

Edgar Filing: VECTREN CORP - Form 10-K/A

VECTREN CORP
 Form 10-K/A
 August 29, 2001

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

Form 10-K/A
 Amendment No. 1

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
 --
 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the transition period from to

Commission File Number -----	Registrant, State of Incorporation; Address and Telephone Number -----	IRS Employer Identification No. -----
1-15467	Vectren Corporation (An Indiana Corporation) 20 N. W. Fourth Street Evansville, Indiana 47741-0001 (812) 491-4000	35-2086905

Securities registered pursuant to Section 12(b) of the Act:

Registrant -----	Title of each class -----	Name of each exchange on which registered -----
Vectren Corporation	Common- Without Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days: Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X.

As of March 21, 2001, the aggregate market value of the Common Stock held by nonaffiliates was \$1,476,131,802.

Indicate the number shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock- Without Par Value -----	67,712,468 -----	March 21, 2001 -----
--	---------------------	-------------------------

Edgar Filing: VECTREN CORP - Form 10-K/A

Class Number of shares Date

Documents Incorporated by Reference

Information in the company's Current Report on Form 8-K which was filed with the Securities and Exchange Commission on March 29, 2001, regarding gas cost adjustment proceedings is incorporated by reference in Item 7 of this Form 10-K/A.

Table of Contents

Item Number		Page Number
7	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	2
8	Financial Statements and Supplementary Data.....	21
14	Exhibits, Financial Statement Schedules and Reports on Form 8-K....	57
	Signatures.....	60

2

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto:

Description of the Business

Vectren Corporation (Vectren) is an Indiana corporation that was organized on June 10, 1999, solely for the purpose of effecting the merger of Indiana Energy, Inc. (Indiana Energy) and SIGCORP, Inc. (SIGCORP). On March 31, 2000, the merger of Indiana Energy with SIGCORP and into Vectren was consummated with a tax-free exchange of shares and has been accounted for as a pooling of interests. The common shareholders of SIGCORP received one and one-third shares of Vectren common stock for each SIGCORP common share and the common shareholders of Indiana Energy received one share of Vectren common stock for each Indiana Energy common share, resulting in the issuance of 61.3 million shares of Vectren common stock. The preferred stock and debt securities of Indiana Energy's and SIGCORP's utility subsidiaries were not affected by the merger.

Vectren is a public utility holding company, whose wholly owned subsidiary, Vectren Utility Holdings, Inc. (VUHI), is the intermediate holding company for Vectren's three operating public utilities, Indiana Gas Company, Inc. (Indiana Gas), formerly a wholly owned subsidiary of Indiana Energy, Southern Indiana Gas and Electric Company (SIGECO), formerly a wholly owned subsidiary of SIGCORP, and the Ohio operations (defined hereafter). VUHI's regulated subsidiaries serve approximately one million customers. Indiana Gas and its subsidiaries provide natural gas and transportation services to a diversified base of customers in 311 communities in 49 of Indiana's 92 counties. SIGECO provides generation, transmission, distribution and the sale of electric power to Evansville, Indiana, and 74 other communities, and the distribution and sale of natural gas to Evansville, Indiana, and 64 communities in ten counties in southwestern

Edgar Filing: VECTREN CORP - Form 10-K/A

Indiana. Vectren's Ohio operations provide natural gas distribution and transportation services to Dayton, Ohio and 16 counties in west central Ohio.

Vectren is involved in non-regulated activities through three primary business groups: Energy Services, Utility Services, and Communications. Energy Services trades and markets natural gas and provides energy performance contracting services. Utility Services provides utility products and services, such as underground construction and facilities locating, meter reading and materials management, and the mining and sale of coal. Communications provides integrated broadband communications services, including local and long distance telephone, Internet access and cable television. In addition, other businesses invest in other energy-related opportunities and corporate technology.

Acquisition of Gas Distribution Assets of The Dayton Power and Light Company

On December 15, 1999, Indiana Energy, now Vectren, announced that the board of directors had approved a definitive agreement under which it would acquire the natural gas distribution assets of The Dayton Power and Light Company, which would add 310,000 gas distribution customers in 16 counties in west central Ohio. On October 31, 2000, Vectren completed the approximate \$465 million acquisition. Vectren acquired the natural gas distribution assets as a tenancy in common through two wholly owned subsidiaries. Vectren Energy Delivery of Ohio, Inc. (VEDO) holds a 53 percent undivided ownership interest in the assets

3

and Indiana Gas holds a 47 percent undivided ownership interest in the assets. VEDO is the operator of the assets, operations of which are herein referred to as "the Ohio operations." VUHI established a \$435 million commercial paper program to fund the majority of the acquisition. This facility was utilized at October 31, 2000, and will be replaced over time with permanent financing. VEDO's portion of the acquisition was funded with short-term borrowings from VUHI. Indiana Gas' portion of the acquisition was funded with a combination of short-term borrowings from VUHI and its commercial paper program.

Common Stock Offering

On January 19, 2001, Vectren filed a registration statement with the Securities and Exchange Commission with respect to a public offering of 5.5 million shares of new common stock. On February 8, 2001, the registration became effective and agreement was reached to sell 5.5 million shares to a group of underwriters. On February 14, the shares were sold, at which time the underwriters exercised their over-allotment option to sell an additional 825,000 shares for a total of about 6.3 million shares. The net proceeds of \$129.4 million will be used principally to repay outstanding commercial paper utilized for recent acquisitions.

Recent Development

In March 2001, Vectren, Indiana Gas, and SIGECO reached agreement with the Indiana Office of Utility Consumer Counselor (OUCC) and The Citizens Action Coalition of Indiana, Inc. (CAC) regarding an Indiana Utility Regulatory Commission (IURC) Order disallowing Indiana Gas the recovery of \$3.8 million in gas costs. Vectren recorded a \$3.8 million reduction of 2000 fourth quarter revenues as a result of the disallowance.

As part of the agreement, among other things, the company agreed to contribute additional funds to the state of Indiana's Low Income Heating Assistance Program in 2001 and to credit \$3.3 million of the \$3.8 million disallowed amount to Indiana Gas customers' April 2001 utility bills in exchange for both the OUCC and the CAC dropping their appeals of the IURC Order. The contributions to

Edgar Filing: VECTREN CORP - Form 10-K/A

Indiana's Low Income Heating Assistance Program totaling \$1.9 million were made in 2001 and were charged to operations and maintenance expense. There was no impact to 2000 operations as a result of this contribution.

For further information on the \$3.8 million disallowance refer to Rate and Regulatory Matters below. For further information on the settlement refer to Vectren's Current Report on Form 8-K dated March 29, 2001.

Results of Operations

Vectren's consolidated earnings result from the operations of its utility subsidiaries, Indiana Gas, SIGECO and the Ohio operations, and from the non-utility operations and investments of Vectren's non-regulated businesses.

(In millions, except per share amounts)	2000	1999	1998
	-----	-----	-----
Net income, as reported	\$ 72.0	\$ 90.7	\$ 86.6
Merger and integration costs, net of tax	36.8	-	-
	-----	-----	-----
Net income before merger and integration costs	\$ 108.8	\$ 90.7	\$ 86.6
Attributable to:			
Regulated	\$ 84.0	\$ 75.4	\$ 69.3
Non-regulated	\$ 24.8	\$ 15.3	\$ 17.3

4

Basic earnings per share, as reported	\$ 1.18	\$ 1.48	\$ 1.41
Merger and integration costs	0.60	-	-
	-----	-----	-----
Basic earnings per share before merger and integration costs	\$ 1.78	\$ 1.48	\$ 1.41
Attributable to:			
Regulated	\$ 1.37	\$ 1.23	\$ 1.13
Non-regulated	\$ 0.41	\$ 0.25	\$ 0.28

Net Income

Consolidated net income was \$72.0 million, or \$1.18 on a basic earnings per share basis, for the year ended December 31, 2000. Consolidated net income before merger and integration costs of \$52.5 million, including \$11.4 million of additional depreciation included in depreciation and amortization (see merger and integration costs below), was \$108.8 million, or \$1.78 per share, for the year ended December 31, 2000, as compared to net income of \$90.7 million, or \$1.48 per share, and \$86.6 million, or \$1.41 per share, for 1999 and 1998, respectively. Vectren's 2000 results reflect two months of results of the Ohio operations.

Dividends

On October 28, 2000, Vectren's board of directors increased the quarterly dividend on common stock to 25.5 cents per share from 24.25 cents per share. This resulted in total dividends paid of 98 cents compared to 94 cents in 1999. In 1998, dividends paid totaled 90 cents per share.

Utility Margin (Utility Operating Revenues Less Utility Cost of Gas, Cost of Fuel for Electric Generation and Purchased Electric Energy)

Vectren's utility gas margin increased \$33.1 million to \$266.2 million compared to the twelve-month period in 1999, \$28.2 million of the increase reflected the inclusion of the Ohio operations' results for two months. The remaining \$4.9

Edgar Filing: VECTREN CORP - Form 10-K/A

million, or 2 percent, increase attributable to Indiana Gas and SIGECO gas operations reflects 8 percent (11.9MMDth) greater throughput (combined sales and transportation) due to much colder temperatures during the fourth quarter of 2000 than the 1999 period and a 2 percent growth in customers. Residential and commercial sales rose 7 percent and 10 percent, respectively. Temperatures were 11 percent colder during the current twelve-month period and approached normal for the year. These favorable impacts on gas margin were partially offset by a \$3.8 million disallowance of recoverable gas costs by the IURC, charged against gas revenues in December 2000 (see Rate and Regulatory Matters).

In 1999, gas utility margin was \$233.1 million, as compared to \$217.3 million for the prior year. The 1999 increase is primarily attributable to weather being 8 percent colder than the same period in 1998 and the addition of new residential and commercial customers.

Vectren's utilities' rates for gas transportation generally provide for the same margins as are earned on the sale of gas under their applicable sales tariffs. Approximately one-half of total gas system throughput represents gas used for space heating and is affected by weather.

Total cost of gas sold was \$552.5 million in 2000, \$266.4 million in 1999 and \$270.0 million in 1998. Excluding \$83.2 million related to the Ohio operations for two months, total cost of gas sold increased \$202.9 million, or 76 percent, for the year ended December 31, 2000 compared to 1999, primarily due to

5

significantly higher average per unit purchased gas costs. The total average cost per dekatherm of gas purchased by Indiana Gas and SIGECO was \$5.77 in 2000 compared to \$3.58 in 1999. The price changes are due primarily to changing commodity costs in the marketplace. Lower average per unit costs of gas sold during 1999 as compared to 1998 more than offset the impact of the increased throughput, causing the slight decline in 1999 cost of gas sold. Vectren's utility subsidiaries are generally allowed full recovery of such changes in purchased gas costs from their retail customers through commission-approved gas cost adjustment mechanisms. (see Rate and Regulatory Matters).

Electric margin rose \$8.3 million, or 4 percent, to \$228.8 million for the twelve-month period in 2000 compared to the same period in 1999. Although unit prices were lower than in 1999, sales to the wholesale energy markets contributed \$4.4 million of the margin increase with volumes up 39 percent for 2000 compared to 1999. Additionally, the impact of much colder temperatures on electric heating sales and a 5 percent growth in commercial customers contributed to the 2000 electric margin increase. Mild summer temperatures impacted both 2000 and 1999. Retail and firm wholesale electric sales for 2000 increased 2 percent and total electric sales increased 8 percent.

Electric utility margin for the year ended December 31, 1999 was \$220.5 million, compared to \$211.9 million for the prior year. The \$8.6 million increase in margin reflects a 5 percent increase in retail and firm wholesale electric sales primarily due to stronger industrial and commercial sales and a \$1.0 million increase in margin from sales to other wholesale customers. Although sales to other wholesale customers declined 17 percent in 1999 due to milder summer temperatures which eased demand in these markets, several new sales contracts produced higher average unit sales prices to these customers.

A 1 percent increase in electric generation and higher per unit coal costs resulted in a \$4.9 million, or 7 percent, increase in fuel costs for electric generation for 2000 compared to the prior year. Fuel costs for electric generation increased \$1.1 million, or 2 percent, in 1999.

Edgar Filing: VECTREN CORP - Form 10-K/A

Although SIGECO's sales of electric energy to other wholesale customers are provided primarily from otherwise unutilized capacity, SIGECO's purchases of electricity from other utilities for resale to other wholesale customers typically represent the majority of SIGECO's total purchased electric energy costs. The 39 percent increase in sales to other wholesale customers combined with higher average market prices caused purchased electric energy costs to increase \$15.6 million, or 75 percent, for the year ended December 31, 2000 compared to 1999. During 1999, total purchases of electric energy declined 13 percent due to the 17 percent decline in sales to wholesale customers, however higher average market prices for energy purchased resulted in total costs remaining comparable to 1998 costs.

Non-Utility Margin (Energy Services and Other Revenues Less Cost of Energy Services and Other)

Total margin from Vectren's non-utility operations (primarily the operating companies of its Energy Services, Utility Services, and Communications groups) for the twelve month period in 2000 was \$20.3 million compared to \$13.7 million and \$10.1 million for the same periods in 1999 and 1998, respectively. The \$6.6 million increase in 2000 and \$3.6 million increase in 1999 were primarily from the Energy Services group reflecting the continued growth of its natural gas marketing operations and its performance contracting and energy efficiency project operations, including several large government contracts in progress. Energy Services' margin increased \$3.6 million and \$3.7 million for 2000 and 1999, respectively. Expanded coal mining operations at Utility Services and

6

additional municipal projects at Communications also contributed an additional \$2.5 million to the rise in 2000 non-utility margin.

During 2000, the cost of energy services and other, which was chiefly the cost of natural gas purchased for resale by Energy Services and project contract costs at Energy Services and Communications, rose \$225.7 million, or 91 percent, compared to 1999 due primarily to significantly higher per unit purchased gas costs and growth in gas sales at Energy Services, following \$45.1 million higher costs in 1998.

Operating Expenses (excluding Cost of Gas Sold, Cost of Fuel for Electric Generation, Purchased Electric Energy and Cost of Energy Services and Other)

Excluding \$7.1 million in expenses related to the Ohio operations, Vectren's other operating expenses increased \$2.9 million, or less than 2 percent, for the year ended December 31, 2000, compared to the same period in 1999. The increase is attributable to higher operating expenses related to continued growth in operations at certain non-regulated subsidiaries, primarily Energy Services. Other operating expenses rose \$7.8 million, or 4 percent, for 1999 as compared to 1998. This increase reflects greater other general operating expenses at Vectren's utility subsidiaries, including expenses associated with the new customer information and work management systems and rental expense related to buildings previously owned. Higher other operating expenses were also experienced at Energy Services and Communications due to the continuing growth in their operations.

Depreciation and amortization increased \$18.7 million, or 21 percent, and \$5.4 million, or 7 percent, for the years ended December 31, 2000 and December 31, 1999, respectively. The increase in 2000 expense is chiefly the result of additional depreciation related to merger integration activities (see below) and \$1.7 million of depreciation of utility plant and amortization of goodwill related to the Ohio operations. Goodwill related to the acquisition of the Ohio

Edgar Filing: VECTREN CORP - Form 10-K/A

operations of approximately \$198 million is being amortized on a straight-line basis over a 40 year period. The remaining \$5.6 million, or 6 percent, increase in expense over 1999 and the increase in expense over 1998 reflects depreciation of normal additions of utility plant at Indiana Gas and SIGECO.

Taxes other than income taxes rose \$8.1 million, or 27 percent, during 2000 due to \$7.1 million related to the Ohio operations, primarily Ohio excise tax, and increased \$2.5 million, or 9 percent, in 1999 due to higher gross receipts and property tax expense.

Merger and Integration Costs

Merger and integration costs incurred for the year ended December 31, 2000 totaled \$41.1 million, including \$1.8 million related to the integration of the Ohio operations Vectren expects to realize net merger savings of nearly \$200 million over the next ten years from the elimination of duplicate corporate and administrative programs and greater efficiencies in operations, business processes and purchasing. The continued merger integration activities, which will contribute to the merger savings, will be substantially completed in 2001.

Of the \$41.1 million of merger and integration costs incurred in 2000, accruals were established at March 31, 2000 totaling \$20.7 million. Of this amount, \$5.5 million related to employee and executive severance costs, \$13.1 million related to transaction costs and regulatory filing fees, and the remaining \$2.1 million related to employee relocations that occurred prior to or coincident with the merger closing. At December 31, 2000, the accrual remaining for such costs totaled \$1.8 million, all related to severance costs. Of the \$41.1 million, the remaining \$20.4 million was expensed throughout the remainder of the year as

7

expenses were incurred. Such expenses included \$6.0 million related to sign changes at all company facilities to display the Vectren name, changes to all fleet vehicles to reflect the new corporate name and logo, and changes to company stationery. An additional \$13.9 million was incurred over the course of the year for accounting fees resulting from merger related filing requirements, consulting fees related to integration activities such as organization structure, employee travel between company locations as part of integration activities, internal labor of employees assigned to integration teams, investor relations, communications activities, and certain benefit costs. In addition, \$0.5 million was recorded related to severance costs associated with the integration of the Ohio operations.

During the merger planning process, approximately 135 positions were identified for elimination. As of December 31, 2000, approximately 70 positions had been vacated, with the remaining 65 positions to be eliminated in 2001

The integration activities experienced by the company included such things as information system consolidation, process review and definition, organization design and consolidation, and knowledge sharing.

As a result of merger integration activities, management has identified certain information systems that are expected to be retired in 2001. Accordingly, the useful lives of these assets have been shortened to reflect this decision, resulting in additional depreciation expense of approximately \$11.4 million for the year ended December 31, 2000.

In total, merger and integration costs were \$52.5 million (\$36.8 million after tax), or \$.60 on a basic earnings per share basis, in 2000.

Other Income

Edgar Filing: VECTREN CORP - Form 10-K/A

Equity in earnings of unconsolidated investments increased \$2.4 million for the year ended December 31, 2000, compared to the prior year. The increase in 2000 is due primarily to a \$7.0 million pre-tax net gain related to the restructuring of Communications' investment in SIGECOM. The increase was partially offset by lower pre-tax earnings recognized from ProLiance Energy Services, LLC (ProLiance), Energy Services' energy marketing joint venture, and lower other investment earnings.

Equity in earnings of unconsolidated investments decreased \$3.2 million for 1999, compared to 1998. The decrease in 1999 reflected lower pre-tax earnings recognized from ProLiance.

Other-net increased \$11.6 million for the year ended December 31, 2000, compared to the prior year due primarily to increased interest income mainly from Vectren's investments in structured finance and investment transactions, including leveraged leases and increased capitalized interest on utility construction expenditures.

Other-net increased 1.5 million for the year ended December 31, 1999, compared to the prior year due primarily to increased leveraged lease income, partially offset by less sales of emission allowance credits.

8

Interest Expense

Interest expense for the twelve-month period in 2000 rose \$14.3 million, or 33 percent, compared to 1999. The increase was due primarily to increased working capital requirements resulting from extremely high natural gas prices, additional debt required for Vectren's increased financial investment activities, interest related to the financing of the acquisition of the Ohio operations, and higher average interest rates on utility debt and short-term borrowings than incurred during 1999. Interest expense increased \$2.5 million to \$42.9 million for 1999, as compared to 1998, due to increased average debt outstanding required primarily to fund Vectren's increased financial investment activities and higher average interest rates on utility debt.

Income Taxes

Federal and state income taxes declined \$11.5 million in 2000, compared to 1999 due primarily to \$30.1 million lower pre-tax earnings and to additional tax benefits realized from certain non-regulated investments, which were partially offset by the non-deductibility of certain merger costs. Federal and state income taxes increased \$3.4 million, or 8 percent during 1999 compared to 1998 due primarily to higher pre-tax income in 1999 and the favorable impact on the 1998 effective tax rate of the liquidation of a leveraged lease investment.

Other Operating Matters

Acquisition of Miller Pipeline Corporation

On December 13, 2000, Reliant Services, LLC (Reliant), a 50 percent owned, non-regulated utility services affiliate of Vectren and Cinergy Corporation (Cinergy), purchased the common stock of Miller Pipeline Corporation from NiSource, Inc. for \$68.3 million. Vectren and Cinergy each contributed \$16 million of equity, and the remaining \$36.3 million was funded with 7-year intermediate bank loans. Miller Pipeline Corporation is one of the nation's premier natural gas distribution contractors with over 50 years of experience in the construction industry, currently providing such services to Indiana Gas, among other customers. The acquisition will expand Vectren's utility services business by adding underground pipeline construction, replacement and repair to

Edgar Filing: VECTREN CORP - Form 10-K/A

existing utility services.

Additional Investment with Utilicom Networks

Vectren Advanced Communications (VAC), a wholly owned non-regulated subsidiary, was formed to hold Vectren's investments in Utilicom Networks, LLC (Utilicom) and related entities. Utilicom Networks is a provider of bundled communications services through high capacity broadband networks, including high speed internet service, cable television and telephone service. VAC has a 14 percent interest in Class A units of Utilicom, which is accounted for using the equity method of accounting.

