**NYSE**) and the Securities and Exchange Commission (**SEC**). These efforts by the Governance Committee are ongoing.

As required by the Governance Committee's Charter, which is posted on the Company's website at www.vectren.com, the Governance Committee conducted an annual review of the Corporate Governance Guidelines applicable to the full Board. Based upon that review, the Governance Committee concluded that two modifications, which are discussed later in this report, were advisable. The current Corporate Governance Guidelines are posted on the Company's website at www.vectren.com.

The Governance Committee considers nominees for director, including nominees recommended by security holders. The policy for director nominations by shareholders is included under "Nomination of Directors by Shareholders" beginning on page 9 of this proxy statement. The criteria considered by the Governance Committee and the full Board when assessing candidates are contained in the Company's Code of By-Laws (**By-Laws**) and are also set forth in *Appendix A* of this proxy statement.

During the year, the Governance Committee provided ongoing oversight with respect to each Board member's relationship with the Company and its subsidiaries. This action was required under the independence standards for the Board, which were developed by the Governance Committee as required by the Company's Corporate Governance Guidelines, and were approved by the full Board. The independence standards are set forth and discussed on pages 19-20 of this proxy statement. Based on these standards, the Board has determined that with the exception of Mr. Ellerbrook, who is the retired Chief Executive Officer of the Company, and Mr. Chapman, who is Board Chair, President and Chief Executive Officer of the Company, all members of the Board are independent.

During the year, the Governance Committee evaluated each Board member's presence on committees in light of the applicable qualification requirements, including additional independence requirements pertinent to certain of the committees. Based upon this evaluation the Governance Committee recommended the composition and leadership of each committee to the full Board. Thereafter, those recommendations were adopted by the full Board.

During the year, the Governance Committee oversaw a formal communication process to ensure there is adequate information provided to the Board regarding actions taken by the boards of directors at the Company's wholly-owned subsidiaries and affiliates. That process provides for quarterly management updates to the Governance Committee relative to these actions.

The Governance Committee oversees non-employee directors' compliance with the stock ownership guidelines that have been established by the Board. Those guidelines are more fully discussed on pages 18-19 of this proxy statement. During the past year, stock ownership by directors was monitored and, as discussed on pages 18-19 of this proxy statement, as of February 10, 2012, each director, with the exception of Robert G. Jones, who was elected to the Board effective February 2, 2011, met the ownership threshold required by those guidelines. There is a five year transition period for compliance by new directors and Mr. Jones is still within that transition period.

During the year, the Governance Committee continued with the administration of the succession planning process for the senior management of the Company and the primary leadership of the Company's subsidiaries and affiliates. The Governance Committee believes that actively engaging in the succession planning process is a critical part of the Company's long-term management continuity preparedness. Succession planning is an ongoing process with respect to management positions across the Company, and is an integral part of the Company's normal personnel planning activities. Reports on this process were provided to the Governance Committee during the year. On a regular basis the Chair of the Governance Committee provides updates on this subject to the Board as part of the executive session segments of Board meetings.

As part of their oversight of the succession planning process for the Chief Executive Officer position, the Governance Committee discussed during 2010 and again in 2011 the organizational structures that could result from Mr. Ellerbrook's retirement, which occurred in May of 2010. In 2010, and following Mr. Ellerbrook's retirement as Chief Executive Officer, the Governance Committee decided that he should have a continuing role as non-executive Chair of the Board during the transition of leadership to his successor, Mr. Chapman. Such a continuing role was provided for in Section 1.G. of the Corporate Governance Guidelines. Throughout the remainder of 2010 and in early 2011 the Governance Committee assessed the transition of leadership from Mr. Ellerbrook to Mr. Chapman and concluded that it was successful. As a result, the Governance Committee recommended to the Board that Mr. Chapman be elected Board Chair effective immediately following the 2011 Annual Meeting, subject to his reelection to the Board by the shareholders at that meeting. To ensure the maintenance of good governance practices, the Governance Committee also recommended that Mr. McGinley be elected as Lead director to assume that role immediately following the 2011 Annual Meeting, which would coincide with the retirement of the then Lead director Robert L. Koch, who retired from the Board last year. These recommendations were accepted by the Board and were acted upon on March 2, 2011. Thereafter, Mr. Chapman was reelected to the Board and he has served as Chair since the time of the 2011 Annual Meeting. Mr. McGinley has also served as the Lead director since that time. This subject is more fully discussed on page 10 of this proxy statement under the heading Board Leadership Structure.