In January 2000, VAC completed the restructuring of its investment in SIGECOM, LLC (SIGECOM), which is a venture between VAC and Utilicom which provides communications services to the greater Evansville, Indiana area. On January 28, 2000, affiliates of The Blackstone Group, a private equity fund, invested in Class B units of Utilicom. In connection with the Blackstone Group investment, VAC exchanged its 49 percent preferred equity interest in SIGECOM for \$16.5 million of convertible subordinated debt of Utilicom and a 14 percent indirect common equity interest in SIGECOM, which was valued at \$6.5 million. The debt is convertible into Class A units of Utilicom at the option of VAC or upon the event of a public offering of stock by Utilicom. The carrying value of VAC's 49% preferred equity interest was \$15 million prior to the exchange. The consideration received by VAC in the exchange was valued based upon an

9

investment bank analysis of the fair value of SIGECOM at the transaction date. The investment restructuring resulted in a pre-tax gain of \$8 million, which is classified in equity in earnings in unconsolidated investments in the accompanying Consolidated Statements of Income. For the year ended December 31, 2000, Vectren also recognized losses of \$1 million to reflect its share of Utilicom and SIGECOM's operating results. At December 31, 2000, VAC's equity investment in SIGECOM-related entities was \$8.2 million.

In December 2000, VAC invested an additional \$8.1 million with Utilicom in the form of convertible subordinated debt as part of Utilicom's plans to raise \$600 million in capital to establish operating ventures in Indianapolis, Indiana and Dayton, Ohio and to recapitalize the SIGECOM venture. Vectren is committed to invest up to \$100 million, inclusive of the \$8.1 million already invested, in the form of convertible subordinated debt, subject to Utilicom obtaining all required funding. The debt is convertible into common equity interests in the Indianapolis and Dayton ventures at the option of VAC or upon the event of a public offering of stock by Utilicom. At December 31, 2000, VAC's investment in convertible debt totals approximately \$25 million and, upon conversion, VAC would have up to a 31 percent interest in the Indianapolis and Dayton ventures and up to a 10 percent interest in Utilicom, assuming completion of all required funding.

Both the Indianapolis and Dayton projects have received all necessary regulatory approvals and are in advanced stages of pre-engineering and pre-construction planning. Pole attachment rights have been secured, and launch dates of early 2002 are expected.

Operation of Warrick Generating Station

On August 21, 2000, SIGECO announced that no later than April 18, 2001, ALCOA, INC. (ALCOA) would begin operating the Warrick Generating Station. In 1956, arrangements were made for SIGECO to operate the Warrick Generating Station as an agent for ALCOA. Three generating units at the plant are owned by ALCOA. SIGECO owns the fourth unit equally with ALCOA. The operating change will have

Edgar Filing: VECTREN CORP - Form 10-K/A

no impact on SIGECO's generating capacity and is not expected to have any negative impact on Vectren's financial results. Additionally, SIGECO will retain ALCOA as a wholesale power and transmission services customer. Transition of the plant operations was completed in March 2001.

Realignment

Effective January 1, 2001, the utility operations were realigned into two primary business units, Energy Delivery and Power Supply.

ProLiance Energy, LLC

ProLiance, a 50 percent owned, non-regulated, energy marketing affiliate of Vectren, began providing natural gas and related services to Indiana Gas, Citizens Gas and Coke Utility (Citizens Gas) and others effective April 1, 1996. The sale of gas and provision of other services to Indiana Gas by ProLiance is subject to regulatory review through the quarterly gas cost adjustment (GCA) process administered by the IURC.

On September 12, 1997, the IURC issued a decision finding the gas supply and portfolio administration agreements between ProLiance and Indiana Gas and ProLiance and Citizens Gas to be consistent with the public interest and that ProLiance is not subject to regulation by the IURC as a public utility. The IURC's decision reflected the significant gas cost savings to customers obtained

10

through ProLiance's services and suggested that all material provisions of the agreements between ProLiance and the utilities are reasonable. Nevertheless, with respect to the pricing of gas commodity purchased from ProLiance, the pricing of fees paid by ProLiance to the utilities for the prospect of using pipeline entitlements if and when they are not required to serve the utilities' firm customers, and the pricing of fees paid by the utilities to ProLiance for portfolio administration services, the IURC concluded that additional review in the GCA process would be appropriate and directed that these matters be considered further in the pending, consolidated GCA proceeding involving Indiana Gas and Citizens Gas. The IURC has not yet established a schedule for conducting these additional proceedings. Through a series of appeals, the order was finally considered by the Indiana Supreme Court.

On September 22, 2000, the Indiana Supreme Court issued a decision affirming the IURC's decision on ProLiance in all respects. However, until the three pricing issues reserved by the IURC are resolved, Vectren will continue to reserve a portion of its share of ProLiance earnings.

In August 1998, Indiana Gas, Citizens Gas and ProLiance each received a Civil Investigative Demand (CID) from the United States Department of Justice requesting information relating to Indiana Gas' and Citizens Gas' relationship with and the activities of ProLiance. The Department of Justice issued the CID to gather information regarding ProLiance's formation and operations, and to determine if trade or commerce has been restrained. Indiana Gas has provided all information requested and management continues to believe that there are no significant issues in this matter.

Indiana Gas continues to record gas costs in accordance with the terms of the ProLiance contract and Vectren continues to record its proportional share of ProLiance's earnings. Pretax income of \$5.4 million and \$6.7 million was recognized as ProLiance's contribution to earnings for the years ended December 31, 2000 and 1999, respectively. Earnings recognized from ProLiance are included in equity in earnings of unconsolidated investments on the Consolidated Statements of Income. At December 31, 2000 and 1999, Vectren has reserved

Edgar Filing: VECTREN CORP - Form 10-K/A

approximately \$2.4 million and \$1.7 million, respectively, of ProLiance's earnings after tax pending resolution of the remaining issues. The reserve represents 10% of ProLiance's pretax earnings and serves as management's best estimate of potential exposure arising from the three pricing issues.

Environmental Matters

Clean Air Act

NOx SIP Call Matter. In October 1997, the United States Environmental Protection Agency (USEPA) proposed a rulemaking that could require uniform nitrogen oxide (NOx) emissions reductions of 85 percent by utilities and other large sources in a 22-state region spanning areas in the Northeast, Midwest, Great Lakes, Mid-Atlantic and South. This rule is referred to as the "NOx SIP call." The USEPA provided each state a proposed budget of allowed NOx emissions, a key ingredient of ozone, which requires a significant reduction of such emissions. Under that budget, utilities may be required to reduce NOx emissions to a rate of 0.15 lb/mmBtu below levels already imposed by Phase I and Phase II of the Clean Air Act Amendments of 1990 (the Act). Midwestern states (the alliance) have been working together to determine the most appropriate compliance strategy as an alternative to the USEPA proposal. The alliance submitted its proposal, which calls for a smaller, phased in reduction of NOx levels, to the USEPA and the Indiana Department of Environmental Management (IDEM) in June 1998.

11

In July 1998, Indiana submitted its proposed plan to the USEPA in response to the USEPA's proposed new NOx rule and the emissions budget proposed for Indiana. The Indiana plan, which calls for a reduction of NOx emissions to a rate of 0.25 lb/mmBtu by 2003, is less stringent than the USEPA proposal but more stringent than the alliance proposal.

On October 27, 1998, USEPA issued a final rule "Finding of Significant Contribution and Rulemaking for Certain States in the Ozone Transport Assessment Group Region for Purposes of Reducing Regional Transport of Ozone," (63 Fed. Reg. 57355). The final rule requires that 23 states and jurisdictions must file revised state implementation plans (SIPs) with the USEPA by no later than September 30, 1999, which was essentially unchanged from its October 1997, proposed rule. The USEPA has encouraged states to target utility coal-fired boilers for the majority of the reductions required, especially NOx emissions. Northeastern states have claimed that ozone transport from midwestern states (including Indiana) is the primary reason for their ozone concentration problems. Although this premise is challenged by others based on various air quality modeling studies, including studies commissioned by the USEPA, the USEPA intends to incorporate a regional control strategy to reduce ozone transport. The USEPA's final ruling is being litigated in the federal courts by approximately ten midwestern states, including Indiana.

During the second quarter of 1999, the USEPA lost two federal court challenges to key air-pollution control requirements. In the first ruling by the U.S. Circuit Court of Appeals for the District of Columbia on May 14, 1999, the Court struck down the USEPA's attempt to tighten the one-hour ozone standard to an eight-hour standard and the attempt to tighten the standard for particulate emissions, finding the actions unconstitutional. In the second ruling by the same Court on May 25, 1999, the Court placed an indefinite stay on the USEPA's attempts to reduce the allowed NOx emissions rate from levels required by the Clean Air Act Amendments of 1990. The USEPA appealed both court rulings. On October 29, 1999, the Court refused to reconsider its May 14, 1999 ruling.

On March 3, 2000, the D.C. Circuit of Appeals upheld the USEPA's October 27, 1998 final rule requiring 23 states and the District of Columbia to file revised

Edgar Filing: VECTREN CORP - Form 10-K/A

SIPs with the USEPA by no later than September 30, 1999. Numerous petitioners, including several states, have filed petitions for rehearing with the U.S. Court of Appeals for the District of Columbia in Michigan v. the USEPA. On June 22, 2000, the D.C. Circuit Court of Appeals denied petition for rehearing en banc and lifted its May 25, 1999 stay. Following this decision, on August 30, 2000, the D.C. Circuit Court of Appeals issued an extension of the SIP Call implementation deadline, previously May 1, 2003, to May 31, 2004. On September 20, 2000, petitioners filed a Petition of Writ of Certiorari with the United States Supreme Court requesting review of the D.C. Circuit Court's March 3, 2000 Order. The Court has not yet ruled on the Petition for Certiorari. The USEPA granted Section 126 Petitions filed by northeastern states that require named sources in the eastern half of Indiana to achieve NOx reduction by May 1, 2003. No SIGECO facilities are named in the Section 126 Petitions filed by northeastern states, therefore SIGECO's compliance date remains May 31, 2004.

The proposed NOx emissions budget for Indiana stipulated in the USEPA's final ruling requires a 36 percent reduction in total NOx emissions from Indiana. The ruling, pending finalization of state rule making, could require SIGECO to lower its system-wide emissions by approximately 70 percent. Depending on the level of system-wide emissions reductions ultimately required, and the control technology utilized to achieve the reductions, the estimated construction costs of the control equipment could reach \$160 million, which are expected to be expended during the 2001-2004 period, and related additional operation and maintenance expenses could be an estimated \$8 million to \$10 million, annually. No accrual has been recorded by the company related to the NOx SIP Call matter. The rules

12

governing NOx emissions, once finalized, are to be applied prospectively.

Mercury Emissions. Under the Act, the USEPA is required to study emissions from power plants in order to determine if additional regulations are necessary to protect public health. The USEPA reported its study to Congress in February 1998. That study concluded that of all toxic pollution examined, mercury posed the greatest concern to public health. An earlier USEPA study concluded that the largest single source of human-caused mercury pollution in the United States was coal-fired power plants.

After completion of the study, the Act required the USEPA to determine whether to proceed with the development of regulations. The USEPA announced that it had affirmatively decided that mercury air emissions from power plants should be regulated.

On December 14, 2000, the USEPA released a statement announcing that reductions of mercury emissions from coal-fired plants will be required in the near future. The USEPA has indicated they will propose regulations by December 2003 and will begin developing those regulations shortly. Industry, the public, and state, local and tribal governments will have an opportunity to participate in the process. The USEPA will then issue final regulations by December 2004. Because rules governing mercury emissions are under development, the determination of exposure, if any, is impossible as there are no standards or rules by which compliance (or lack thereof) can be measured. Accordingly, no accrual has been recorded by the company related to the mercury emissions matter.

Culley Generating Station Investigation Matter. The USEPA initiated an investigation under Section 114 of the Act of SIGECO's coal-fired electric generating units in commercial operation by 1977 to determine compliance with environmental permitting requirements related to repairs, maintenance, modifications and operations changes. The focus of the investigation was to determine whether new source performance standards should be applied to the

Edgar Filing: VECTREN CORP - Form 10-K/A

modifications and whether the best available control technology was, or should have been, used. Numerous other electric utilities were, and are currently, being investigated by the USEPA under an industry-wide review for similar compliance. SIGECO responded to all of the USEPA's data requests during the investigation. In July 1999, SIGECO received a letter from the Office of Enforcement and Compliance Assurance of the USEPA discussing the industry-wide investigation, vaguely referring to the investigation of SIGECO and inviting SIGECO to participate in a discussion of the issues. No specifics were noted; furthermore, the letter stated that the communication was not intended to serve as a notice of violation. Subsequent meetings were conducted in September and October with the USEPA and targeted utilities, including SIGECO, regarding potential remedies to the USEPA's general allegations.

On November 3, 1999, the USEPA filed a lawsuit against seven utilities, including SIGECO. The USEPA alleges that, beginning in 1992, SIGECO violated the Act by: (i) making modifications to its Culley Generating Station in Yankeetown, Indiana without obtaining required permits; (ii) making major modifications to the Culley Generating Station without installing the best available emission control technology; and (iii) failing to notify the USEPA of the modifications. In addition, the lawsuit alleges that the modifications to the Culley Generating Station required SIGECO to begin to comply with federal new source performance standards.

SIGECO believes it performed only maintenance, repair and replacement activities at the Culley Generating Station, as allowed under the Act. Because proper maintenance does not require permits, application of the best available emission

13

control technology, notice to the USEPA, or compliance with new source performance standards, SIGECO believes that the lawsuit is without merit, and intends to vigorously defend the lawsuit.

The lawsuit seeks fines against SIGECO in the amount of \$27,500 per day per violation. The lawsuit does not specify the number of days or violations the USEPA believes occurred. The lawsuit also seeks a court order requiring SIGECO to install the best available emissions technology at the Culley Generating Station. If the USEPA is successful in obtaining an order, SIGECO estimates that it would incur capital costs of approximately \$40 million to \$50 million complying with the order. In the event that SIGECO is required to install system-wide NOx emission control equipment, as a result of the NOx SIP call issue, the majority of the \$40 million to \$50 million for best available emissions technology at Culley Generating Station would be included in the \$160 million expenditure previously discussed.

The USEPA has also issued an administrative notice of violation to SIGECO making the same allegations, but alleging that violations began in 1977.

While it is possible that SIGECO could be subjected to criminal penalties if the Culley Generating Station continues to operate without complying with the new source performance standards and the allegations are determined by a court to be valid, SIGECO believes such penalties are unlikely as the USEPA and the electric utility industry have a bonafide dispute over the proper interpretation of the Act. Accordingly, no accrual has been recorded by the company, and SIGECO anticipates at this time that the plant will continue to operate while the matter is being decided.

Information Request. On January 23, 2001, SIGECO received an information request from the USEPA under Section 114(a) of the Act for historical operational information on the Warrick and A.B. Brown generating stations. SIGECO plans to provide all information requested, and management believes that no significant

Edgar Filing: VECTREN CORP - Form 10-K/A

issues will arise from this request.

Manufactured Gas Plants

In the past, Indiana Gas and others operated facilities for the manufacture of gas. Given the availability of natural gas transported by pipelines, these facilities have not been operated for many years. Under currently applicable environmental laws and regulations, Indiana Gas, and the others, may now be required to take remedial action if certain byproducts are found above the regulatory thresholds at these sites.

Indiana Gas has identified the existence, location and certain general characteristics of 26 gas manufacturing and storage sites for which it may have some remedial responsibility. Indiana Gas has completed a remedial investigation/feasibility study (RI/FS) at one of the sites under an agreed order between Indiana Gas and the Indiana Department of Environmental Management (IDEM), and a Record of Decision (ROD) was issued by IDEM in January 2000. Although Indiana Gas has not begun an RI/FS at additional sites, Indiana Gas has submitted several of the sites to IDEM's Voluntary Remediation Program (VRP) and is currently conducting some level of remedial activities including groundwater monitoring at certain sites where deemed appropriate and will continue remedial activities at the sites as appropriate and necessary.

In conjunction with data compiled by expert consultants, Indiana Gas has accrued the estimated costs for further investigation, remediation, groundwater monitoring and related costs for the sites. While the total costs that may be incurred in connection with addressing these sites cannot be determined at this

14

time, Indiana Gas has accrued costs that it reasonably expects to incur totaling approximately \$20.3 million.

The estimated accrued costs are limited to Indiana Gas' proportionate share of the remediation efforts. Indiana Gas has arrangements in place for 19 of the 26 sites with other potentially responsible parties, which serve to limit Indiana Gas' share of response costs at these 19 sites to between 20 and 50 percent.

With respect to insurance coverage, as of December 31, 2000, Indiana Gas has received and recorded settlements from all known insurance carriers in an aggregate amount approximating its \$20.3 million accrual.

Environmental matters related to manufactured gas plants have had no material impact on earnings since costs recorded to date approximate PRP and insurance settlement recoveries. While Indiana Gas has recorded all costs which it presently expects to incur in connection with activities at these sites, it is possible that future events may require some level of additional remedial activities which are not presently foreseen.

New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), which requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000 and must be applied to derivative instruments and certain derivative instruments embedded in hybrid contracts that were issued, acquired or

Edgar Filing: VECTREN CORP - Form 10-K/A

substantively modified after December 31, 1998. Vectren has completed the process of identifying all derivative instruments, determining fair market values of these derivatives, designating and documenting hedge relationships, and evaluating the effectiveness of those hedge relationships. As a result of the successful completion of this process, Vectren adopted SFAS 133 as of January 1, 2001.

SFAS 133 requires that as of the date of initial adoption, the difference between the fair market value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle in accordance with Accounting Principles Board Opinion No. 20 "Accounting Changes."

A limited number of Vectren's contracts are defined as derivatives under SFAS 133. These derivatives are forward physical contracts for both the purchase and sale of natural gas and electricity by its wholly owned gas marketing subsidiary, SIGCORP Energy Services, Inc. (SES) and SIGECO, respectively, and an interest rate swap.

SES's primary business is the buying and re-selling of physical natural gas to the industrial market segment. SES manages its pricing risk by entering into corresponding gas commodity contracts that ensure a reasonable matching of the associated risk. In addition, SES utilizes gas storage facilities to ensure operational as well as price risk management of its forward positions. Minimal open positions in terms of price, volume and specified delivery locations do occur and are managed by SES using the above instruments and through management

15

reporting. These commodity contracts and gas storage facilities are for the normal purchase and sale of natural gas and therefore do not require fair value accounting under SFAS 133. SES also utilizes price swap agreements that are accounted for under SFAS 133 to mitigate price risk related to certain forward physical contracts. These derivatives have not been designated as hedges, accordingly, the changes in market value will be recorded currently in earnings. The mark to market impact of these derivatives has been reflected as part of the transition adjustment recorded to earnings on January 1, 2001.

Derivatives used in the power marketing operations are used to effectively manage the utilization of SIGECO's generation capability. These derivatives include forward physical wholesale sales and purchases. The forward sales contracts are generally used to sell the excess generation capacity of SIGECO when demand conditions warrant this activity. These contracts are for the normal purchase and sale of electricity and therefore do not require fair value accounting under SFAS 133. The forward purchase contracts are entered into as part of "buy-sell" transactions with other utilities and power marketers. These contracts are derivatives and do not qualify for hedge accounting, accordingly, they have been marked to market currently in earnings. The mark to market impact of these derivatives has been reflected as part of the transition adjustment recorded to earnings on January 1, 2001.

The interest rate swap is used to hedge the exposure to interest rate risk associated with VUHI's \$150 million floating rate notes that bear interest at the three month US dollar LIBOR rate plus .75 percent that were issued on December 28, 2000. The swap was entered into concurrently with the issuance of the floating rate debt. Vectren has formally documented the hedging relationship between the swap and floating rate debt as well as its risk management objectives and strategies for undertaking each hedge transaction. The swap has been designated as a cash flow hedge and the mark to market impact has been reflected as part of the transition adjustment recorded to other comprehensive

Edgar Filing: VECTREN CORP - Form 10-K/A

income on January 1, 2001.

The cumulative impact of the adoption of SFAS 133 on January 1, 2001 is a gain of approximately \$6.3 million due to the derivatives used in power marketing operations. The impact of the derivatives used by SES and the interest rate swap was immaterial.

Rate and Regulatory Matters

As a result of the ongoing appeal of a generic order issued by the IURC in August 1999 regarding guidelines for the recovery of purchased power costs, SIGECO entered into a settlement agreement with the Indiana Office of Utility Consumer Counselor (OUCC) that provides certain terms with respect to the recoverability of such costs. The settlement, originally approved by the IURC on August 9, 2000, has been extended by agreement through March 2002. Under the settlement, SIGECO can recover the entire cost of purchased power up to an established benchmark, and during forced outages, SIGECO will bear a limited share of its purchased power costs regardless of the market costs at that time. Based on this agreement, SIGECO believes it has significantly limited its exposure to unrecoverable purchased power costs.

Commodity prices for natural gas purchases during the last six months of 2000 unexpectedly increased significantly, primarily due to the expectation of a colder winter, which led to increased demand and tighter supplies. Vectren's utility subsidiaries are allowed full recovery of such charges in purchased gas costs from their retail customers through commission-approved gas cost adjustment mechanisms, and margin on gas sales should not be impacted. In 2001, Vectren 's utility subsidiaries may experience higher working capital

16

requirements, increased expenses, including unrecoverable interest costs and uncollectibles, and possibly some level of price sensitive reduction in volumes sold.

On October 11, 2000, Indiana Gas filed for approval of its regular quarterly GCA. In early December, the IURC issued an interim order approving the request by Indiana Gas for a GCA factor for December 2000. On January 4, 2001, the IURC approved the January and February 2001 GCA as filed. The order also addressed the claim by the OUCC that a portion of the requested GCA be disallowed because Indiana Gas should have entered into additional commitments for this winter's gas supply in late 1999 and early 2000. In procuring gas supply for this winter, Indiana Gas followed the gas procurement practices that it had employed over the last several years. In response to the claim by the OUCC, the IURC found that there should be a \$3.8 million disallowance related to gas procurement for the winter season. As a result, Indiana Gas recognized a pre-tax charge of \$3.8 million in December 2000. Both Indiana Gas and the OUCC have appealed this ruling. The Citizens Action Coalition of Indiana, Inc., a not for profit consumer advocate, has also filed with the IURC a petition to intervene and a notice of appeal of the order. (See Recent Development.)

Competition

The utility industry has been undergoing dramatic structural change for several years, resulting in increasing competitive pressures faced by electric and gas utility companies. Increased competition may create greater risks to the stability of utility earnings generally and may in the future reduce our earnings from retail electric and gas sales. Currently, several states, including Ohio, have passed legislation that allows electricity customers to choose their electricity supplier in a competitive electricity market and

Edgar Filing: VECTREN CORP - Form 10-K/A

several other states are considering such legislation. At the present time, Indiana has not adopted such legislation. Ohio regulation provides for choice of commodity for all gas customers. Vectren plans to implement this choice for all of its gas customers in Ohio by 2002. Indiana has not adopted any regulation requiring gas choice except for large volume customers.

Liquidity and Capital Resources

Vectren's capitalization objective is 40-50 percent permanent capitalization. This objective may have varied, and will vary, from time to time, depending on particular business opportunities and seasonal factors that affect the company's operation. Vectren's common equity component was 51 percent and 56 percent of its total capitalization, including current maturities of long-term debt, at December 31, 2000 and 1999, respectively. The common equity component of 51 percent at December 31, 2000 is expected to be reduced in 2001 upon the refinancing of a substantial amount of short-term debt to long-term debt.

New construction, normal system maintenance and improvements, and information technology investments needed to provide service to a growing customer base will continue to require substantial expenditures. Additionally, during the four year period 2001 through 2004, construction costs for NOx emissions control equipment are estimated to total approximately \$160 million. For the years ended December 31, 2000 and 1999, capital expenditures totaled \$164.3 million and \$132.2 million, respectively. The increase in capital expenditures for 2000 is related primarily to the additional coal mine development costs at Utility Services. Vectren's anticipated investments in non-regulated affiliates during the next five years will also require funding. Capital expenditures and investments in affiliates for the five year period 2001 - 2005 are as follows:

17

In millions	2001	2002	2003	2004	2005	Total
	-----	-----	-----	-----	-----	-----
Capital expenditures						
Utility (1) (2) (3)	\$ 160.3	\$ 143.3	\$ 143.1	\$ 122.8	\$ 135.5	\$705.0
Non-regulated (4)	66.0	23.4	27.1	11.0	7.6	135.1
	-----	-----	-----	-----	-----	-----
Total capital expenditures	226.3	166.7	170.2	133.8	143.1	840.1
	-----	-----	-----	-----	-----	-----
Non-regulated investments	\$ 83.5	\$ 39.2	\$ 33.3	\$ 17.9	\$ 11.0	\$184.9

- (1) Includes expenditures for NOx compliance of approximately \$40 million in 2001, \$30 million in 2002, \$55 million in 2003 and \$35 million in 2004.
- (2) Includes expenditures for an 80-megawatt gas combustion turbine generator of \$20 million in 2001 and \$13 million in 2002.
- (3) Includes expenditures for additional generation assets of approximately \$40 million in 2005.
- (4) Includes expenditures for corporate technology hardware and software of approximately \$48 million in 2001.

During the five year period 2001 - 2005, maturities and sinking fund requirements on long-term debt subject to mandatory redemption, in millions, are \$0.3 in 2001, \$16.0 in 2003, \$15.0 in 2004, and \$38.0 in 2005.

At December 31, 2000, Vectren had \$969 million of short-term borrowing capacity for use in its utility and non-regulated operations, of which approximately \$209

Edgar Filing: VECTREN CORP - Form 10-K/A

million was available.

Short-term cash working capital is required primarily to finance customer accounts receivable, unbilled utility revenues resulting from cycle billing, gas in underground storage, prepaid gas delivery services, capital expenditures and investments until permanently financed. Short-term borrowings tend to be greatest during the summer when accounts receivable and unbilled utility revenues related to electricity are highest and gas storage facilities are being refilled. During 2000, however, short-term borrowings related to working capital requirements were greatest during the last six months of the year due to the higher natural gas costs. On October 31, 2000, Vectren completed the acquisition of the Ohio operations for a purchase price of approximately \$465 million. Commercial paper was issued to fund the purchase and will be replaced over time with permanent financing.

Vectren's primary source of liquidity to fund working capital requirements has been cash generated from operations, which totaled approximately \$40.7 million, \$149.2 million and \$156.6 million in 2000, 1999 and 1998 respectively. Cash from operations decreased during 2000 as compared to 1999 by approximately \$108.8 million. The decrease is primarily attributable to merger and integration costs causing lower net income, increased recoverable fuel and natural gas costs and increased working capital requirements resulting from higher natural gas costs. The decrease in 1999 cash flow from operations as compared to 1998 of approximately \$7.4 million is primarily attributable to unfavorable changes in working capital accounts offset by increased net income.

At December 31, 2000, Indiana Gas is not in compliance with the total indebtedness to capitalization ratio contained in its back up credit facility for its commercial paper program. The non-compliance resulted from the indebtedness incurred to purchase its ownership interest in the Ohio operations. A waiver on the Indiana Gas facility has been obtained to waive the non-compliance through and including March 31, 2001. Vectren will provide an equity investment in Indiana Gas to bring Indiana Gas into compliance. No amount is outstanding under the back up facility.

18

On December 21, 2000, Vectren Capital Corporation, a wholly owned subsidiary that provides financing for Vectren's non-regulated subsidiaries' operations and investments, issued \$78 million of private placement intermediate term notes to three institutional investors. The issues and their terms are: \$38.0 million, due December 21, 2005, at 7.67 percent; \$17.5 million, due December 21, 2007, at 7.83 percent; and \$22.5 million, due December 21, 2010, at 7.98 percent. The proceeds were used to repay outstanding short-term borrowings.

In December 2000, Indiana Gas filed a prospectus with the SEC with respect to the issuance of \$70 million in debt securities. On December 28, 2000, \$20 million of 15-Year Insured Quarterly (IQ) Notes bearing interest at a rate of 7.15 percent per year and \$50 million of 30-Year IQ Notes bearing interest at a rate of 7.45 percent per year were issued. The 15-Year IQ Notes will mature on December 15, 2015, and 30-Year IQ Notes will mature on December 16, 2030, unless, in each case, redeemed prior to that date. Indiana Gas will have the option to redeem the 15-Year IQ Notes, in whole or in part, from time to time on or after December 15, 2004. Indiana Gas will have the option to redeem the 30-Year IQ Notes in whole or in part, from time to time on or after December 15, 2005. The net proceeds of the debt issuance were used to repay outstanding commercial paper.

On December 28, 2000, VUHI issued \$150 million in floating rate notes to repay an equal amount of outstanding commercial paper utilized for the Ohio operations acquisition. The notes bear interest at a rate equal to the three month US

Edgar Filing: VECTREN CORP - Form 10-K/A

dollar LIBOR rate plus .75 percent. Concurrently with the completion of this financing, a floating rate to fixed rate swap was executed which in effect resulted in a fixed rate of 6.64 percent on the notes.

On January 19, 2001, Vectren filed a registration statement with the Securities and Exchange Commission with respect to a public offering of 5.5 million shares of new common stock. On February 8, 2001, the registration became effective and agreement was reached to sell 5.5 million shares to a group of underwriters. On February 14, the shares were sold, at which time the underwriters exercised their over-allotment option to sell an additional 825,000 shares for a total of 6.3 million shares. The net proceeds of \$129.4 million will be used principally to repay outstanding commercial paper utilized for recent acquisitions.

On March 1, 2000, the interest rate on \$31.5 million of Adjustable Rate Pollution Control Bonds of SIGECO, due March 1, 2025, was changed from 3.00 percent to 4.30 percent. The new interest rate was fixed through February 28, 2001. Also on March 1, 2000, the interest rate on \$22.2 million of Adjustable Rate Pollution Control Bonds of SIGECO, due March 1, 2020, was changed from 3.05 percent to 4.45 percent. The new interest rate was also fixed through February 28, 2001. For financial statement presentation, the \$53.7 million of Adjustable Rate Pollution Control Bonds are shown as a current liability. The two series of bonds will be re-set for a five-year period effective March 1, 2001.

Financing Activities

Vectren expects the majority of its utility capital expenditures requirements and debt security redemptions to be provided by internally generated funds.

Indiana Gas' and SIGECO's credit ratings on outstanding debt at December 31, 2000 were A/A2 and A/A1, respectively. VUHI's commercial paper related to the

19

October 2000 the Ohio operations acquisition has a credit rating of A-1/P-2. Indiana Gas' commercial paper retains an A-1/P-1 rating.

Cash flow from financing activities of \$638.7 million for the year ended December 31, 2000 includes \$697.0 million of additional net borrowings offset by \$60.0 million of dividends on shares of common stock. This is an increase of \$576.5 million over prior year due primarily to funding the acquisition of the Ohio operations and increased working capital requirements.

Cash required for investing activities of \$681.5 million for the year ended December 31, 2000 includes, among other things, \$463.3 million required for the Ohio operations acquisition, \$164.3 million of capital expenditures and \$32.0 million additional notes receivable. This is an increase of \$480.1 million over prior year due primarily to the Ohio operations acquisition.

Forward-Looking Information

A "safe harbor" for forward-looking statements is provided by the Private Securities Litigation Reform Act of 1995 (Reform Act of 1995). The Reform Act of 1995 was adopted to encourage such forward-looking statements without the threat of litigation, provided those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Certain matters described in Management's Discussion and Analysis of Results of Operations and Financial Condition, including, but not limited to Vectren's realization of net merger savings and ProLiance, are forward-looking statements. Such statements are based on management's beliefs,

Edgar Filing: VECTREN CORP - Form 10-K/A

as well as assumptions made by and information currently available to management. When used in this filing, the words "believe," "anticipate," "endeavor," "estimate," "expect," "objective," "projection," "forecast," "goal," and similar expressions are intended to identify forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause Vectren and its subsidiaries' actual results to differ materially from those contemplated in any forward-looking statements included, among others, the following:

- |X| Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unusual maintenance or repairs; unanticipated changes to fossil fuel costs; unanticipated changes to gas supply costs, or availability due to higher demand, shortages, transportation problems or other developments; environmental or pipeline incidents; transmission or distribution incidents; unanticipated changes to electric energy supply costs, or availability due to demand, shortages, transmission problems or other developments; or electric transmission or gas pipeline system constraints.
 - |X| Increased competition in the energy environment including effects of industry restructuring and unbundling.
 - |X| Regulatory factors such as unanticipated changes in rate-setting policies or procedures, recovery of investments and costs made under traditional regulation, and the frequency and timing of rate increases.
 - |X| Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Federal Energy Regulatory Commission, state public utility commissions, state entities which regulate natural gas transmission, gathering and processing, and similar entities with regulatory oversight.
- 20
- |X| Economic conditions including inflation rates and monetary fluctuations.
 - |X| Changing market conditions and a variety of other factors associated with physical energy and financial trading activities including, but not limited to, price, basis, credit, liquidity, volatility, capacity, interest rate, and warranty risks.
 - |X| Availability or cost of capital, resulting from changes in Vectren Corporation and its subsidiaries, interest rates, and securities ratings or market perceptions of the utility industry and energy-related industries.
 - |X| Employee workforce factors including changes in key executives, collective bargaining agreements with union employees, or work stoppages.
 - |X| Legal and regulatory delays and other obstacles associated with mergers, acquisitions, and investments in joint ventures.
 - |X| Costs and other effects of legal and administrative proceedings, settlements, investigations, claims, and other matters, including, but not limited to, those described in Management's Discussion and Analysis of Results of Operations and Financial Condition.
 - |X| Changes in federal, state or local legislature requirements, such as changes in tax laws or rates, environmental laws and regulations.

Vectren and its subsidiaries undertake no obligation to publicly update or

Edgar Filing: VECTREN CORP - Form 10-K/A

revise any forward-looking statements, whether as a result of changes in actual results, changes in assumptions, or other factors affecting such statements.

21

ITEM 8. Financial Statements and Supplementary Data

VECTREN CORPORATION AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEETS (in thousands)

	As of December 31,	
	2000	1999
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,170	\$ 17,351
Temporary investments	-	903
Accounts receivable, less reserves of \$5,716 and \$3,949, respectively	295,351	123,612
Accrued unbilled revenues	143,365	55,370
Inventories	95,245	58,863
Prepaid gas delivery service	34,849	20,937
Recoverable fuel and natural gas costs	96,084	5,585
Prepayments and other current assets	20,998	23,091
Total current assets	701,062	305,712
Utility Plant:		
Original cost	2,788,794	2,367,831
Less: accumulated depreciation and amortization	1,233,033	1,031,498
Net utility plant	1,555,761	1,336,333
Other Investments:		
Investments in leveraged leases	93,145	85,737
Investments in partnerships and other corporations	108,645	74,644
Notes receivable	64,276	32,271
Other	1,057	996
Total other investments	267,123	193,648
Nonutility property, net of accumulated depreciation	103,477	64,474
Other Assets:		
Deferred charges, net	31,094	31,672
Goodwill, net	197,977	-
Regulatory assets	52,246	47,593
Other	447	1,035
Total other assets	281,764	80,300

Edgar Filing: VECTREN CORP - Form 10-K/A

TOTAL ASSETS	\$2,909,187	\$1,980,467
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

22

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	As of December 31,	
	2000	1999
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of adjustable rate bonds subject to tender	\$ 53,700	\$ 53,700
Current maturities of long-term debt and other obligations	249	776
Short-term borrowings	759,908	207,638
Accounts payable	201,481	66,541
Accounts payable to affiliated companies	102,540	29,286
Refunds to customers and customer deposits	22,922	27,396
Accrued taxes	556	26,602
Accrued interest	10,272	12,097
Other current liabilities	70,750	49,467
	-----	-----
Total current liabilities	1,222,378	473,503
	-----	-----
Deferred Credits and Other Liabilities:		
Deferred income taxes	229,911	215,520
Accrued postretirement benefits other than pensions	45,883	40,942
Unamortized investment tax credit	23,165	25,524
Other	5,826	8,297
	-----	-----
Total deferred credits and other liabilities	304,785	290,283
	-----	-----
Commitments and Contingencies (Notes 6, 7, 15, 17, 18 and 19)		
Minority Interest in Subsidiary	1,421	916
Long-term debt and other obligations, net of current maturities	631,954	486,726
Preferred stock of subsidiary:		
Redeemable	8,076	8,192
Nonredeemable	8,889	11,090
	-----	-----
Total preferred stock	16,965	19,282
	-----	-----
Common stock (no par value) - issued and outstanding 61,419 and 61,305, respectively	217,720	215,917
Retained earnings	506,462	493,918

Edgar Filing: VECTREN CORP - Form 10-K/A

Accumulated other comprehensive income	7,502	(78)
	-----	-----
Total common shareholders' equity	731,684	709,757
	-----	-----
Total capitalization	1,380,603	1,215,765
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,909,187	\$ 1,980,467
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

23

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
OPERATING REVENUES:			
Gas utility	\$ 818,753	\$ 499,573	\$ 487,260
Electric utility	336,409	307,569	297,865
Energy services and other	493,528	261,275	212,581
	-----	-----	-----
Total operating revenues	1,648,690	1,068,417	997,706
	-----	-----	-----
OPERATING EXPENSES:			
Cost of gas sold	552,540	266,429	269,999
Fuel for electric generation	71,170	66,305	65,222
Purchased electric energy	36,394	20,791	20,762
Cost of energy services and other	473,258	247,590	202,441
Other operating	199,591	189,622	181,818
Merger and integration costs	41,145	-	-
Depreciation and amortization	105,661	86,998	81,558
Taxes other than income taxes	38,010	29,910	27,369
	-----	-----	-----
Total operating expenses	1,517,769	907,645	849,169
	-----	-----	-----
OPERATING INCOME	130,921	160,772	148,537
OTHER INCOME:			
Equity in earnings of unconsolidated investments	9,856	7,490	10,671
Other - net	24,649	13,054	11,538
	-----	-----	-----
Total other income	34,505	20,544	22,209
	-----	-----	-----
INTEREST EXPENSE	57,133	42,862	40,301
	-----	-----	-----
INCOME BEFORE PREFERRED DIVIDENDS AND INCOME TAXES	108,293	138,454	130,445

Edgar Filing: VECTREN CORP - Form 10-K/A

PREFERRED DIVIDEND REQUIREMENT OF SUBSIDIARY	1,017	1,078	1,095
	-----	-----	-----
INCOME BEFORE INCOME TAXES	107,276	137,376	129,350
INCOME TAXES	34,232	45,708	42,328
	-----	-----	-----
NET INCOME BEFORE MINORITY INTEREST	73,044	91,668	87,022
MINORITY INTEREST IN SUBSIDIARY	1,004	920	422
	-----	-----	-----
NET INCOME	\$ 72,040	\$ 90,748	\$ 86,600
	=====	=====	=====
AVERAGE COMMON SHARES OUTSTANDING	61,297	61,306	61,578
DILUTED COMMON SHARES OUTSTANDING	61,380	61,430	61,756
BASIC EARNINGS PER AVERAGE SHARE OF COMMON STOCK	\$ 1.18	\$ 1.48	\$ 1.41
DILUTED EARNINGS PER AVERAGE SHARE OF COMMON STOCK	\$ 1.17	\$ 1.48	\$ 1.40

The accompanying notes are an integral part of these consolidated financial statements.

24

VECTREN CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 72,040	\$ 90,748	\$ 86,600
Adjustments to reconcile net income to cash provided from operating activities:			
Depreciation and amortization	105,661	86,998	81,411
Preferred dividend requirement of subsidiary	1,017	1,078	1,095
Deferred income taxes and investment tax credits	12,032	8,548	(1,000)
(Gain) loss on sale or retirement of assets or investments	(8,961)	-	(2,000)
Undistributed earnings of unconsolidated investments	(10,554)	(11,642)	(12,000)
Changes in assets and liabilities:			
Receivables - net	(246,771)	(19,978)	18,000
Inventories	17,817	7,823	(30,000)
Prepaid gas delivery service	(13,912)	(20,937)	17,000
Recoverable fuel and natural gas costs	(82,343)	346	3,000
Prepayments and other current assets	7,553	(7,805)	(8,000)
Regulatory assets	(4,653)	1,718	(3,000)
Accounts payable, refunds to customers, customer			

Edgar Filing: VECTREN CORP - Form 10-K/A

deposits and other current liabilities	217,122	1,514	7
Accrued taxes and interest	(27,871)	13,585	(9)
Accrued post-retirement benefits and other than pensions	4,941	3,455	2
Other - net	(2,411)	(6,226)	6
	-----	-----	-----
Total adjustments	(31,333)	58,477	69
	-----	-----	-----
Net cash flows from operating activities	40,707	149,225	156
	-----	-----	-----
CASH FLOWS (REQUIRED FOR) FROM FINANCING ACTIVITIES			
Issuance of common stock	3,979	982	
Retirement of common and preferred stock	(4,493)	(2,447)	(6)
Proceeds from long-term debt and other obligations	328,000	110,000	60
Retirement of long-term debt and other obligations	(33,299)	(67,067)	(50)
Net change in short-term borrowings	402,270	81,655	12
Dividends on common stock	(59,977)	(57,365)	(55)
Other	2,175	(3,614)	
	-----	-----	-----
Net cash flows (required for) from financing activities	638,655	62,144	(41)
	-----	-----	-----
CASH FLOWS (REQUIRED FOR) FROM INVESTING ACTIVITIES			
Capital expenditures	(164,266)	(132,159)	(135)
Investment in leveraged leases	(850)	(49,734)	5
Investments in partnerships and other corporations	(29,446)	(10,711)	(11)
Change in notes receivable	(32,005)	(11,899)	1
Cash distributions from unconsolidated investments	7,033	4,550	7
Proceeds from sale of assets	-	-	13
Acquisition of DPL gas distribution assets	(463,301)	-	
Other	1,292	(1,456)	3
	-----	-----	-----
Net cash flows (required for) investing activities	(681,543)	(201,409)	(116)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(2,181)	9,960	
Cash and cash equivalents at beginning of period	17,351	7,391	8
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 15,170	\$ 17,351	\$ 7
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements..