In connection with the conclusion of the transition of leadership from Mr. Ellerbrook to Mr. Chapman, the Governance Committee also considered the continuing service by Mr. Ellerbrook as a member of the Board. Under the Corporate Governance Guidelines for the Company, following such a transition of leadership by the former Chief Executive Officer, it was uncertain whether it would be appropriate for that person to remain as a director. In order to clarify that such continued service could be appropriate based upon the facts and circumstances of each case, the Governance Committee recommended a change to the language in Section 1.G. of the Corporate Governance Guidelines, which was subsequently approved by the Board. In the case of Mr. Ellerbrook, the Governance Committee concluded that his significant business expertise, including his longstanding involvement with the energy industry, positioned him to continue to be a valuable contributor as a director. Under the Corporate Governance Guidelines, as revised, the Governance Committee has recommended that Mr. Ellerbrook be reelected by the shareholders at the Annual Meeting.

Under the oversight of the Governance Committee, formal Board development activities were undertaken during the past year. The Board conducted a multi-day development session where they heard presentations from various external professionals with respect to important issues affecting the Company. As part of that session, the Board also received in-depth presentations from senior management regarding industry issues and processes affecting the Company and its subsidiaries. In addition, some members of the Board attended training activities focused on the development of directors' skills.

The Governance Committee is charged with oversight of compensation for the non-employee members of the Board. Periodically, the Governance Committee directs the preparation of an analysis of the continuing market competitiveness of that compensation. In early 2010 the Governance Committee had such an analysis prepared by Hay Group, Inc., which is the independent compensation consultant employed by the Compensation and Benefits Committee, and determined, based upon the results of that analysis, that the existing level of director compensation was not market competitive. The analysis included a review of the annual board retainer, board meeting attendance fees, committee retainers, committee meeting attendance fees, and equity grants. The analysis primarily relied upon a review of comparative data from the group of companies within the industry peer group that has been used by the Company to measure its performance and used by the Compensation and Benefits Committee when establishing executive compensation. Based upon the analysis and review of current market data, it was the conclusion of the independent consultant that the compensation to outside directors was well below both the average and the median for the Company's peer group. In October of 2010, the Governance Committee took action in response to that information and recommended an increase in director compensation. That recommendation was adopted by the Board at its November meeting, with an effective date of January 1, 2011. During 2012, the Governance Committee would anticipate reviewing the appropriateness of the existing compensation for outside directors in light of current market data. Director compensation is more fully discussed on pages 12-14 of this proxy statement under the heading Director Compensation.

As the plan administrator of the Vectren Compensation At Risk Compensation Plan (**At Risk Plan**) with respect to compensation for non-employee members of the Board, the Governance Committee has made annual awards of restricted units for directors effective as of May 16, 2012 (subject to their reelection by the shareholders). The role of equity compensation as part of the total compensation provided to non-employee directors is more fully discussed beginning on page 12 of this proxy statement.

During the year the Governance Committee, with assistance from management, reviewed the institutional controls in place with respect to the Board's oversight of the Company's non-regulated business investments. Those controls had been implemented in 2000 at the inception of the Company's operations. Based upon a review of practices employed by other enterprises comparable in size and scope to the Company, as well as the Governance Committee's assessment of the Company's existing non-regulated businesses and the Company's strategic plans for that area, revised institutional controls were established and recommended for approval by the Board. Thereafter, the Board approved those controls and they are in use presently.

The Chair of the Governance Committee administered the annual Board performance evaluation process pursuant to which the Board critiqued its performance. The Chair of the Governance Committee then presented the evaluation results to the full Board. In response, senior management will develop an action plan that will be executed over the course of 2012.

During the year the Governance Committee conducted a review of available data relating to the appropriate retirement age, if any, for members of the Board. At the inception of this effort Section 1.H. of the Company's Corporate Governance Guidelines prescribed a retirement age of age 72 for directors. Based upon a review of practices employed within the energy and general industries, as well as the views of corporate governance firms, the Governance Committee concluded that it would be appropriate to extend that retirement age from 72 to 75. That recommendation was provided to the full Board and thereafter the Corporate Governance Guidelines were amended to reflect this change.

During the year, the Governance Committee, with assistance from independent legal counsel, reviewed the indemnification provisions for officers and directors contained within the Company's organizational documents. Following the consideration of reports and advice from that counsel, the Governance Committee adopted a recommendation to the full Board that indemnification agreements, in a form as recommended by counsel, be adopted and entered into with each of the Board members and the named executive officers. Thereafter, the full Board approved that recommendation and those agreements were executed on behalf of the Company. The form of those agreements has been filed with the Securities and Exchange Commission by the Company.

At the February 2012 meeting of the Governance Committee, the committee confirmed that all Board committees had complied with their respective charters in 2011. At that same meeting the Governance Committee received a presentation regarding the distribution of responsibilities among the Board committees with respect to various compliance matters. During the remainder of the year, the Governance Committee anticipates overseeing the revision to other Board committee charters to reflect this distribution in order to ensure there is an appropriate level of oversight by the Board with respect to such matters.