Edgar Filing: VECTREN CORP - Form 10-K/A

	Shares	Amount	Restricted Stock Grants	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 1997	61,621	\$225,049	\$(1,708)	\$430,248	\$77	\$653,6
Comprehensive income:						
Net income				86,600		86,6
Unrealized investment loss, net of (\$54) tax					(89)	(
Total comprehensive income						86,5
Common stock dividends (\$0.90 per share)				(55,727)		(55,7
Common stock repurchases	(215)	(4,834)				(4,8
Common stock issuances for Executives' and Directors' Stock plans, net of amortization	14	(1,572)	331			(1,2
Common stock issuance expense				(33)		(
Other				(428)		(4
Balance at December 31, 1998	61,420	\$218,643	\$(1,377)	\$460,660	\$(12)	\$677,9
Comprehensive income:						
Net income				90,748		90,7
Unrealized investment loss, net of (\$40) tax					(66)	(
Total comprehensive income						90,6
Common stock dividends (\$0.94 per share)				(57,365)		(57,3
Common stock repurchases	(113)	(2,331)				(2,3
Common stock issuances for Executives' and Directors' stock plans, net of amortization	(2)	1,150	(168)			9
Other				(125)		(1
Balance at December 31, 1999	61,305	\$217,462	\$(1,545)	\$493,918	\$(78)	\$709,7
Comprehensive income:						
Net income				72,040		72,0
Comprehensive income of unconsolidated investment, net of \$4,626 tax (Note 50)					7,580	7,5
Total comprehensive income						79,6
Common stock dividends (\$0.98 per share)				(59,977)		(59,9
Common stock repurchases	(86)	(2,176)				(2,1
Common stock issuances for Executives' and Directors' stock plans, net of amortization	200	3,979				3,9

Edgar Filing: VECTREN CORP - Form 10-K/A

Other				481		4
	-----	-----	-----	-----	-----	-----
Balance at December 31, 2000	61,419	\$219,265	\$(1,545)	\$506,462	\$7,502	\$731,6
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

26

VECTREN CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

1. Organization and Nature of Operations

Vectren Corporation (Vectren) is an Indiana corporation that was organized on June 10, 1999 solely for the purpose of effecting the merger of Indiana Energy, Inc. (Indiana Energy) and SIGCORP, Inc. (SIGCORP). On March 31, 2000, the merger of Indiana Energy with SIGCORP and into Vectren was consummated with a tax-free exchange of shares and has been accounted for as a pooling-of-interests. The common shareholders of SIGCORP received one and one-third shares of Vectren common stock for each SIGCORP common share and the common shareholders of Indiana Energy received one share of Vectren common stock for each Indiana Energy common share, resulting in the issuance of 61.3 million shares of Vectren common stock. The preferred stock and debt securities of Indiana Energy's and SIGCORP's utility subsidiaries were not affected by the merger.

Vectren is a public utility holding company, whose wholly owned subsidiary, Vectren Utility Holdings, Inc. (VUHI), is the intermediate holding company for Vectren's three operating public utilities, Indiana Gas Company, Inc. (Indiana Gas), formerly a wholly owned subsidiary of Indiana Energy, Southern Indiana Gas and Electric Company (SIGECO), formerly a wholly owned subsidiary of SIGCORP, and the Ohio operations (defined hereafter). Indiana Gas and its subsidiaries provide natural gas and transportation services to a diversified base of customers in 311 communities in 49 of Indiana's 92 counties. SIGECO provides generation, transmission, distribution and the sale of electric power to Evansville, Indiana, and 74 other communities, and the distribution and sale of natural gas to Evansville, Indiana, and 64 communities in ten counties in southwestern Indiana. The Ohio operations provide natural gas distribution and transportation services to Dayton, Ohio and 16 counties in west central Ohio.

Vectren is involved in non-regulated activities through three primary business groups: Energy Services, Utility Services and Communications. Energy Services trades and markets natural gas and provides energy performance contracting services. Utility Services provides utility products and services, such as underground construction and facilities locating, meter reading and materials management, and the mining and sale of coal. Communications provides integrated broadband communications services, including local and long distance telephone, Internet access and cable television. In addition, other businesses invest in

Edgar Filing: VECTREN CORP - Form 10-K/A

other energy-related opportunities and corporate technology.

2. Acquisition of the Natural Gas Distribution Assets of The Dayton Power and Light Company

On October 31, 2000, Vectren acquired the natural gas distribution assets of The Dayton Power and Light Company (DP&L) for approximately \$465 million. The acquisition has been accounted for as a purchase transaction in accordance with Accounting Principles Board (APB) Opinion No. 16 and accordingly, the results of operations of the acquired businesses are included in the accompanying financial statements since the date of acquisition.

Vectren acquired the natural gas distribution assets as a tenancy in common through two separate wholly owned subsidiaries. Vectren Energy Delivery of Ohio, Inc. (VEDO) holds a 53 percent undivided ownership interest in the assets and Indiana Gas holds a 47 percent undivided ownership interest. VEDO is the operator of the assets, operations of which are referred to as "the Ohio operations." VUHI established a \$435 million commercial paper program to fund the majority of the acquisition. This facility was utilized at October 31, 2000 and will be replaced over time with permanent financing. VEDO's portion of the acquisition was funded with short-term borrowings from VUHI. Indiana Gas' portion of the acquisition was funded with a combination of short-term borrowings from VUHI and its commercial paper program.

27

Goodwill has been recognized for the amount of the excess of the purchase price paid over the book value of the net assets acquired and is being amortized on a straight line basis over 40 years. Goodwill recognized as a result of the acquisition is \$198 million. The purchase price is subject to adjustment based on the finalization of the closing balance sheet in accordance with the Asset Purchase Agreement.

The following table depicts, for the years ended December 31, 2000 and 1999, unaudited pro forma consolidated information, as if the acquisition of the Ohio operations occurred on January 1, 1999. The pro forma summary information presented below is not necessarily indicative of the results that actually would have occurred if the transaction indicated above had been consummated at the beginning of the periods presented and is not intended to be a projection of future results.

Unaudited	Year Ended December 31,	
In thousands, except per share amounts	2000	1999
	-----	-----
Total operating revenues	\$1,831,136	\$1,287,283
	-----	-----
Net income	\$ 72,007	\$ 87,402
	-----	-----
Average shares outstanding:		
Basic	61,297	61,306
Diluted	61,380	61,430
Earnings per average share of common stock:		
Basic	\$ 1.17	\$ 1.43
Diluted	\$ 1.17	\$ 1.42

3. Merger and Integration Costs

Edgar Filing: VECTREN CORP - Form 10-K/A

Merger and integration costs incurred for the year ended December 31, 2000 totaled \$41.1 million, including \$1.8 million related to the integration of the Ohio operations. The merger integration activities will be substantially completed in 2001.

Of the \$41.1 million of merger and integration costs incurred in 2000, accruals were established at March 31, 2000 totaling \$20.7 million. Of this amount, \$5.5 million related to employee and executive severance costs, \$13.1 million related to transaction costs and regulatory filing fees, and the remaining \$2.1 million related to employee relocations that occurred prior to or coincident with the merger closing. At December 31, 2000, the accrual remaining for such costs totaled \$1.8 million, all related to severance costs. Of the \$41.1 million, the remaining \$20.4 million was expensed throughout the remainder of the year as expenses were incurred. Such expenses included \$6.0 million related to sign changes at all company facilities to display the Vectren name, changes to all fleet vehicles to reflect the new corporate name and logo, and changes to company stationery. An additional \$13.9 million was incurred over the course of the year for accounting fees resulting from merger related filing requirements, consulting fees related to integration activities such as organization structure, employee travel between company locations as part of integration activities, internal labor of employees assigned to integration teams, investor relations communications activities, and certain benefit costs. In addition, \$0.5 million was recorded related to severance costs associated with the integration of the Ohio operations.

During the merger planning process, approximately 135 positions were identified for elimination. As of December 31, 2000, approximately 70 positions had been vacated, with the remaining 65 positions to be eliminated in 2001

The integration activities experienced by the company included such things as information system consolidation, process review and definition, organization design and consolidation, and knowledge sharing.

28

As a result of merger integration activities, management has identified certain information systems that are expected to be retired in 2001. Accordingly, the useful lives of these assets have been shortened to reflect this decision, resulting in additional depreciation expense of approximately \$11.4 million (\$7.1 million after tax) for the year ended December 31, 2000.

4. Indiana Energy and SIGCORP Results (Prior to the Combination)

The results of the predecessor companies, Indiana Energy and SIGCORP, for the three months ended March 31, 2000 and for the years ended December 31, 1999 and 1998 are as follows (in millions):

	Three months ended March 31, 2000	Twelve months ended December 31, 1999	Twelve months ended December 31, 1998
	-----	-----	-----
Indiana Energy:			
Operating Revenues	\$172.0	\$433.3	\$440.6
Net Income	\$22.1	\$38.7	\$36.1
 SIGCORP:			
Operating Revenues	\$187.4	\$604.5	\$557.1

Edgar Filing: VECTREN CORP - Form 10-K/A

Net Income \$19.3 \$52.1 \$50.5

5. Summary of Significant Accounting Policies

A. Principles of Consolidation

The accompanying consolidated financial statements for the years ended December 31, 1999 and 1998 of Vectren and its subsidiary companies reflect the company on a historical basis as restated for the effects of the pooling-of-interests transaction completed on March 31, 2000 between Indiana Energy and SIGCORP. The consolidated financial statements include the accounts of Vectren and its wholly owned and majority owned subsidiaries, after elimination of intercompany transactions. Investments in limited partnerships and less than majority-owned affiliates are accounted for on the equity method. The financial statements also reflect the consolidation of a majority-owned affiliate, Energy Systems Group, LLC, which was an equity method investment of Indiana Energy and SIGCORP prior to the merger.

B. Investments in Partnerships and Other Corporations

Investments in partnerships and other corporations, which are more than 20 percent owned but less than majority owned, are generally accounted for by the equity method. Vectren's share of net income or loss from these investments is recorded in equity in earnings of unconsolidated affiliates. Dividends are recorded as a reduction of the carrying value of the investment when received.

Investments in other corporations less than 20 percent owned are generally carried at cost less writedowns for declines in value judged to be other than temporary. Dividends are recorded as other income when received.

C. Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications have no impact on net income previously reported.

D. Utility Plant and Depreciation

Utility plant is stated at historical cost, including an allowance for the cost of funds used during construction. Depreciation of utility property is provided using the straight-line method over the estimated service lives of the depreciable assets.

The original cost, together with depreciation rates expressed as a percentage of original cost, for the components of utility plant were as follows":

29

	At December 31,			
In thousands	2000		1999	
	Original Cost	Depreciation Rates as a Percent of Original Cost	Original Cost	Depreciation Rates as a Percent of Original Cost
Gas utility plant	\$1,543,924	3.6%	\$1,152,628	3.8%
Electric utility plant	1,136,760	3.3%	1,109,847	3.4%
Common utility plant	47,307	3.3%	59,963	6.7%
Construction work in progress	60,803	-	45,393	-

Edgar Filing: VECTREN CORP - Form 10-K/A

----- \$2,788,794 =====	----- \$2,367,831 =====
-------------------------------	-------------------------------

Vectren follows the practice of charging maintenance and repairs, including the cost of removal of minor items of property, to expense as incurred. When property that represents a retirement unit is replaced or removed, the cost of such property is credited to utility plant, and such cost, together with the cost of removal less salvage, is charged to accumulated depreciation.

E. Nonutility Plant

Nonutility plant consists of property and equipment used by Vectren's non-regulated operations. The depreciation of nonutility plant is charged against income over their estimated useful lives, using the straight-line method of depreciation or units of production method of amortization. Repairs and maintenance, which are not considered betterments and do not extend the useful life of the nonutility plant, are charged to expense as incurred. When nonutility plant is retired, or otherwise disposed of, the asset and accumulated depreciation are removed and the resulting gain or loss is reflected in income.

Nonutility plant consists of the following:

In thousands	Useful Life	At December 31,	
		2000	1999
		-----	-----
Land	-	\$ 4,309	\$ 1,706
Mining property and development costs	Units of production	36,947	13,076
Other non utility plant	5 - 40 years	115,803	70,334
		-----	-----
		157,059	85,116
Less: Accumulated depreciation and amortization		53,582	20,642
		-----	-----
		\$ 103,477	\$ 64,474
		=====	=====

F. Cash Flow Information

For purposes of the Consolidated Statements of Cash Flows, Vectren considers cash investments with an original maturity of three months or less to be cash equivalents. Cash paid during the periods reported for interest, income taxes and acquired assets and liabilities were as follows:

In thousands	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Cash paid during the year for			
Interest (net of amount capitalized)	\$ 55,734	\$ 34,826	\$ 35,798
Income taxes	53,450	36,909	53,311
	-----	-----	-----
Details of acquisition (Note 2)			
Book value of assets acquired	\$278,080	-	-
Liabilities assumed	7,881	-	-

Edgar Filing: VECTREN CORP - Form 10-K/A

	-----	-----	-----
Net assets acquired	\$270,199	-	-
	=====	=====	=====

G. Revenues

Revenues are recorded as products and services are delivered to customers. To more closely match revenues and expenses, Vectren's utility subsidiaries record revenues for all gas and electricity delivered to customers but not billed at the end of the accounting period.

30

Excise taxes are embedded in rates charged to customers. Accordingly, the company records excise tax received as a component of operating revenues. Excise taxes paid are recorded as a component of taxes other than income taxes.

H. Inventories

Inventories primarily consist of gas in underground storage, fuel for electric generation and materials and supplies. Gas in underground storage at SIGECO and Indiana Gas is valued using last-in, first-out (LIFO) method, while all other inventories, including the acquired inventories of the Ohio operations, are valued using the average cost method. Based on the average cost of gas purchased during December, the cost of replacing the current portion of gas in underground storage exceeded LIFO cost at December 31, 2000 and 1999 by approximately \$64.3 million and \$23.2 million, respectively. Inventories consist of the following:

	At December 31,	
In thousands	2000	1999
	-----	-----
Fuel (coal and oil) for electric generation	\$ 4,368	\$12,824
Materials and supplies	16,958	15,224
Emission allowances	3,860	4,437
Gas in storage - at LIFO cost	18,988	23,068
Gas in storage - at average cost	49,424	-
Other	1,647	3,310
	-----	-----
Total inventories	\$95,245	\$58,863
	=====	=====

I. Refundable or Recoverable Gas Costs, Fuel for Electric Production and Purchased Power

All metered gas rates contain a gas cost adjustment clause, which allows for adjustment in charges for changes in the cost of purchased gas. Metered electric rates typically contain a fuel adjustment clause that allows for adjustment in charges for electric energy to reflect changes in the cost of fuel and the net energy cost of purchased power. SIGECO also collects through a quarterly rate adjustment mechanism the margin on electric sales lost due to the implementation of demand side management programs.

Vectren's utility subsidiaries record any adjustment clause under-or-overrecovery each month in revenues. A corresponding asset or liability is recorded until such time as the under-or-overrecovery is billed or refunded to utility customers. The cost of gas sold is charged to operating expense as delivered to customers and the cost of fuel for electric generation is charged to operating expense when consumed.

J. Allowance for Funds used During Construction

An allowance for funds used during construction (AFUDC), which represents the

Edgar Filing: VECTREN CORP - Form 10-K/A

cost of borrowed and equity funds used for construction purposes, is charged to construction work in progress during the period of construction and included in other - net on the Consolidated Statements of Income.

The table below reflects the total AFUDC capitalized and the portion of which was computed on borrowed and equity funds for all periods reported.

In thousands	Year Ended December 31,		
	2000	1999	1998
AFUDC - borrowed funds	\$2,634	\$3,090	\$2,394
AFUDC - equity funds	2,645	739	230
Total AFUDC capitalized	\$5,279	\$3,829	\$2,624

K. Income Taxes

The liability method of accounting is used for income taxes under which deferred income taxes are recognized, at currently enacted income tax rates, to reflect the tax effect of temporary differences between the book and tax bases of assets and liabilities. Deferred investment tax credits are being amortized over the life of the related asset.

31

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

M. Regulation

The utility operations of Indiana Gas and SIGECO are subject to regulation by the Indiana Utility Regulatory Commission (IURC) and the Ohio operations are subject to regulation by the Public Utilities Commission of Ohio (PUCO). The wholesale energy sales of SIGECO are subject to regulation by the Federal Energy Regulatory Commission (FERC). The accounting policies of Vectren and its utility subsidiaries give recognition to the ratemaking and accounting practices of these agencies and to accounting principles generally accepted in the United States, including the provisions of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process.

The following regulatory assets and liabilities are reflected in the financial statements:

In thousands	At December 31,	
	2000	1999
Regulatory Assets:		
Demand side management programs	\$ 26,243	\$ 25,298
Unamortized premium on reacquired debt	4,192	4,416
Unamortized debt discount and expenses	16,741	13,233

Edgar Filing: VECTREN CORP - Form 10-K/A

Regulatory income tax asset	4,723	2,741
Other	347	1,905
	-----	-----
Regulatory assets in other assets	52,246	47,593
Recoverable fuel and natural gas costs	96,084	5,585
	-----	-----
Total regulatory assets	\$148,330	\$ 53,178
	=====	=====
Regulatory Liabilities:		
Refundable gas costs	-	\$ 10,204
	=====	=====

As of December 31, 2000, the recovery of \$126.9 million of Vectren's \$148.3 million of total regulatory assets is reflected in rates charged to customers. The remaining \$21.4 million of regulatory assets, which are not yet included in rates, represent SIGECO's demand side management (DSM) costs incurred after 1993. When SIGECO files its next electric base rate case, these costs will be included in rate base and requested to earn a return. Amortization of the costs over a period anticipated to be 15 years will be recovered through rates as a cost of operations. SIGECO is currently recovering \$4.8 million of DSM costs in rates. Based upon this prior regulatory authority, management believes that future recovery of the \$21.4 million of regulatory assets for DSM costs is probable.

Indiana Gas was authorized as part of an August 17, 1994 financing order from the IURC to amortize over a 15-year period the debt discount and expense related to new debt issues and future debt issues and future premiums paid for debt reacquired in connection with refinancing. Debt discount and expense for issues in place prior to this order are being amortized over the lives of the related issues. Premiums paid prior to this order for debt reacquired in connection with refinancing are being amortized over the life of the refunding issue. SIGECO's debt discounts and expense related to new debt issues and premiums paid for debt reacquired is being amortized over the lives of the related issues.

32

Of the \$126.9 million of regulatory assets currently reflected in rates, a total of \$9.1 million is earning a return: \$4.9 million of pre-1994 DSM costs and \$4.2 million of unamortized premium on reacquired debt. The remaining recovery periods for the DSM costs and premium on reacquired debt are 11.5 years and 20 years, respectively. The remaining \$117.9 million of regulatory assets included in rates, but not earning a return, are being recovered over varying periods: \$7.1 million of fuel costs and \$89.0 million of gas costs, over 12 months; \$4.7 million of regulatory income tax asset, over approximately 30 years; and \$16.8 million of unamortized debt discount and expense to be recovered as discussed above.

Vectren's utility subsidiaries' policy is to continually assess the recoverability of costs recognized as regulatory assets and the ability to continue to account for their activities in accordance with SFAS 71, based on the criteria set forth in SFAS 71. Based on current regulation, the utility subsidiaries believe such accounting is appropriate. If all or part of Vectren's utility operations cease to meet the criteria of SFAS 71, a write-off of related regulatory assets and liabilities would be required. In addition, Vectren would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

N. New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133

Edgar Filing: VECTREN CORP - Form 10-K/A

"Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), which requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000 and must be applied to derivative instruments and certain derivative instruments embedded in hybrid contracts that were issued, acquired or substantively modified after December 31, 1998. Vectren has completed the process of identifying all derivative instruments, determining fair market values of these derivatives, designating and documenting hedge relationships, and evaluating the effectiveness of those hedge relationships. As a result of the successful completion of this process, Vectren adopted SFAS 133 as of January 1, 2001.

SFAS 133 requires that as of the date of initial adoption, the difference between the fair market value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle in accordance with APB 20, "Accounting Changes."

A limited number of Vectren's contracts are defined as derivatives under SFAS 133. These derivatives are forward physical contracts for both the purchase and sale of natural gas and electricity by its wholly owned gas marketing subsidiary, SIGCORP Energy Services, Inc (SES) and SIGECO, respectively, and an interest rate swap.

SES's primary business is the buying and re-selling of physical natural gas to the industrial market segment. SES manages its pricing risk by entering into corresponding gas commodity contracts that ensure a reasonable matching of the associated risk. In addition, SES takes physical delivery of gas in storage facilities to ensure operational as well as price risk management of its forward positions. Open positions in terms of price, volume and specified delivery locations do occur and are managed by SES using the above instruments and through management reporting. These commodity contracts and gas storage facilities involve the normal purchase and sale of natural gas and therefore do not require fair value accounting under SFAS 133. SES also utilizes price swap agreements that are accounted for under SFAS 133 to mitigate price risk related to certain forward physical contracts. These derivatives have not been designated as hedges, accordingly, the changes in market value will be recorded currently in earnings. The mark to market impact of these derivatives has been reflected as part of the transition adjustment recorded to earnings on January 1, 2001.

Derivatives used in the power marketing operations are used to effectively manage the utilization of SIGECO's generation capability. These derivatives include forward physical wholesale sales and purchases. The forward sales contracts are generally used to sell the excess generation capacity of SIGECO when demand conditions warrant this activity. These contracts are for the normal purchase and sale of electricity and therefore do not require fair value accounting under SFAS 133. The forward purchase contracts are entered into as

33

part of "buy-sell" transactions with other utilities and power marketers. These contracts are derivatives and do not qualify for hedge accounting, accordingly, they have been marked to market currently in earnings. The mark to market impact of these derivatives has been reflected as part of the transition adjustment recorded to earnings on January 1, 2001.

Edgar Filing: VECTREN CORP - Form 10-K/A

The interest rate swap is used to hedge the exposure to interest rate risk associated with VUHI's \$150 million floating rate notes. The swap was entered into concurrently with the issuance of the floating rate debt. Vectren has formally documented the hedging relationship between the swap and floating rate debt as well as its risk management objectives and strategies for undertaking the hedging transaction. The swap has been designated as a cash flow hedge and the mark to market impact has been reflected as part of the transition adjustment recorded to other comprehensive income on January 1, 2001.

The cumulative impact of the adoption of SFAS 133 on January 1, 2001 is an earnings gain of approximately \$6.3 million due to the derivatives used in power marketing operations. The impact of the derivatives used by SES and the interest rate swap was immaterial.

O. Comprehensive Income

Comprehensive income is a measure of all changes in equity of an enterprise which result from the transactions or other economic events during the period other than transactions with shareholders. This information is reported in the Consolidated Statements of Common Shareholders' Equity. Vectren's components of accumulated other comprehensive income (loss) include unrealized gains (losses) on available for sale securities and its portion of ProLiance Energy, LLC's (ProLiance) other comprehensive income. Vectren records its portion of ProLiance's other comprehensive income as increases or decreases to the investment account with a corresponding adjustment to other comprehensive income. As of December 31, 2000, Vectren has recorded an adjustment to other comprehensive income of \$7.5 million related to its investment in ProLiance. ProLiance's other comprehensive income was adjusted due its adoption of SFAS 133.

P. Impairment Review of Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with SFAS No. 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, as facts and circumstances indicate that the carrying amount may be impaired. Specifically, the evaluation for impairment involves the comparison of an asset's carrying value and the estimated undiscounted future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded as a charge to operations based on the difference between the asset's carrying amount and its fair value.

6. ProLiance Energy, LLC

ProLiance, a 50 percent owned, non-regulated, energy marketing affiliate of Vectren, began providing natural gas and related services to Indiana Gas, Citizens Gas and Coke Utility (Citizens Gas) and others effective April 1, 1996. The sale of gas and provision of other services to Indiana Gas by ProLiance is subject to regulatory review through the quarterly gas cost adjustment (GCA) process administered by the IURC.

On September 12, 1997, the IURC issued a decision finding the gas supply and portfolio administration agreements between ProLiance and Indiana Gas and ProLiance and Citizens Gas to be consistent with the public interest and that ProLiance is not subject to regulation by the IURC as a public utility. The IURC's decision reflected the significant gas cost savings to customers obtained through ProLiance's services and suggested that all material provisions of the agreements between ProLiance and the utilities are reasonable. Nevertheless, with respect to the pricing of gas commodity purchased from ProLiance, the pricing of fees paid by ProLiance to the utilities for the prospect of using pipeline entitlements if and when they are not required to serve the utilities' firm customers, and the pricing of fees paid by the utilities to ProLiance for portfolio administration services, the IURC concluded that additional review in

Edgar Filing: VECTREN CORP - Form 10-K/A

the GCA process would be appropriate and directed that these matters be considered further in the pending, consolidated GCA proceeding involving Indiana Gas and Citizens Gas. The IURC has not yet established a schedule for conducting

34

these additional proceedings. Through a series of appeals, the order was finally considered by the Indiana Supreme Court.

On September 22, 2000, the Indiana Supreme Court issued a decision affirming the IURC's decision on ProLiance in all respects. However, until the three pricing issues reserved by the IURC are resolved, Vectren will continue to reserve a portion of its share of ProLiance earnings.

On or about August 11, 1998, Indiana Gas, Citizens Gas and ProLiance each received a Civil Investigative Demand (CID) from the United States Department of Justice requesting information relating to Indiana Gas' and Citizens Gas' relationship with and the activities of ProLiance. The Department of Justice issued the CID to gather information regarding ProLiance's formation and operations, and to determine if trade or commerce has been restrained. Indiana Gas has provided all information requested and management continues to believe that there are no significant issues in this matter.

Indiana Gas continues to record gas costs in accordance with the terms of the ProLiance contract and Vectren continues to record its proportional share of ProLiance's earnings. Pretax income of \$5.4 million, \$6.7 million, and \$7.0 million was recognized as ProLiance's contribution to earnings for the years ended December 31, 2000, 1999 and 1998, respectively. Earnings recognized from ProLiance are included in equity in earnings of unconsolidated investments on the Consolidated Statements of Income. At December 31, 2000, and 1999, Vectren has reserved approximately \$2.4 million and \$1.7 million, respectively, of ProLiance's earnings pending resolution of the remaining issues. The reserve represents 10% of ProLiance's pretax earnings and serves as management's best estimate of potential exposure arising from the three pricing issues.

7. Vectren Advanced Communications

Vectren Advanced Communications (VAC), a wholly owned non-regulated subsidiary, was formed to hold Vectren's investments in Utilicom Networks, LLC (Utilicom) and related entities. Utilicom Networks is a provider of bundled communications services through high capacity broadband networks, including high speed internet service, cable television and telephone service. VAC has a 14 percent interest in Class A units of Utilicom, which is accounted for using the equity method of accounting.

In January 2000, VAC completed the restructuring of its investment in SIGECOM, LLC (SIGECOM), which is a venture between VAC and Utilicom which provides communications services to the greater Evansville, Indiana area. On January 28, 2000, affiliates of The Blackstone Group, a private equity fund, invested in Class B units of Utilicom. In connection with the Blackstone Group investment, VAC exchanged its 49 percent preferred equity interest in SIGECOM for \$16.5 million of convertible subordinated debt of Utilicom and a 14 percent indirect common equity interest in SIGECOM, which was valued at \$6.5 million. The debt is convertible into Class A units of Utilicom at the option of VAC or upon the event of a public offering of stock by Utilicom. The carrying value of VAC's 49% preferred equity interest was \$15 million prior to the exchange. The consideration received by VAC in the exchange was valued based upon an investment bank analysis of the fair value of SIGECOM at the transaction date. The investment restructuring resulted in a pre-tax gain of \$8 million, which is classified in equity in earnings in unconsolidated investments in the accompanying Consolidated Statements of Income. For the year ended December 31,

Edgar Filing: VECTREN CORP - Form 10-K/A

2000, Vectren also recognized losses of \$1 million to reflect its share of Utilicom and SIGECOM's operating results. At December 31, 2000 and 1999, VAC's equity investment in SIGECOM-related entities was \$8.2 million and \$16.1 million, respectively.

In December 2000, VAC invested an additional \$8.1 million with Utilicom in the form of convertible subordinated debt as part of Utilicom's plans to raise \$600 million in capital to establish operating ventures in Indianapolis, Indiana and Dayton, Ohio and to recapitalize the SIGECOM venture. Vectren is committed to invest up to \$100 million, inclusive of the \$8.1 million already invested, in the form of convertible subordinated debt, subject to Utilicom obtaining all required funding. The debt is convertible into common equity interests in the Indianapolis and Dayton ventures at the option of VAC or upon the event of a public offering of stock by Utilicom. At December 31, 2000, VAC's investment in convertible debt totals approximately \$25 million and, upon conversion, VAC

35

would have up to a 31 percent interest in the Indianapolis and Dayton ventures and up to a 10 percent interest in Utilicom, assuming completion of all required funding.

8. Short-Term Borrowings

At December 31, 2000, Vectren has approximately \$969 million of short-term borrowing capacity, including \$803 million for its regulated operations and \$166 million for its non-regulated operations, of which approximately \$149 million is available for regulated operations and \$60 million is available for non-regulated operations. See the table below for outstanding balances and interest rates.

In thousands	At December 31,	
	2000	1999
Outstanding:		
Bank Loans	\$146,494	\$ 124,638
2001, Note Payable, 6.6425%	150,000	-
Commercial paper	463,414	83,000
	-----	-----
Total short term borrowings	\$759,908	\$ 207,638
	=====	=====
Weighted average interest rates:		
Bank Loans	6.95%	8.08%
Commercial paper	6.87%	6.30%
Weighted average interest rates during the year:		
Bank Loans	6.98%	5.76%
Commercial paper	6.53%	5.40%
Weighted average total outstanding during the year	\$318,822	\$ 163,762

At December 31, 2000, Indiana Gas is not in compliance with the total indebtedness to capitalization ratio contained in its back up credit facility for its commercial paper program. The non-compliance resulted from the indebtedness incurred to purchase its ownership interest in the Ohio operations. A waiver has been obtained from the banks on the Indiana Gas facility to waive the non-compliance through and including March 31, 2001. Subject to regulatory approval, Vectren will provide an equity investment in Indiana Gas to bring Indiana Gas back into compliance. No amount is outstanding under the back up

Edgar Filing: VECTREN CORP - Form 10-K/A

credit facility.

9. Long-Term Debt and Other Obligations

First mortgage bonds, notes payable and partnership obligations outstanding and classified as long-term are as follows:

In thousands	At December 31,	
	2000	1999
Southern Indiana Gas and Electric Company		
First Mortgage Bonds due:		
2014, 4.60% Pollution Control Series A	\$ 22,500	\$ 22,500
Adjustable Rate Pollution Control:		
2015, Series A, presently 4.55%	9,975	9,975
2016, 8.875%	13,000	13,000
2020, 4.40% Pollution Control Series B	4,640	4,640
Adjustable Rate Environmental Improvement:		
2023, Series B, presently 6%	22,800	22,800
2023, 7.60%	45,000	45,000
2025, 7.625%	20,000	20,000
2029, 6.72%	80,000	80,000
2030, 4.40% Pollution Control Series B	22,000	22,000
Total first mortgage bonds	\$ 239,915	\$ 239,915
36		
Notes Payable:		
Tax Exempt, due 2003, 6.25%	\$ 1,000	\$ 1,000
Indiana Gas Company		
Notes Payable due:		
2003, Series F, 5.75%	\$ 15,000	\$ 15,000
2004, Series F, 6.36%	15,000	15,000
2007, Series E, 6.54%	6,500	6,500
2013, Series E, 6.69%	5,000	5,000
2015, Series E, 7.15%	5,000	5,000
2015, Insured Quarterly Notes, 7.15%	20,000	-
2015, Series E, 6.69%	5,000	5,000
2015, Series E, 6.69%	10,000	10,000
2021, Private Placement, 9.375%	25,000	25,000
2021, Series A, 9.125%	7,000	7,000
2025, Series E, 6.31%	5,000	5,000
2025, Series E, 6.53%	10,000	10,000
2027, Series E, 6.42%	5,000	5,000
2027, Series E, 6.68%	3,500	3,500
2027, Series F, 6.34%	20,000	20,000
2028, Series F, 6.75%	14,109	14,849
2028, Series F, 6.36%	10,000	10,000
2028, Series F, 6.55%	20,000	20,000
2029, Series G, 7.08%	30,000	30,000
2030, Insured Quarterly Notes, 7.45%	50,000	-
Total notes payable	\$ 281,109	\$ 211,849
Non-Regulated		
Notes Payable:		
2005, Senior note, 7.67%	\$ 38,000	\$ -

Edgar Filing: VECTREN CORP - Form 10-K/A

2007, Senior note, 7.83%	17,500	-
2010, Senior note, 7.98%	22,500	-
Insurance Company, due 2012, 7.43%	35,000	35,000
Other	249	2,371
	-----	-----
Total notes payable and other	\$ 113,249	\$ 37,371
	-----	-----
Total long-term debt outstanding	\$ 635,273	\$ 490,135
Less: Maturities and sinking fund requirements	(249)	(776)
Unamortized debt premium and discount, net	(3,070)	(2,633)
	-----	-----
Total long-term debt and other obligations, net of current maturities	\$ 631,954	\$ 486,726
	=====	=====

Consolidated maturities and sinking fund requirements on long-term debt subject to mandatory redemption during the five years following 2000 (in millions) are \$0.3 in 2001, \$16.0 in 2003, \$15.0 in 2004, and \$38.0 in 2005.

In addition to the obligations presented in the table above, SIGECO has \$53.7 million of adjustable rate pollution control series first mortgage bonds which could, at the election of the bondholder, be tendered to SIGECO annually in March. If SIGECO's agent is unable to remarket any bonds tendered at that time, SIGECO would be required to obtain additional funds for payment to bondholders.

37

For financial statement presentation purposes those bonds subject to tender in 2001 are shown as current liabilities. The two series of bonds will be re-set for a five-year period effective March 1, 2001.

Provisions under which certain of Indiana Gas' Series E Notes were issued entitle the holders of \$25.0 million of these notes to put the debt back to Indiana Gas at face value at certain specified dates before maturity. Long-term debt subject to the put provisions during the five years following 2000 (in millions) is \$6.5 in 2002, \$3.5 in 2004 and \$10.0 in 2005.

The annual sinking fund requirement of SIGECO's first mortgage bonds is 1 percent of the greatest amount of bonds outstanding under the Mortgage Indenture. This requirement may be satisfied by certification to the Trustee of unfunded property additions in the prescribed amount as provided in the Mortgage Indenture. SIGECO intends to meet the 2001 sinking fund requirement by this means and, accordingly, the sinking fund requirement for 2001 is excluded from current liabilities on the Consolidated Balance Sheets. At December 31, 2000, \$220.9 million of SIGECO's utility plant remained unfunded under SIGECO's Mortgage Indenture.

The above debt agreements contain certain financial covenants and other restrictions with which Vectren must comply. Except as described in Note 8, Vectren was in compliance with all remaining financial covenants and restrictions.

On December 21, 2000, Vectren Capital Corporation, a wholly owned subsidiary that provides financing for Vectren's non-regulated subsidiaries' operations and investments, issued \$78 million of private placement senior notes to three institutional investors. The issues and their terms are \$38.0 million, due December 21, 2005, at 7.67 percent; \$17.5 million, due December 21, 2007, at 7.83 percent; and \$22.5 million, due December 21, 2010, at 7.98 percent. The net proceeds were used to repay outstanding short-term borrowings.

Edgar Filing: VECTREN CORP - Form 10-K/A

On October 5, 1999, Indiana Gas issued \$30 million in principal amount of Series G Medium-term Notes bearing interest at the per annum rate of 7.08 percent with a maturity date of October 5, 2029. In December 2000, Indiana Gas filed a prospectus with the Securities and Exchange Commission with respect to the issuance of \$70 million in debt securities. On December 28, 2000, \$20 million of 15-Year Insured Quarterly (IQ) Notes bearing interest at a rate of 7.15 percent per year and \$50 million of 30-Year IQ Notes bearing interest at a rate of 7.45 percent per year were issued. The 15-Year IQ Notes will mature on December 15, 2015, and the 30-Year IQ Notes will mature on December 16, 2030, unless, in each case, redeemed prior to that date. Indiana Gas will have the option to redeem the 15-Year IQ Notes, in whole or in part, from time to time on or after December 15, 2004. Indiana Gas will have the option to redeem the 30-Year IQ Notes in whole or in part, from time to time on or after December 15, 2005. The net proceeds of the debt issuance were used to repay outstanding commercial paper utilized for general corporate purposes.

10. Fair Value of Financial Instruments

The carrying values and estimated fair values of Vectren's financial instruments were as follows:

In thousands	At December 31,			
	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Short-term borrowings	\$759,908	\$ 759, 908	\$207,638	\$207,638
Partnership obligations (includes amounts due within one year)	249	312	845	905
Redeemable preferred stock of subsidiary	7,500	7,737	7,500	7,538
Long term debt (includes amounts due within one year)	685,903	758,478	541,202	544,928

38

Certain methods and assumptions must be used to estimate the fair value of financial instruments. Because of the short maturity of notes payable, the carrying amounts approximate fair values for these financial instruments. The fair value of Vectren's long-term debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to Vectren for debt of the same remaining maturities. The fair value of partnership obligations was estimated based on current quoted market rate of comparable debt. The fair value of redeemable preferred stock of SIGECO was based on the current quoted market rate of long-term debt with similar characteristics.

Under current regulatory treatment, call premiums on reacquisition of long-term debt are generally recovered in customer rates over the life of the refunding issue or over a 15-year period (see Note 5M). Accordingly, any reacquisition would not be expected to have a material effect on Vectren's financial position or results of operations.

The market price used to value these transactions reflects management's best estimate of market prices considering various factors, including published prices for certain delivery locations, time value and volatility factors underlying the commitments.

11. Common Stock

Edgar Filing: VECTREN CORP - Form 10-K/A

On March 31, 2000, the merger of Indiana Energy and SIGCORP with and into Vectren was consummated with a tax-free exchange of shares and has been accounted for as a pooling of interests. The common shareholders of SIGCORP received 1.333 shares of Vectren common stock for each SIGCORP common share and the common shareholders of Indiana Energy received one share of Vectren common stock for each Indiana Energy common share, resulting in the issuance of 61.3 million shares of Vectren common stock.

The Vectren board of directors has adopted a Shareholder Rights Agreement. Under the Shareholder Rights Agreement, the Vectren board of directors has declared a dividend distribution of one right for each outstanding Vectren common share. A right will attach to each Vectren common share Vectren issues. Each right entitles the holder to purchase from Vectren one share at a price of \$65.00 per share (subject to adjustment to prevent dilution). Initially, the rights will not be exercisable. The rights only become exercisable 10 days following a public announcement that a person or group of affiliated or associated persons (Vectren Acquiring Person) has acquired beneficial ownership of 15 percent or more of the outstanding Vectren common shares (or a 10 percent acquirer who is determined by the Vectren board of directors to be an adverse person), or 10 days following the announcement of an intention to make a tender offer or exchange offer the consummation of which would result in any person or group becoming a Vectren Acquiring Person. The Vectren Shareholder Rights Agreement expires October 21, 2009.

Conversion of Options

Certain SIGCORP and SIGECO employees held options to purchase SIGCORP common shares granted under the 1994 SIGECO Stock Option Plan and other employee compensation benefits arrangements. When the merger was consummated, each unexpired and unexercised option to purchase SIGCORP common shares was automatically converted into an option to purchase the number of Vectren common shares that could have been purchased under the original option multiplied by 1.333. The exercise price per Vectren common share under the new option is equal to the original per share price divided by 1.333. The new Vectren options will otherwise be subject to the same terms and conditions as the original SIGCORP options. The expiration dates for options outstanding as of December 31, 2000, ranged from July 13, 2004 to July 19, 2009. This stock option activity for the past three years, converted to Vectren common shares, was as follows:

39

	2000		1999		1998	
	Exercise Shares	Wtd. Avg. Price	Exercise Shares	Wtd. Avg. Price	Exercise Shares	Wtd. Avg. Price
Outstanding at January 1	931,004	\$ 18.33	671,389	\$ 17.46	610,742	\$ 16.19
Granted	-	-	272,783	\$ 20.26	99,973	\$ 24.05
Cancelled	(30,955)	\$ 19.04	-			-
Exercised	(40,608)	\$ 15.92	(13,168)	\$ 14.22	(39,326)	\$ 14.49
Outstanding at December 31	859,441	\$ 18.41	931,004	\$ 18.33	671,389	\$ 17.46
Exercisable at December 31	781,415		658,221		508,892	
Reserved for future grants						

Edgar Filing: VECTREN CORP - Form 10-K/A

at end of year	-	-	272,783
Weighted average price of options exercisable	\$18.41	\$17.53	\$15.88

At December 31, 2000					
Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
\$12.03-\$14.43	229,230	3.4	\$13.82	229,230	\$13.82
14.44-16.84	50,779	4.0	15.32	50,779	15.32
16.85-19.24	52,124	5.2	17.44	52,124	17.44
19.25-21.65	431,908	7.8	20.09	353,882	20.05
24.05	95,400	7.3	24.05	95,400	24.05
\$12.03-\$24.05	859,441	6.2	\$18.41	781,415	\$18.23

Vectren accounts for stock compensation in accordance with APB 25, "Accounting for Stock Issued to Employees." Under APB 25, no compensation cost has been recognized for stock options. Had compensation cost for stock options been determined consistent with SFAS No. 123 "Accounting for Stock-based Compensation," net income would have been reduced to the following pro forma amounts:

In thousands, except per share amounts	At December 31,		
	2000	1999	1998
Net Income:			
As reported	\$ 72,040	\$ 90,748	\$ 86,600
Pro forma	71,583	90,077	86,085
Basic Earnings Per Share:			
As reported	\$ 1.18	\$ 1.48	\$ 1.41
Pro forma	1.17	1.47	1.40
Diluted Earnings Per Share:			
As reported	\$ 1.17	\$ 1.48	\$ 1.40
Pro forma	1.17	1.47	1.39

The fair value of each option granted used to determine pro forma net income is estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the years ended December 31, 1999 and 1998: risk-free interest rate of 6.46 percent and 4.44 percent, respectively; expected option term of five years; expected volatilities of 34.00 percent and 33.16 percent, respectively; and dividend rates of 4.46 percent and 3.77 percent, respectively. The weighted average fair value of options granted in 1999 and 1998 were \$5.05 and \$5.99, respectively. No options were granted in 2000.