During the year the Governance Committee amended Section III. B. of its charter to clarify it is the Board, and not management, that is charged with responsibility for the recruitment of new directors. Thereafter, the Governance Committee's recommended changes were approved by the Board.

In connection with the 2012 Annual Meeting, and employing the qualification criteria set forth in the Corporate Governance Guidelines, as well as the director retention criteria approved by the Board, the Governance Committee evaluated all of the nominees who are standing for reelection. As a result of that process, the Governance Committee concluded that the full Board should recommend to the shareholders that, with the exception of Mr. William G. Mays, who is retiring at the 2012 Annual Meeting, all of the existing directors should be reelected. In addition, after reviewing benchmarking data regarding the size of boards for enterprises comparable in scale and scope to the Company, as well as assessing the strengths and experiences of the remaining Board members, the Governance Committee determined, at this time, to not propose a nominee to replace Mr. Mays. As a result, following the Annual Meeting the Code of By-Laws will be modified to reflect the reduction in the size of the Board from twelve to eleven members.

Share Ownership Policy

Our Company's share ownership policy requires officers and non-employee directors to meet share ownership targets. The Governance Committee adopted that policy in 2000 and it provides a five year transition period for non-employee directors to comply with their applicable share ownership targets. The Board expects the covered persons to make ratable progress toward compliance each year. The program includes these key features:

Participants who are non-employee directors have a share ownership target based on a multiple of five times their annual cash retainer, which for the past year amounted to \$225,000. As of February 10, 2012, all of

the non-employee directors, excluding Mr. Jones, who is still in the transitional five year compliance period, exceeded the established ownership requirements. The Governance Committee reviews non-employee director stock ownership on an annual basis.

A participant may count toward his or her target the value of owned shares, phantom units of our stock in our nonqualified deferred compensation plans and vested in the money stock options, restricted shares and stock unit awards, with value based on the market price of our common stock.

Annual Committee Charter Review and Performance Evaluation

As required by the Governance Committee's charter, in 2011 the Committee reviewed its charter and determined that one modification was advisable. That modification is discussed earlier in this report. Also, as required by the Governance Committee's charter, the Governance Committee conducted an annual performance evaluation, the results of which have been discussed among the Governance Committee members.

Director Independence Standards

In determining director independence, the Board considers broadly all relevant facts and circumstances, including the corporate governance listing standards of the NYSE, which are summarized below. The Board considers the issue not merely from the perspective of a director, but also from that of persons or organizations with which the director has an affiliation. An independent director must be free of any relationship with the Company that impairs the director's ability to make independent judgments, including indirectly as a partner, shareholder or officer of an organization that has a relationship with the Company.

At a minimum, in making the independence determination, the Board applies the following standards, and it also considers any other relationships it deems relevant. A director will not be considered independent if any of the following criteria apply:

1. The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer,¹ of the Company.

2. The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

3. (A) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or, (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time.

4. The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

5. The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an

¹ For purposes of this standard, the term executive officer has the same meaning specified for the term officer in Rule 16a-1(f) under the Securities Exchange Act of 1934.

amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

In determining that the independent directors satisfied the above criteria, the Governance Committee considered the following transactions. In 2011, the Company purchased approximately \$36,750 of advertising time from South Central Communications, Inc., a corporation in which Mr. Engelbrecht has an interest, which represents a very small percentage of that corporation's 2011 revenues. In 2011, the Company had banking relationships with Old National Bank, of which Mr. Jones is President and Chief Executive Officer. The total fees paid for those relationships, which consist of approximately \$147,000, represents a very small percentage of that corporation's 2011 revenues. These fees were solely transactional fees and included: \$54,000 in payments for participation in the \$600 million VUHI and Vectren Capital Corp. syndicated credit facilities at the year end level of \$15 million, in which Old National Bank was a non-lead bank; a \$59,000 payment for provision of three letters of credit to Vectren Fuels, Inc. totaling about \$5.8 million; a \$34,000 payment for bank account service charges related to provision of the Vectren payroll account, which serves several subsidiary companies, provision of the account processing automated customer checking account drafts for Vectren South, provision of the miscellaneous customer billings lockbox account, and provision of the checking account used in connection with a not-for-profit energy payment assistance fund. In addition, Old National Bank purchased utility services from the Company which also did not represent a significant percentage of Old National Bank's revenues. The Governance Committee determined that the amounts involved in these transactions were well below the levels provided in the director independence standards and were not material to the relevant directors or to any person or organization with whom they are affiliated.

Selection and Evaluation of Director Candidates

All director candidates must meet the requirements established by the Governance Committee from time to time and the director qualification standards included in the Company's Corporate Governance Guidelines. Candidates are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of shareholders. In considering director nominees, pursuant to its charter the Governance Committee considers diversity, including geographic as well as other considerations described below, as a key factor in selecting candidates for