40

Conversion of Restricted Stock

Indiana Energy had an Executive Restricted Stock Plan for the principal officers of the company and participating subsidiary companies. Indiana Energy also had a Directors' Restricted Stock Plan through which non-employee directors receive one-third of their combined compensation (exclusive of attendance fees) as directors of Indiana Energy, Indiana Gas or IEI Investments, Inc. in shares of Indiana Energy's common stock subject to certain restrictions on transferability.

Upon consummation of the merger, the restrictions on each outstanding share of restricted stock of Indiana Energy lapsed and all shares of Indiana Energy that were issued as restricted stock were treated as unrestricted shares of Indiana Energy in the merger exchange. During 2000, Vectren adopted these plans and 194,884 restricted shares were issued to executives and non-employee directors. Shares of restricted stock issued in 1999 and 1998 by Indiana Energy were 15,238 and 14,303, respectively.

The cost of these performance based awards, determined to be the fair market value at the date of grant, is charged to compensation expense as earned over the performance periods. The weighted average fair value of these stock based instruments, together with recognized compensation expense, was \$2.3 million and \$19.90 in 2000; \$0.8 million and \$23.20 in 1999; and \$0.7 million and \$20.26 in 1998. Substantially all of the year 2000 expense is for the lifting of restrictions triggered by the merger transaction.

Common stock dividends of Vectren may be reinvested under a Dividend Reinvestment and Stock Purchase Plan. Common shares purchased in connection with the plan are currently being acquired through the open market.

At December 31, 2000 and 1999, respectively, shares of common stock reserved for issuance were as follows:

	At December 31,	
	2000	1999
Dividend Reinvestment and Stock Purchase Plan	1,018,435	417,836
Executive Restricted Stock Plan	222,726	346,319
Directors' Restricted Stock Plan	50,116	54,994
Retirement Savings Plan	853,423	964,208
Total	2,144,700	1,783,357

12. Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share assumes the conversion of stock options into common shares using the treasury stock method to the extent the effect would be dilutive.

41

The following table illustrates the basic and dilutive earnings per share calculations.

Edgar Filing: VECTREN CORP - Form 10-K/A

In thousands, except per share amounts	Year Ended December 31,								
	2000			1999			1998		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS	\$72,040	61,297	\$1.18	\$90,748	61,306	\$1.48	\$86,600	61,578	\$1.41
Effect of dilutive stock options		83			124			178	
Diluted EPS	\$72,040	61,380	\$1.17	\$90,748	61,430	\$1.48	\$86,600	61,756	\$1.40

Options to purchase 526,469 common shares for the year ended December 31, 2000 and 99,973 common shares for the years ended December 31, 1999 and 1998 were not included in the computation of dilutive earnings per share because the options' exercise prices were greater than the average market price of the common shares during the period. Exercise prices for options excluded from the computation ranged from \$19.83 to \$24.05 in 2000 and equaled \$24.05 in 1999 and 1998.

Subsequent to December 31, 2000, Vectren issued about 6.3 million common shares in a public offering (see Note 22).

13. Retirement Plans and Other Postretirement Benefits

Prior to July 1, 2000, SIGCORP and Indiana Energy had separate retirement and other postretirement benefit plans. The activities in these plans are described below by company. Effective July 1, 2000, the SIGECO and Indiana Energy pension plans for employees not covered by a collective bargaining unit were merged. Also effective July 1, 2000, the SIGECO and Indiana Energy retirement savings plans for employees not covered by a collective bargaining unit were merged, as were their postretirement health care and life insurance plans.

Vectren has multiple defined benefit pension and other postretirement benefit plans which cover eligible full-time regular employees. All of the plans are non-contributory with the exception of the health care plan which contains cost-sharing provisions whereby employees retiring after January 1, 1996, are required to make contributions to the plan when increases in Indiana Energy's health care costs exceed the general rate of inflation, as measured by the Consumer Price Index (CPI). The nonpension plans include plans for health care and life insurance through a combination of self-insured and fully insured plans.

The IURC has authorized SIGECO and Indiana Gas to recover the costs related to postretirement benefits other than pensions under the accrual method of accounting consistent with Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. Amounts accrued prior to that authorization were deferred as allowed by the IURC and amortized over a 60-month period.

The detailed disclosures of benefit components that follow are based on an actuarial valuation performed for the December 31, 2000 financial statements

Edgar Filing: VECTREN CORP - Form 10-K/A

using a measurement date as of September 30, 2000. The disclosures required as of and for the years ended December 31, 1999 and 1998 have been restated based on actuarial valuations previously performed for SIGECO as of December 31 and Indiana Gas as of September 30, respectively. In management's opinion, disclosures from revised actuarial valuations would not differ materially from those presented below.

42

Net periodic benefit cost consisted of the following components:

	Year Ended				
	Pension Benefits			Other Be	
In thousands	2000	1999	1998	2000	199
Service cost	\$ 4,282	\$ 5,053	\$ 4,056	\$ 1,328	\$ 1,50
Interest cost	11,708	10,550	9,986	5,904	4,84
Expected return on plan assets	(15,815)	(13,826)	(12,742)	(921)	(75
Amortization of prior service cost	157	361	256	-	
Amortization of transitional obligation (asset)	(744)	(734)	(734)	3,738	3,26
Recognized actuarial gain	(1,040)	(10)	(47)	(1,475)	(88
Settlement charge	2,123	-	-	-	
Special termination benefit charge	553	-	-	-	
Net periodic benefit cost	\$ 1,224	\$ 1,394	\$ 775	\$ 8,574	\$ 7,97
	=====	=====	=====	=====	=====

A reconciliation of the plan's benefit obligations, fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets follows:

	At December 31,			
	Pension Benefits		Other Benefits	
In thousands	2000	1999	2000	1999
Benefit obligation at beginning of year	\$ 151,505	\$ 156,840	\$ 68,278	\$ 73,598
Service cost - benefits earned during the year	4,282	5,053	1,328	1,502
Interest cost on projected benefit obligation	11,708	10,550	5,904	4,844
Plan amendments	2,418	(3,278)	(711)	-
Acquisitions	700	-	-	-
Settlements	2,123	-	-	-
Benefits paid	(10,382)	(8,001)	(5,396)	(3,605)
Actuarial (gain) loss	4,614	(9,659)	7,975	(8,061)
Benefit obligation at end of year	\$ 166,968	\$ 151,505	\$ 77,378	\$ 68,278
	=====	=====	=====	=====

Edgar Filing: VECTREN CORP - Form 10-K/A

Fair value of Plan Assets	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
In thousands				
Plan assets at fair value at beginning of year	\$ 187,261	\$ 180,965	\$ 11,710	\$ 9,511
Actual return on plan assets	16,959	14,179	595	1,434
Employer contributions	-	118	4,314	4,369
Benefits paid	(10,382)	(8,001)	(5,396)	(3,604)
Fair value of plan assets at end of year	\$ 193,838	\$ 187,261	\$ 11,223	\$ 11,710

Funded Status	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
In thousands				
Funded status	\$ 26,870	\$ 35,756	\$ (66,155)	\$ (56,568)
Unrecognized transitional obligation (asset)	(1,491)	(2,279)	39,969	44,418
Unrecognized service cost	5,357	3,639	-	-
Unrecognized net (gain) loss and other	(36,968)	(44,733)	(19,697)	(28,792)
Net amount recognized	\$ (6,232)	\$ (7,617)	\$ (45,883)	\$ (40,942)

43

The aggregate benefit obligation and aggregate fair value of the plan assets for pension plans with benefit obligations in excess of plan assets were \$10.5 million and \$7.9 million, respectively, as of December 31, 2000, and \$5.5 million and \$4.5 million, respectively, as of December 31, 1999.

Weighted-average assumptions used in the accounting for these plans were as follows:

	Year Ended December 31,			
	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Discount rate	7.75%	7.50%	7.75%	7.50%
Expected return on plan assets	8.50%	8.50%	N/A	N/A
Rate of compensation increase	5.00%	5.00%	N/A	N/A
CPI rate	N/A	N/A	7.00%	6.50%

As of December 31, 2000, the health care cost trend is 7 percent declining to 5 percent in 2004 and remaining level thereafter. The accrued health care cost trend rate for 2001 is 7 percent. The estimated cost of these future benefits could be significantly affected by future changes in health care costs, work

Edgar Filing: VECTREN CORP - Form 10-K/A

force demographics, interest rates or plan changes.

A 1 percent change in the assumed health care cost trend for Vectren's postretirement health care plan would have the following effects:

In thousands	1% Increase	1% Decrease
Effect on the aggregate of the service and interest cost components	\$ 483	\$ (394)
Effect on the postretirement benefit obligation	5,107	(4,263)

Vectren has adopted Voluntary Employee Beneficiary Association (VEBA) Trust Agreements for the funding of postretirement health benefits for retirees and their eligible dependents and beneficiaries. Annual funding is discretionary and is based on the projected cost over time of benefits to be provided to cover persons consistent with acceptable actuarial methods. To the extent these postretirement benefits are funded, the benefits will not be shown as a liability on Vectren's financial statements.

Vectren also has defined contribution retirement savings plans that are qualified under sections 401(a) and 401(k) of the Internal Revenue Code. During 2000, 1999, and 1998, Vectren made contributions to these plans of \$1.6 million, \$1.9 million and \$2.3 million, respectively.

14. Leveraged Leases

Southern Indiana Properties, Inc. (SIPI), a wholly owned subsidiary, is a lessor in several leveraged lease agreements under which real estate or equipment is leased to third parties. The economic lives and lease terms vary with the leases. The total equipment and facilities cost was approximately \$409.7 million at December 31, 2000 and 1999. The cost of the equipment and facilities was partially financed by nonrecourse debt provided by lenders, who have been granted an assignment of rentals due under the leases and a security interest in the leased property, which they accepted as their sole remedy in the event of default by the lessee. Such debt amounted to approximately \$380.0 million and \$373.5 million at December 31, 2000 and 1999, respectively. SIPI's net investment in leveraged leases at December 31, 2000 and 1999, respectively, was as follows:

44

In thousands	At December 31,	
	2000	1999
Minimum lease payments receivable	\$165,210	\$161,551
Estimated residual value	29,073	29,073
Less: unearned income	101,138	104,887
Investment in lease financing receivables and loan	93,145	85,737
Less: deferred taxes arising from leveraged leases	38,302	30,700
Net investment in leveraged leases	\$ 54,843	\$ 55,037
	=====	=====

15. Commitments and Contingencies

Future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31,

Edgar Filing: VECTREN CORP - Form 10-K/A

2000 are as follows:

In millions

2001	\$4.1
2002	3.9
2003	3.4
2004	3.1
2005	2.4
Thereafter	6.7

Total	\$23.6
	=====

Total lease expense, in millions, was \$3.4 in 2000, \$2.7 in 1999, and \$2.2 in 1998.

As part of a restructuring plan initiated by Indiana Energy in 1997, a charge was recorded to reflect the corporate office facility at fair value. The company then entered into a sale leaseback transaction with a third party which was completed in 1998, resulting in proceeds of \$9.2 million and an operating lease with a 10 year term with rental payments of \$1.5 million per year. The annual payments are included in the future minimum lease payments above.

Vectren is party to various legal proceedings arising in the normal course of business. In the opinion of management, with the exception of litigation matters related to the Clean Air Act and ProLiance, there are no legal proceedings pending against Vectren that are likely to have a material adverse effect on the financial position or results of operations. Refer to Note 6 for litigation matters related to ProLiance and Note 17 for litigation matters concerning the Clean Air Act.

A wholly owned subsidiary of Vectren has an 8.3 percent ownership interest in Pace Carbon Synfuels Investors, LP (Pace Carbon), a Delaware limited partnership formed to develop, own and operate four projects to produce and sell coal-based synthetic fuel. In addition to its initial investment of \$7.5 million, Vectren has a continuing obligation to invest approximately \$40 million in Pace Carbon, with any such additional investments to be funded to the extent it generates federal tax credits that are earned from the production and sale of briquettes by the projects. As of December 31, 2000 and 1999, Vectren's net investment in Pace Carbon, which is accounted for using the equity method of accounting, totaled approximately \$6.7 million and \$6.3 million, respectively, and is included in investments in partnerships and other corporations in the Consolidated Balance Sheets.

A wholly owned subsidiary of Vectren has an approximate 40 percent ownership interest in Haddington Energy Partners, LP (Haddington) and has committed to invest \$10 million of which \$9.8 million has been funded as of December 31, 2000. Haddington, a Delaware limited partnership, raised \$77 million to invest in energy projects. On July 28, 2000, Vectren made a commitment to fund an additional \$20 million in Haddington Energy Partners II, LP, which is expected to raise an additional \$150 million. This second fund will provide additional

45

capital for the initial fund portfolio companies as well as make investments in new areas, such as distributed generation, power backup and quality devices, and emerging technologies such as fuel cells, microturbines and photovoltaics. Through December 31, 2000, Vectren had invested approximately \$2.1 million of

Edgar Filing: VECTREN CORP - Form 10-K/A

this \$20 million commitment to Haddington II. Upon complete funding, Vectren will have an approximate 40 percent ownership interest in Haddington II. The remainder of this investment is expected to be made through 2002. As of December 31, 2000 and 1999, Vectren's net investment in the Haddington Ventures, both of which are accounted for using the equity method of accounting, totaled approximately \$13.0 million and \$2.6 million, respectively, and is included in investments in partnerships and other corporations in the Consolidated Balance Sheets.

Vectren has entered into a contract to purchase and construct an 80-megawatt combustion gas turbine generator which will be owned by SIGECO. The total capital cost of the project is estimated to be \$33 million during the 2001-2002 construction period.

Vectren has invested to date approximately \$33 million with Utilicom Networks. On December 22, 2000, Vectren announced its commitment to invest up to \$100 million with Utilicom Networks, pending completion of all funding (see Note 7).

16. Income Taxes

The components of consolidated income tax expense were as follows:

	Year Ended December 31,		
In thousands	2000	1999	1998
Current:			
Federal	\$ 19,976	\$ 33,028	\$ 34,449
State	2,908	5,379	5,450
	22,884	38,407	39,899
Total current taxes	22,884	38,407	39,899
Deferred:			
Federal	11,591	8,238	4,625
State	2,117	1,423	181
	13,708	9,661	4,806
Total deferred taxes	13,708	9,661	4,806
Amortization of investment tax credits	(2,360)	(2,360)	(2,377)
Consolidated income tax expense	\$ 34,232	\$ 45,708	\$ 42,328

A reconciliation of the statutory rate to the effective income tax rate is as follows:

	Year Ended December 31,		
	2000	1999	1998
Statutory federal and state rate	37.9%	37.9%	37.9%
Nondeductible merger costs	4.0	-	-
Amortization of investment tax credit	(2.2)	(1.7)	(1.8)
Other tax credits	(7.1)	(3.2)	(2.9)
All other, net	(0.2)	0.3	(0.5)
	32.4%	33.3%	32.7%
Effective tax rate	32.4%	33.3%	32.7%

Indiana Gas, SIGECO and the Ohio operations use a normalized method of

Edgar Filing: VECTREN CORP - Form 10-K/A

accounting for deferred income taxes as required by the IURC and PUCO. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income taxes are provided for taxes not currently payable due to, among other things, the use of various accelerated depreciation methods, shorter depreciable lives and the deduction of certain construction costs for tax purposes. Taxes deferred in prior years are being charged and income credited as these tax effects reverse over the lives of the related assets.

Significant components of Vectren's net deferred tax liability as of December 31, 2000 and 1999 are as follows:

	At December 31,	
In thousands	2000	1999
Deferred tax liabilities:		
Depreciation and cost recovery timing differences	\$ 185,113	\$ 185,799
Deferred fuel costs, net	33,446	2,427
Leveraged leases	38,302	30,700
Regulatory assets recoverable through future rates	28,726	30,519
Deferred tax assets:		
LIFO inventory	(7,900)	-
Regulatory liabilities to be settled through future rates	(32,293)	(29,211)
Tax credit carryforwards	(17,079)	-
Other - net	(15,483)	(4,714)
	-----	-----
Net deferred tax liability	\$ 212,832	\$ 215,520
	=====	=====

At December 31, 2000, the components of the net deferred tax liability are reflected in the Consolidated Balance Sheets as a long-term liability of approximately \$229.9 million and as a reduction to accrued taxes in current liabilities of approximately \$17.1 million.

Investment tax credits have been deferred and are being credited to income over the life of the property, giving rise to the credit. The Tax Reform Act of 1986 eliminated investment tax credits for property acquired after January 1, 1986.

At December 31, 2000, Vectren has Alternative Minimum Tax credit carryforward of approximately \$13 million, which has no expiration date. Through certain of its non-regulated subsidiaries and investments, Vectren also realizes Federal income tax credits associated with affordable housing projects, historical rehabilitation projects and projects for the production and sale of synthetic fuels. At December 31, 2000, Vectren has tax credit carryforwards of approximately \$4.1 million which expire in 20 years.

17. Environmental Matters

Clean Air Act

NOx SIP Call Matter. In October 1997, the United States Environmental Protection Agency (USEPA) proposed a rulemaking that could require uniform nitrogen oxide (NOx) emissions reductions of 85 percent by utilities and other large sources in a 22-state region spanning areas in the Northeast, Midwest, Great Lakes, Mid-Atlantic and South. This rule is referred to as the "NOx SIP call". The

Edgar Filing: VECTREN CORP - Form 10-K/A

USEPA provided each state a proposed budget of allowed NOx emissions, a key ingredient of ozone, which requires a significant reduction of such emissions. Under that budget, utilities may be required to reduce NOx emissions to a rate of 0.15 lb/mmBtu below levels already imposed by Phase I and Phase II of the Clean Air Act Amendments of 1990 (the Act). Midwestern states (the alliance) have been working together to determine the most appropriate compliance strategy as an alternative to the USEPA proposal. The alliance submitted its proposal, which calls for a smaller, phased in reduction of NOx levels, to the USEPA and the Indiana Department of Environmental Management (IDEM) in June 1998.

In July 1998, Indiana submitted its proposed plan to the USEPA in response to the USEPA's proposed new NOx rule and the emissions budget proposed for Indiana. The Indiana plan, which calls for a reduction of NOx emissions to a rate of 0.25 lb/mmBtu by 2003, is less stringent than the USEPA proposal but more stringent than the alliance proposal.

On October 27, 1998, USEPA issued a final rule "Finding of Significant Contribution and Rulemaking for Certain States in the Ozone Transport Assessment Group Region for Purposes of Reducing Regional Transport of Ozone," (63 Fed. Reg. 57355). The final rule requires that 23 states and jurisdictions must file

47

revised state implementation plans (SIPs) with the USEPA by no later than September 30, 1999, which was essentially unchanged from its October 1997, proposed rule. The USEPA has encouraged states to target utility coal-fired boilers for the majority of the reductions required, especially NOx emissions. Northeastern states have claimed that ozone transport from midwestern states (including Indiana) is the primary reason for their ozone concentration problems. Although this premise is challenged by others based on various air quality modeling studies, including studies commissioned by the USEPA, the USEPA intends to incorporate a regional control strategy to reduce ozone transport. The USEPA's final ruling is being litigated in the federal courts by approximately ten midwestern states, including Indiana.

During the second quarter of 1999, the USEPA lost two federal court challenges to key air-pollution control requirements. In the first ruling by the U.S. Circuit Court of Appeals for the District of Columbia on May 14, 1999, the Court struck down the USEPA's attempt to tighten the one-hour ozone standard to an eight-hour standard and the attempt to tighten the standard for particulate emissions, finding the actions unconstitutional. In the second ruling by the same Court on May 25, 1999, the Court placed an indefinite stay on the USEPA's attempts to reduce the allowed NOx emissions rate from levels required by the Clean Air Act Amendments of 1990. The USEPA appealed both court rulings. On October 29, 1999, the Court refused to reconsider its May 14, 1999 ruling.

On March 3, 2000, the D.C. Circuit of Appeals upheld the USEPA's October 27, 1998 final rule requiring 23 states and the District of Columbia to file revised SIPs with the USEPA by no later than September 30, 1999. Numerous petitioners, including several states, have filed petitions for rehearing with the U.S. Court of Appeals for the District of Columbia in *Michigan v. the USEPA*. On June 22, 2000, the D.C. Circuit Court of Appeals denied petition for rehearing en banc and lifted its May 25, 1999 stay. Following this decision, on August 30, 2000, the D.C. Circuit Court of Appeals issued an extension of the SIP Call implementation deadline, previously May 1, 2003, to May 31, 2004. On September 20, 2000, petitioners filed a Petition of Writ of Certiorari with the United States Supreme Court requesting review of the D.C. Circuit Court's March 3, 2000 Order. The Court has not yet ruled on the Petition for Certiorari. The EPA granted Section 126 Petitions filed by northeastern states that require named sources in the eastern half of Indiana to achieve NOx reduction by May 1, 2003. No SIGECO facilities are named in the Section 126 Petitions filed by

Edgar Filing: VECTREN CORP - Form 10-K/A

northeastern states, therefore the compliance date remains May 31, 2004.

The proposed NOx emissions budget for Indiana stipulated in the USEPA's final ruling requires a 36 percent reduction in total NOx emissions from Indiana. The ruling, pending finalization of state rule making, could require SIGECO to lower its system-wide emissions by approximately 70 percent. Depending on the level of system-wide emissions reductions ultimately required, and the control technology utilized to achieve the reductions, the estimated construction costs of the control equipment could reach \$160 million, which are expected to be expended during the 2001-2004 period, and related additional operation and maintenance expenses could be an estimated \$8 million to \$10 million, annually. No accrual has been recorded by the company related to the NOx SIP Call matter. The rules governing NOx emissions, once finalized, are to be applied prospectively.

Mercury Emissions. On December 14, 2000, the USEPA released a statement announcing that reductions of mercury emissions from coal-fired plants will be required in the near future. The USEPA will propose regulations by December 2003 and issue final rules by December 2004.

Under the Act, the USEPA is required to study emissions from power plants in order to determine if additional regulations are necessary to protect public health. The USEPA reported its study to Congress in February 1998. That study concluded that of all toxic pollution examined, mercury posed the greatest concern to public health. An earlier USEPA study concluded that the largest source of human-made mercury pollution in the United States was coal-fired power plants.

After completion of the study, the Act required the USEPA to determine whether to proceed with the development of regulations. The USEPA announced that it had affirmatively decided that mercury air emissions from power plants should be regulated. Because rules governing mercury emissions are under development, the

48

determination of exposure, if any, is impossible as there are no standards or rules by which compliance (or lack thereof) can be measured. Accordingly, no accrual has been recorded by the company related to the mercury emissions matter.

Culley Generating Station Investigation Matter. The USEPA initiated an investigation under Section 114 of the Act of SIGECO's coal-fired electric generating units in commercial operation by 1977 to determine compliance with environmental permitting requirements related to repairs, maintenance, modifications and operations changes. The focus of the investigation was to determine whether new source performance standards should be applied to the modifications and whether the best available control technology was, or should have been, used. Numerous other electric utilities were, and are currently, being investigated by the USEPA under an industry-wide review for similar compliance. SIGECO responded to all of the USEPA's data requests during the investigation. In July 1999, SIGECO received a letter from the Office of Enforcement and Compliance Assurance of the USEPA discussing the industry-wide investigation, vaguely referring to the investigation of SIGECO and inviting SIGECO to participate in a discussion of the issues. No specifics were noted; furthermore, the letter stated that the communication was not intended to serve as a notice of violation. Subsequent meetings were conducted in September and October with the USEPA and targeted utilities, including SIGECO, regarding potential remedies to the USEPA's general allegations.

On November 3, 1999, the USEPA filed a lawsuit against seven utilities,

Edgar Filing: VECTREN CORP - Form 10-K/A

including SIGECO. The USEPA alleges that, beginning in 1992, SIGECO violated the Act by: (i) making modifications to its Culley Generating Station in Yankeetown, Indiana without obtaining required permits; (ii) making major modifications to the Culley Generating Station without installing the best available emission control technology; and (iii) failing to notify the USEPA of the modifications. In addition, the lawsuit alleges that the modifications to the Culley Generating Station required SIGECO to begin to comply with federal new source performance standards.

SIGECO believes it performed only maintenance, repair and replacement activities at the Culley Generating Station, as allowed under the Act. Because proper maintenance does not require permits, application of the best available emission control technology, notice to the USEPA, or compliance with new source performance standards, SIGECO believes that the lawsuit is without merit, and intends to vigorously defend the lawsuit.

The lawsuit seeks fines against SIGECO in the amount of \$27,500 per day per violation. The lawsuit does not specify the number of days or violations the USEPA believes occurred. The lawsuit also seeks a court order requiring SIGECO to install the best available emissions technology at the Culley Generating Station. If the USEPA is successful in obtaining an order, SIGECO estimates that it would incur capital costs of approximately \$40 million to \$50 million complying with the order. In the event that SIGECO is required to install system-wide NOx emission control equipment, as a result of the NOx SIP call issue, the majority of the \$40 million to \$50 million for best available emissions technology at Culley Generating Station would be included in the \$160 million expenditure previously discussed.

The USEPA has also issued an administrative notice of violation to SIGECO making the same allegations, but alleging that violations began in 1977.

While it is possible that SIGECO could be subjected to criminal penalties if the Culley Generating Station continues to operate without complying with the new source performance standards and the allegations are determined by a court to be valid, SIGECO believes such penalties are unlikely as the USEPA and the electric utility industry have a bonafide dispute over the proper interpretation of the Act. Accordingly, no accrual has been recorded by the company, and SIGECO anticipates at this time that the plant will continue to operate while the matter is being decided.

Information Request. On January 23, 2001, SIGECO received an information request from the USEPA under Section 114(a) of the Act for historical operational information on the Warrick and A.B. Brown generating stations. SIGECO plans to provide all information requested, and management believes that no significant issues will arise from this request.

49

Manufactured Gas Plants

In the past, Indiana Gas and others operated facilities for the manufacture of gas. Given the availability of natural gas transported by pipelines, these facilities have not been operated for many years. Under currently applicable environmental laws and regulations, Indiana Gas and the others may now be required to take remedial action if certain byproducts are found above the regulatory thresholds at these sites.

Indiana Gas has identified the existence, location and certain general characteristics of 26 gas manufacturing and storage sites for which it may have some remedial responsibility. Indiana Gas has completed a remedial investigation/feasibility study (RI/FS) at one of the sites under an agreed

Edgar Filing: VECTREN CORP - Form 10-K/A

order between Indiana Gas and IDEM, and a Record of Decision was issued by IDEM in January 2000. Although Indiana Gas has not begun an RI/FS at additional sites, Indiana Gas has submitted several of the sites to IDEM's Voluntary Remediation Program (VRP) and is currently conducting some level of remedial activities including groundwater monitoring at certain sites where deemed appropriate and will continue remedial activities at the sites as appropriate and necessary.

In conjunction with data compiled by expert consultants, Indiana Gas has accrued the estimated costs for further investigation, remediation, groundwater monitoring and related costs for the sites. While the total costs that may be incurred in connection with addressing these sites cannot be determined at this time, Indiana Gas has accrued costs that it reasonably expects to incur totaling approximately \$20.3 million.

The estimated accrued costs are limited to Indiana Gas' proportionate share of the remediation efforts. Indiana Gas has arrangements in place for 19 of the 26 sites with other potentially responsible parties, which serve to limit Indiana Gas' share of response costs at these 19 sites to between 20 and 50 percent.

With respect to insurance coverage, as of December 31, 2000, Indiana Gas has received and recorded settlements from all known insurance carriers in an aggregate amount approximating its \$20.3 million accrual.

Environmental matters related to manufactured gas plants have had no material impact on earnings since costs recorded to date approximate PRP and insurance settlement recoveries. While Indiana Gas has recorded all costs which it presently expects to incur in connection with activities at these sites, it is possible that future events may require some level of additional remedial activities which are not presently foreseen.

18. Rate and Regulatory Matters

As a result of the ongoing appeal of a generic order issued by the IURC in August 1999 regarding guidelines for the recovery of purchased power costs, SIGECO entered into a settlement agreement with the Indiana Office of Utility Consumer Counselor (OUCC) that provides certain terms with respect to the recoverability of such costs. The settlement, originally approved by the IURC on August 9, 2000, has been extended by agreement through March 2002. Under the settlement, SIGECO can recover the entire cost of purchased power up to an established benchmark, and during forced outages, SIGECO will bear a limited share of its purchased power costs regardless of the market costs at that time. Based on this agreement, SIGECO believes it has significantly limited its exposure to unrecoverable purchased power costs.

Commodity prices for natural gas purchases during the last six months of 2000 increased significantly, primarily due to the expectation of a colder winter, which led to increased demand and tighter supplies. Vectren's utility subsidiaries are typically allowed full recovery of such charges in purchased gas costs from their retail customers through commission-approved gas cost adjustment (GCA). On October 11, 2000, Indiana Gas filed for approval of its quarterly GCA. In early December, the IURC issued an interim order approving the request by Indiana Gas for a GCA factor for December 2000. On January 4, 2001, the IURC approved the January and February 2001 GCA as filed. The order also addressed the claim by the OUCC that a portion of the requested GCA be disallowed because Indiana Gas should have entered into additional commitments for this winter's gas supply in late 1999 and early 2000. In procuring gas

supply for this winter, Indiana Gas followed the gas procurement practices that

Edgar Filing: VECTREN CORP - Form 10-K/A

it had employed over the last several years. In response to the claim by the OUCG, the IURC found that there should be a \$3.8 million disallowance related to gas procurement for the winter season. As a result, Indiana Gas recognized a pre-tax charge of \$3.8 million in December 2000. Both Indiana Gas and the OUCG have appealed this ruling. The Citizens Action Coalition of Indiana, Inc., a not for profit consumer advocate, has also filed with the IURC a petition to intervene and a notice of appeal of the order.

19. Affiliate Transactions

ProLiance provides natural gas supply and related services to Indiana Gas. Indiana Gas' purchases from ProLiance for resale and for injections into storage for the years ended December 31, 2000 and 1999, totaled \$401.4 million and \$240.7 million, respectively. As of December 31, 2000 and 1999, Vectren's net investment in ProLiance, which is accounted for using the equity method of accounting, totaled approximately \$27.8 million and \$16.2 million, respectively, and is included in investments in partnerships and other corporations in the Consolidated Balance Sheets.

ProLiance has a standby letter of credit facility with a bank for letters up to \$45.0 million. This facility is secured in part by a support agreement from Vectren. Letters of credit outstanding at December 31, 2000 totaled \$22.0 million.

CIGMA, LLC (CIGMA), owned jointly and equally by a wholly owned subsidiary of Vectren and a third party, provides materials acquisition and related services that are used by Indiana Gas and others. Indiana Gas' purchases of these services during the years ended December 31, 2000 and 1999, totaled \$17.2 million and \$17.3 million, respectively. As of December 31, 2000 and 1999, Vectren's net investment in CIGMA, which is accounted for using the equity method of accounting, totaled approximately \$4.2 million and is included in investments in partnerships and other corporations in the Consolidated Balance Sheets.

Reliant Services, LLC (Reliant), owned jointly and equally by a wholly owned subsidiary of Vectren and Cinergy Corp., provides utility locating, meter reading and construction services to Indiana Gas and others. Amounts paid by Indiana Gas to Reliant for such services totaled \$3.7 million and \$2.9 million for years ended December 31, 2000 and 1999, respectively. On December 13, 2000, Reliant purchased the common stock of Miller Pipeline Corporation from NiSource, Inc. for approximately \$68.3 million. Vectren and Cinergy Corp. each contributed \$16 million of equity, and the remaining \$36.3 million was funded with 7-year intermediate bank loans. As of December 31, 2000 and 1999, Vectren's net investment in Reliant, which is accounted for using the equity method of accounting, totaled approximately \$19.2 million and \$3.6 million, respectively, and is included in investments in partnerships and other corporations in the Consolidated Balance Sheets.

Vectren is a two-thirds guarantor of certain surety bond and other obligations of Energy Systems Group, LLC, a two-thirds owned consolidated subsidiary. Vectren's share of the guarantee of such obligations totaled \$50.6 million at December 31, 2000.

Amounts owed to unconsolidated affiliates totaled \$102.5 million and \$29.3 million at December 31, 2000 and 1999, respectively, and are included in accounts payable to affiliated companies on the Consolidated Balance Sheets. The \$73.2 million increase at December 31, 2000 is due primarily to amounts owed to ProLiance resulting from the much higher gas prices and increased customer consumption. Amounts due from unconsolidated affiliates totaled \$17.6 million and \$7.6 million at December 31, 2000 and 1999, respectively, and are included in accounts receivable on the Consolidated Balance Sheets.

51

20. Segment Reporting

SFAS 131 "Disclosure about Segments of an Enterprise and Related Information" establishes standards for the reporting of information about operating segments in financial statements and disclosures about products, services and geographical areas. Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in the assessment of performance.

There were three operating segments of Vectren during 2000: (1) Gas Utility Services, (2) Electric Utility Services, and (3) Non-regulated Operations. The Gas Utility Services segment includes regulated gas utilities which provide natural gas distribution and transportation services. The Electric Utility Services segment generates, transmits and distributes and sells electricity within primarily southwestern Indiana communities. The Non-regulated Operations segment is made up of various businesses providing energy-related products and services; telecommunication products and services; materials management, debt collection and meter reading services; underground utility asset location and construction services; structured finance and investment transactions including leveraged leases of real estate and equipment; venture capital projects; coal mining and sales; and other energy-related services. Revenues for each segment are principally attributable to customers in the United States.

The following tables provide information about business segments. Vectren makes decisions on finance and dividends at the corporate level; these topics are addressed on a consolidated basis. In addition, adjustments have been made to the segment information to arrive at information included in the consolidated results of operations and financial position. These adjustments include unallocated corporate assets, revenues and expenses and the elimination of intercompany transactions.

	At and Year Ended December 31,		
In thousands	2000	1999	1998
Operating Revenues:			
Gas Utility Services	\$ 818,753	\$ 499,573	\$ 487,260
Electric Utility Services	336,409	307,569	297,865
Non-regulated Operations	552,838	315,367	256,220
Intersegment Eliminations	(59,310)	(54,092)	(43,639)
Total operating revenues	\$ 1,648,690	\$ 1,068,417	\$ 997,706
Interest Expense:			
Gas Utility Services	\$ 27,969	\$ 18,704	\$ 17,601
Electric Utility Services	18,103	17,544	18,191
Non-regulated Operations	23,107	12,535	8,046
Intersegment Eliminations	(12,046)	(5,921)	(3,537)
Total interest expense	\$ 57,133	\$ 42,862	\$ 40,301
Income Taxes:			

Edgar Filing: VECTREN CORP - Form 10-K/A

Gas Utility Services	\$ 11,538	\$ 18,830	\$ 16,211
Electric Utility Services	23,386	24,331	22,881
Non-regulated Operations	(595)	2,575	3,148
Intersegment Eliminations	(97)	(28)	88
	-----	-----	-----
Total income taxes	\$ 34,232	\$ 45,708	\$ 42,328
	=====	=====	=====
Net Income:			
Gas Utility Services	\$ 15,589	\$ 33,612	\$ 30,931
Electric Utility Services	36,811	41,820	38,342
Non-regulated Operations	19,799	15,316	17,327
Intersegment Eliminations	(159)	-	-
	-----	-----	-----
Net income	\$ 72,040	\$ 90,748	\$ 86,600
	=====	=====	=====
Depreciation and amortization:			
Gas Utility Services	\$ 43,791	\$ 38,623	\$ 37,082
Electric Utility Services	38,639	40,829	38,077
Non-regulated Operations	23,231	7,546	6,399
Intersegment Eliminations	-	-	-
	-----	-----	-----
Total depreciation and amortization	\$ 105,661	\$ 86,998	\$ 81,558
	=====	=====	=====
Capital expenditures:			
Gas Utility Services	\$ 73,114	\$ 72,773	\$ 64,701
Electric Utility Services	37,549	51,080	47,114
Non-regulated Operations	53,603	8,306	23,254
Intersegment Eliminations	-	-	-
	-----	-----	-----
Total capital expenditures	\$ 164,266	\$ 132,159	\$ 135,069
	=====	=====	=====
Identifiable assets:			
Gas Utility Services	\$ 1,658,778	\$ 882,948	\$ 827,931
Electric Utility Services	799,104	751,159	740,746
Non-regulated Operations	749,237	505,564	326,048
Intersegment Eliminations	(297,932)	(159,204)	(95,885)
	-----	-----	-----
Total identifiable assets	\$ 2,909,187	\$ 1,980,467	\$ 1,798,840
	=====	=====	=====

21. Other Income

For the years ended December 31, 2000, 1999 and 1998, other - net consists of the following:

(in thousands)	2000	1999	1998
	-----	-----	-----
Leveraged lease investment income	\$ 7,698	\$ 4,152	\$ 1,433
AFUDC	5,279	3,829	2,624
Interest income	9,397	5,849	5,668
Other income	7,205	1,499	3,660
Other expense	(4,930)	(2,275)	(1,847)
	-----	-----	-----
Total other - net	\$ 24,649	\$ 13,054	\$ 11,538
	=====	=====	=====

Edgar Filing: VECTREN CORP - Form 10-K/A

22. Preferred Stock of Subsidiary

Cumulative Preferred Stock of SIGECO

The amount payable in the event of involuntary liquidation of each series of the \$100 par value preferred stock is \$100 per share, plus accrued dividends. This nonredeemable preferred stock is callable at the option of SIGECO as follows: the 4.8% Series at \$110 per share, plus accrued dividends; and the 4.75% Series at \$101 per share, plus accrued dividends. As of December 31, 2000 and 1999, there were 85,895 shares of the 4.8% Series outstanding and 3,000 shares and 25,000 shares of the 4.75% Series outstanding, respectively.

Cumulative Redeemable Preferred Stock of SIGECO

The Series has a dividend rate of 6.50% and is redeemable at \$100 per share on December 1, 2002. In the event of involuntary liquidation of this series of \$100 par value preferred stock, the amount payable is \$100 per share, plus accrued dividends. As of December 31, 2000 and 1999, there were 75,000 shares outstanding.

Cumulative Special Preferred Stock of SIGECO

The Cumulative Special Preferred Stock has a dividend rate of 8.5% and in the event of involuntary liquidation the amount payable is \$100 per share, plus accrued dividends. This Series is callable at the option of SIGECO at a rate of 1,160 shares per year. As of December 31, 2000 and 1999, there were 5,757 shares and 6,917 shares outstanding, respectively.

53

23. Quarterly Financial Data (Unaudited) (1)

Summarized quarterly financial data (in thousands of dollars except per share amounts) for 2000 and 1999 are as follows:

2000

In thousands, except per share amounts	Q1 (2)	Q2	Q3	Q4
-----	-----	-----	-----	-----
Operating revenues	\$ 359,444	\$ 263,477	\$ 317,854	\$ 70,000
Operating income	34,276	15,716	27,643	5,000
Net income	22,125	8,273	15,458	2,000
Basic earnings per average share of common stock	0.36	0.14	0.25	0.25
Diluted earnings per average share of common stock	0.36	0.13	0.25	0.25

1999

In thousands, except per share amounts	Q1	Q2	Q3	Q4
-----	-----	-----	-----	-----
Operating revenues	\$ 321,033	\$ 207,042	\$ 231,160	\$ 30,000
Operating income	68,133	22,940	29,397	4,000
Net income	40,723	11,554	16,236	2,000
Basic earnings per average share of common stock	0.66	0.19	0.26	0.26
Diluted earnings per average share of common stock	0.66	0.19	0.26	0.26

Edgar Filing: VECTREN CORP - Form 10-K/A

- (1) Information in any one quarterly period is not indicative of annual results due to the seasonal variations common to the company's utility operations
- (2) Includes merger and integration charges as described in Note 3.

24. Subsequent Event

On January 19, 2001, Vectren filed a registration statement with the Securities and Exchange Commission with respect to a public offering of 5.5 million shares of new common stock. On February 8, 2001, the registration became effective and agreement was reached to sell 5.5 million shares to a group of underwriters. On February 14, the shares were sold, at which time, the underwriters exercised their over-allotment option to sell an additional 825,000 shares for a total of about 6.3 million shares. The net proceeds of \$129.4 million will be used principally to repay outstanding commercial paper utilized for recent acquisitions.

54

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vectren Corporation is responsible for the preparation of the consolidated financial statements and the related financial data contained in this report. The financial statements are prepared in conformity with accounting principles generally accepted in the United States and follow accounting policies and principles applicable to regulated public utilities.

The integrity and objectivity of the data in this report, including required estimates and judgments, are the responsibility of management. Management maintains a system of internal control and utilizes an internal auditing program to provide reasonable assurance of compliance with company policies and procedures and the safeguard of assets.

The board of directors pursues its responsibility for these financial statements through its audit committee, which meets periodically with management, the internal auditors and the independent auditors, to assure that each is carrying out its responsibilities. Both the internal auditors and the independent auditors meet with the audit committee of Vectren Corporation's board of directors, with and without management representatives present, to discuss the scope and results of their audits, their comments on the adequacy of internal accounting control and the quality of financial reporting.

/s/ Niel C. Ellerbrook
Niel C. Ellerbrook
Chairman and Chief Executive Officer
January 24, 2001.

55

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Vectren Corporation:

Edgar Filing: VECTREN CORP - Form 10-K/A

We have audited the accompanying consolidated balance sheets of Vectren Corporation (an Indiana corporation) and subsidiary companies as of December 31, 2000 and 1999, and the related consolidated statements of income, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vectren Corporation and subsidiary companies as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Indianapolis, Indiana,
January 24, 2001 (except with respect
to the matter discussed in Note 24, as to
which the date is February 14, 2001).

56

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

Financial statements filed as part of this Form 10-K are included under Item 8.

(a) (2) Financial Statement Schedules:

	PAGES IN FORM 10-K/A

Report of Independent Accountants	56
For the years ended December 31, 2000, 1999, and 1998:	
Schedule II -- Valuation and Qualifying Accounts	58

All other schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related notes.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Vectren Corporation.

Edgar Filing: VECTREN CORP - Form 10-K/A

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Vectren Corporation's annual report to shareholders included in this Form 10-K, and have issued our report thereon dated January 24, 2001 (except with respect to the matter discussed in Note 24, as to which the date is February 14, 2001). Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in item 14(a)(2) is the responsibility of the company's management and are present for the purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Indianapolis, Indiana,
January 24, 2001.

57

SCHEDULE II

Vectren Corporation and Subsidiaries

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A ----- Description -----	Column B ----- Balance Beginning Of Year -----	Column C ----- Additions Charged Charged To to Other Expenses Accounts ----- (in thousands)		Column D ----- Deductions from Reserves, Net -----	Column E ----- Balance End of Year -----
VALUATION AND QUALIFYING ACCOUNTS:					
Year 2000 - Accumulated provision for uncollectible accounts	\$ 3,949	\$ 7,671	\$ 500	\$6,404	\$ 5,7
Year 1999 - Accumulated provision for uncollectible accounts	\$ 3,953	\$ 3,657	\$ -	\$3,661	\$3,9
Year 1998 - Accumulated provision for uncollectible accounts	\$ 2,480	\$ 5,232	\$ -	\$3,759	\$3,9
OTHER RESERVES:					
Year 2000 - Reserve for merger and integration charges	\$ -	\$ 20,700	\$ -	\$ 18,881	\$1,8
Year 2000 - Reserve for injuries and damages	\$ 1,547	\$ 851	\$ -	\$ 574	\$1,8

Edgar Filing: VECTREN CORP - Form 10-K/A

Year 1999 - Reserve for injuries and damages	\$ 1,282	\$ 661	\$ -	\$ 396	\$1,5
Year 1998 - Reserve for injuries and damages	\$ 1,047	\$ 568	\$ 261	\$ 594	\$1,2

(a) (3). EXHIBITS

Exhibits for the company are listed in the Index to Exhibits beginning on page 62.

(b) REPORTS ON FORM 8-K

58

On October 31, 2000, Vectren Corporation (the Company) filed a Current Report on Form 8-K with respect to the completion of the approximate \$465 million acquisition of the natural gas distribution assets from The Dayton Power and Light Company, a wholly owned subsidiary of DPL, Inc., and with respect to Reliant Services, LLC, jointly and equally owned by subsidiaries of the company and Cinergy Corp., the announcement it signed a definitive agreement to purchase the common stock of Indianapolis, Indiana-based Miller Pipeline Corporation from NiSource Inc. Items reported include:

Item 5. Other Events

Item 7. Exhibits

99-1 Press Release - Vectren Corporation Completes Acquisition of DPL's Natural Gas Distribution Business

99-2 Press Release - Vectren, Cinergy Affiliate To Acquire Miller Pipeline Corporation From NiSource

99-3 Cautionary Statement for Purposes of the "Safe Harbor"

Provisions of the Private Securities Litigation Reform Act of 1995

On December 15, 2000, Vectren Corporation filed a Current Report on Form 8-K with respect to providing an update on potential impact of Increased Gas Costs and Gas Cost Adjustment Proceedings. Items reported include:

Item 5. Other Events

On December 22, 2000 Vectren Corporation filed a Current Report on Form 8-K with respect to attaching the press release issued December 13, 2000, concerning the completion of the common stock purchase of Indianapolis-based Miller Pipeline Corporation from NiSource Inc. Items reported include:

Item 5. Other Events

Item 7. Exhibits

99 Press Release dated December 13, 2000

On December 27, 2000, Vectren Corporation filed a Current Report on Form 8-K with respect to making available certain selected financial information of its subsidiary, Vectren Utility Holdings, Inc. (VUHI), which was disclosed as part of a Rule 144A offering of \$150,000,000 aggregate principal amount of VUHI's floating rate notes. Items reported include:

Item 5. Other Events.

Item 7. Exhibits

99 Selected Financial Information

Edgar Filing: VECTREN CORP - Form 10-K/A

59

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VECTREN CORPORATION

Dated August 27, 2001

/s/ Niel C. Ellerbrook
Niel C. Ellerbrook, Chairman
and Chief Executive Officer

INDEX TO EXHIBITS

- EX - 1.1 Form of Purchase Agreement among Vectren and underwriters for the sale of Vectren's common stock. (Filed and designated in Form S-3 (No. 333-5390), filed January 19, 2001, File No. 1-15467, as Exhibit 1.1.)
- EX - 2.1 Agreement and Plan of Merger dated as of June 11, 1999 among Indiana Energy, Inc., SIGCORP, Inc. and Vectren Corporation (the "Merger Agreement "). (Filed and designated in Form S-4 to (No. 333-90763) filed on November 12, 1999, File 1-15467, as Exhibit 2.)
- EX - 2.2 Amendment No.1 to the Merger Agreement dated December 14, 1999 (Filed and designated in Current Report on Form 8-K filed December 16, 1999, File 1-09091, as Exhibit 2.)
- EX - 2.3 Asset Purchase Agreement dated December 14, 1999 between Indiana Energy, Inc. and The Dayton Power and Light Company and Number-3CHK with a commitment letter for a 364-Day Credit Facility dated December 16, 1999. (Filed and designated in Current Report on Form 8-K dated December 28, 1999, File No. 1-9091, as Exhibit 2 and 99.1.)
- EX - 3.1 Amended and Restated Articles of Incorporation of Vectren Corporation effective March 31, 2000. (Filed and designated in Current Report on Form 8-K filed April 14, 2000, File No. 1-15467, as Exhibit 4.1.)
- EX - 3.2 Code of By-Laws of Vectren Corporation. (Filed and designated in Form S-3 (No. 333-5390), filed January 19, 2001, File No. 1-15467, as Exhibit 4.2.)
- EX - 3.3 Shareholders Rights Agreement dated as of October 21, 1999 between Vectren Corporation and Equiserve Trust Company, N.A., as Rights Agent. (Filed and designated in Form S-4 (No. 333-90763), filed November 12, 1999, File No 1-15467, as Exhibit 4.)
- EX - 4.1 Mortgage and Deed of Trust dated as of April 1, 1932 between Southern Indiana Gas and Electric Company and Bankers Trust Company, as Trustee, and Supplemental Indentures thereto dated August 31, 1936, October 1, 1937, March 22, 1939, July 1, 1948,

Edgar Filing: VECTREN CORP - Form 10-K/A

60

June 1, 1949, October 1, 1949, January 1, 1951, April 1, 1954, March 1, 1957, October 1, 1965, September 1, 1966, August 1, 1968, May 1, 1970, August 1, 1971, April 1, 1972, October 1, 1973, April 1, 1975, January 15, 1977, April 1, 1978, June 4, 1981, January 20, 1983, November 1, 1983, March 1, 1984, June 1, 1984, November 1, 1984, July 1, 1985, November 1, 1985, June 1, 1986. (Filed and designated in Registration No. 2-2536 as Exhibits B-1 and B-2; in Post-effective Amendment No. 1 to Registration No. 2-62032 as Exhibit (b)(4)(ii), in Registration No. 2-88923 as Exhibit 4(b)(2), in Form 8-K, File No. 1-3553, dated June 1, 1984 as Exhibit (4), File No. 1-3553, dated March 24, 1986 as Exhibit 4-A, in Form 8-K, File No. 1-3553, dated June 3, 1986 as Exhibit (4).) July 1, 1985 and November 1, 1985 (Filed and designated in Form 10-K, for the fiscal year 1985, File No. 1-3553, as Exhibit 4-A.) November 15, 1986 and January 15, 1987. (Filed and designated in Form 10-K, for the fiscal year 1986, File No. 1-3553, as Exhibit 4-A.) December 15, 1987. (Filed and designated in Form 10-K, for the fiscal year 1987, File No. 1-3553, as Exhibit 4-A.) December 13, 1990. (Filed and designated in Form 10-K, for the fiscal year 1990, File No. 1-3553, as Exhibit 4-A.) April 1, 1993. (Filed and designated in Form 8-K, dated April 13, 1993, File 1-3553, as Exhibit 4.) June 1, 1993 (Filed and designated in Form 8-K, dated June 14, 1993, File 1-3553, as Exhibit 4.) May 1, 1993. (Filed and designated in Form 10-K, for the fiscal year 1993, File No. 1-3553, as Exhibit 4(a).) July 1, 1999. (Filed and designated in Form 10-Q, dated August 16, 1999, File 1-3553, as Exhibit 4(a).)

EX - 4.2 Indenture dated February 1, 1991, between Indiana Gas and Continental Bank, National Association. Inc.'s. (Filed and designated in Current Report on Form 8-K filed February 15, 1991, File No. 1-6494.); First Supplemental Indenture thereto dated as of February 15, 1991. (Filed and designated in Current Report on Form 8-K filed February 15, 1991, File No 1-6494, as Exhibit 4(b).); Second Supplemental Indenture thereto dated as of September 15, 1991, (Filed and designated in Current Report on Form 8-K filed September 25, 1991, File No 1-6494, as Exhibit 4(b).); Third supplemental Indenture thereto dated as of September 15, 1991 (Filed and designated in Current Report on Form 8-K filed September 25, 1991, File No 1-6494, as Exhibit 4(c).); Fourth Supplemental Indenture thereto dated as of December 2, 1992, (Filed and designated in Current Report on Form 8-K filed December 8, 1992, File No 1-6494, as Exhibit 4(b).); Fifth Supplemental Indenture thereto dated as of December 28, 2000, (Filed and designated in Current Report on Form 8-K filed December 27, 2000, File No 1-6494, as Exhibit 4.)

EX - 4.3 \$435,000,000 Credit Agreement arranged by Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated dated as of June 29, 2000 among Vectren Corporation, Vectren Utility Holdings, Inc., certain Lenders, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Syndication Agent, ABN AMRO, as Documentation Agent, and Credit Suisse First Boston, as Administrative Agent. (Filed and designated in Current Report on Form 8-K dated January 26, 2001, File No 1-15467, as Exhibit 4.1.)

EX - 4.4 Credit Agreement dated as of March 8, 1999 among Indiana Gas

Edgar Filing: VECTREN CORP - Form 10-K/A

Company, Inc., the Lenders, ABN AMRO Bank N.V., as Syndication Agent, National City Bank of Indiana, as Documentation Agent, and Bank One, Indiana, N.A., as Administrative Agent. (Filed and designated in Current Report on Form 8-K dated January 26, 2001, File No 1-15467, as Exhibit 4.2.)

EX - 4.5 First Amendment dated as of March 7, 2000 to the Credit Agreement dated as of March 8, 1999 among Indiana Gas Company, Inc., certain lenders, ABN AMRO BANK N.V., as Syndication Agent,

61

National City Bank of Indiana, as Documentation Agent, and Bank One, Indiana, N.A., as Administrative Agent. (Filed and designated in Current Report on Form 8-K dated January 26, 2001, File No 1-15467, as Exhibit 4.3.)

EX - 4.6 Second Amendment dated as of October 31, 2000 to the Credit Agreement dated as of March 8, 1999 among Indiana Gas Company, Inc., certain lenders, ABN AMRO BANK N.V., as Syndication Agent, National City Bank of Indiana, as Documentation Agent, and Bank One, Indiana, N.A., as Administrative Agent. (Filed and designated in Current Report on Form 8-K dated January 26, 2001, File No 1-15467, as Exhibit 4.4.)

EX - 4.7 Bank One letter dated as of January 29, 2001 waiving the covenant compliance under Section 6.13 of the Indiana Gas Company, Inc. Credit Agreement dated as of March 8, 1999. (Filed and designated in Current Report on Form 8-K dated January 26, 2001, File No 1-15467, as Exhibit 4.5.)

EX - 10.1 Agreement, dated, January 30, 1968, for Unit No. 4 at the Warrick Power Plant of Alcoa Generating Corporation ("Alcoa"), between Alcoa and Southern Indiana Gas and Electric Company. (Filed and designated in Registration No. 2-29653 as Exhibit 4(d)-A.)

EX - 10.2 Letter of Agreement, dated June 1, 1971, and Letter Agreement, dated June 26, 1969, between Alcoa and Southern Indiana Gas and Electric Company. (Filed and designated in Registration No. 2-41209 as Exhibit 4(e)-2.)

EX - 10.3 Letter Agreement, dated April 9, 1973, and Agreement dated April 30, 1973, between Alcoa and Southern Indiana Gas and Electric Company. (Filed and designated in Registration No. 2-53005 as Exhibit 4(e)-4.)

EX - 10.4 Electric Power Agreement (the "Power Agreement"), dated May 28, 1971, between Alcoa and Southern Indiana Gas and Electric Company. (Filed and designated in Registration No. 2-41209 as Exhibit 4(e)-1.)

EX - 10.5 Second Supplement, dated as of July 10, 1975, to the Power Agreement and Letter Agreement dated April 30, 1973 - First Supplement. (Filed and designated in Form 10-K for the fiscal year 1975, File No. 1-3553, as Exhibit 1(e).)

EX - 10.6 Third Supplement, dated as of May 26, 1978, to the Power Agreement. (Filed and designated in Form 10-K for the fiscal year 1978 as Exhibit A-1.)

Edgar Filing: VECTREN CORP - Form 10-K/A

- EX - 10.7 Letter Agreement dated August 22, 1978 between Southern Indiana Gas and Electric Company and Alcoa, which amends Agreement for Sale in an Emergency of Electrical Power and Energy Generation by Alcoa and Southern Indiana Gas and Electric Company dated June 26, 1979. (Filed and designated in Form 10-K for the fiscal year 1978, File No. 1-3553, as Exhibit A-2.)
- EX - 10.8 Fifth Supplement, dated as of December 13, 1978, to the Power Agreement. (Filed and designated in Form 10-K for the fiscal year 1979, File No. 1-3553, as Exhibit A-3.)
- EX - 10.9 Sixth Supplement, dated as of July 1, 1979, to the Power Agreement. (Filed and designated in Form 10-K for the fiscal year 1979, File No. 1-3553, as Exhibit A-5.)
- 62
- EX - 10.10 Seventh Supplement, dated as of October 1, 1979, to the Power Agreement. (Filed and designated in Form 10-K for the fiscal year 1979, File No. 1-3553, as Exhibit A-6.)
- EX - 10.11 Eighth Supplement, dated as of June 1, 1980 to the Electric Power Agreement, dated May 28, 1971, between Alcoa and Southern Indiana Gas and Electric Company. (Filed and designated in Form 10-K for the fiscal year 1980, File No. 1-3553, as Exhibit (20)-1.)
- EX - 10.12 Summary description of Southern Indiana Gas and Electric Company's nonqualified Supplemental Retirement Plan (Filed and designated in Form 10-K for the fiscal year 1992, File No. 1-3553, as Exhibit 10-A-17.)
- EX - 10.13 Supplemental Post Retirement Death Benefits Plan, dated October 10, 1984. (Filed and designated in Form 10-K for the fiscal year 1992, File No. 1-3553, as Exhibit 10-A-18.)
- EX - 10.14 Summary description of Southern Indiana Gas and Electric Company's Corporate Performance Incentive Plan. (Filed and designated in Form 10-K for the fiscal year 1992, File No. 1-3553, as Exhibit 10-A-19.)
- EX - 10.15 Southern Indiana Gas and Electric Company's Corporate Performance Incentive Plan as amended for the plan year beginning January 1, 1994. (Filed and designated in Form 10-K for the fiscal year 1993, File No. 1-3553, as Exhibit 10-A-20.)
- EX - 10.16 Southern Indiana Gas and Electric Company 1994 Stock Option Plan (Filed and designated in Southern Indiana Gas and Electric Company's Proxy Statement dated February 22, 1994, File No. 1-3553, as Exhibit A.)
- EX - 10.17 Southern Indiana Gas and Electric Company's nonqualified Supplemental Retirement Plan as amended, effective April 16, 1997. (Filed and designated in Form 10-K for the fiscal year 1997, File No. 1-3553, as Exhibit 10.29.)
- EX - 10.18 Agreement dated April 16, 1997 between Southern Indiana Gas and Electric Company and Ronald G. Reherman regarding supplemental pension and disability benefits, which supercedes such agreement dated February 1, 1995. (Filed and designated in Form 10-K for the fiscal year 1997, File No. 1-3553, as Exhibit 10.27.)

Edgar Filing: VECTREN CORP - Form 10-K/A

- EX - 10.19 Southern Indiana Gas and Electric Company's nonqualified Supplemental Retirement Plan as amended, effective April 16, 1997. (Filed and designated in Form 10-K for the fiscal year 1997, File No. 1-3553, as Exhibit 10.29.)
- EX - 10.20 Vectren Corporation Retirement Savings Plan. (Filed and designated in Form 10-Q for the quarterly period ended September 30, 2000, File 1-15467, as Exhibit 99.1.)
- EX - 10.21 Vectren Corporation Combined Non-Bargaining Retirement Plan. (Filed and designated in Form 10-Q for the quarterly period ended September 30, 2000, File 1-15467, as Exhibit 99.2.)
- EX - 10.22 Indiana Energy, Inc. Unfunded Supplemental Retirement Plan for a Select Group of Management Employees as amended and restated effective December 1, 1998. (Filed and designated in Form 10-Q for the quarterly period ended December 31, 1998, File 1-9091, as Exhibit 10-G.)
- 63
- EX - 10.23 Indiana Energy, Inc. Nonqualified Deferred Compensation Plan effective January 1, 1999. (Filed and designated in Form 10-Q for the quarterly period ended December 31, 1998, File 1-9091, as Exhibit 10-H.)
- EX - 10.24 Indiana Energy, Inc. Annual Management Incentive Plan effective October 1, 1987. (Filed and designated in Form 10-K for the fiscal year ended September 30, 1987, File 1-9091, as Exhibit 10-D.)
- EX - 10.25 First Amendment to the Indiana Energy, Inc. Annual Management Incentive Plan effective October 1, 1997. (Filed and designated in Form 10-K for the fiscal year ended September 30, 1998, File 1-9091, as Exhibit 10-Q.)
- EX - 10.26 Formation Agreement among Indiana Energy, Inc., Indiana Gas Company, Inc., IGC Energy, Inc., Indiana Energy Services, Inc., Citizens Gas & Coke Utility, Citizens Energy Services Corporation and ProLiance Energy, LLC, effective March 15, 1996. (Filed and designated in Form 10-Q for the quarterly period ended March 31, 1996, File 1-9091, as Exhibit 10-C.)
- EX - 10.27 Gas Sales and Portfolio Administration Agreement between Indiana Gas Company, Inc. and ProLiance Energy, LLC, effective March 15, 1996, for services to begin April 1, 1996. (Filed and designated in Form 10-Q for the quarterly period ended March 31, 1996, File 1-6494, as Exhibit 10-C.)
- EX - 10.28 Amended appendices to the Gas Sales and Portfolio Administration Agreement between Indiana Gas Company, Inc. and ProLiance Energy, LLC effective November 1, 1998. (Filed and designated in Form 10-Q for the quarterly period ended March 31, 1999, File 1-6494, as Exhibit 10-A.)
- EX - 10.29 Amended appendices to the Gas Sales and Portfolio Administration Agreement between Indiana Gas Company, Inc. and ProLiance Energy, LLC effective November 1, 1999. (Filed and designated in Form 10-K for the fiscal year ended September 30, 1999, File 1-6494,

Edgar Filing: VECTREN CORP - Form 10-K/A

as Exhibit 10-V.)

- EX - 10.30 Indiana Energy, Inc. Executive Restricted Stock Plan as amended and restated effective October 1, 1998. (Filed and designated in Form 10-K for the fiscal year ended September 30, 1998, File 1-9091, as Exhibit 10-O.)
- EX - 10.31 Amendment to Indiana Energy, Inc. Executive Restricted Stock Plan effective December 1, 1998. (Filed and designated in Form 10-Q for the quarterly period ended December 31, 1998, File 1-9091, as Exhibit 10-I.)
- EX - 10.32 Indiana Energy, Inc. Director's Restricted Stock Plan as amended and restated effective May 1, 1997. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 1997, File 1-9091, as Exhibit 10-B.)
- EX - 10.33 First Amendment to Indiana Energy, Inc. Directors' Restricted Stock Plan, effective December 1, 1998. (Filed and designated in Form 10-Q for the quarterly period ended December 31, 1998, File 1-9091, as Exhibit 10-J.)

64

- EX - 10.34 Second Amendment to Indiana Energy, Inc. Directors Restricted Stock Plan, renamed the Vectren Corporation Directors Restricted Stock Plan effective October 1, 2000. (Filed and designated in Form 10-K for the year ended December 31, 2000, File 1-15467, as Exhibit 10-34.)
- EX - 10.35 Third Amendment to Indiana Energy, Inc. Directors Restricted Stock Plan, renamed the Vectren Corporation Directors Restricted Stock Plan effective March 28, 2001. (Filed and designated in Form 10-K for the year ended December 31, 2000, File 1-15467, as Exhibit 10-35.)
- EX - 10.36 Vectren Corporation Employment Agreement between Vectren Corporation and Niel C. Ellerbrook dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.1.)
- EX - 10.37 Vectren Corporation Employment Agreement between Vectren Corporation and Andrew E. Goebel dated as of March 31, 2000 (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.2.)
- EX - 10.38 Vectren Corporation Employment Agreement between Vectren Corporation and Jerome A. Benkert, Jr. dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.3.)
- EX - 10.39 Vectren Corporation Employment Agreement between Vectren Corporation and Carl L. Chapman dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.4.)
- EX - 10.40 Vectren Corporation Employment Agreement between Vectren Corporation and Ronald E. Christian dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.5.)

Edgar Filing: VECTREN CORP - Form 10-K/A

- EX - 10.41 Vectren Corporation Employment Agreement between Vectren Corporation and Timothy M. Hewitt dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.6.)
- EX - 10.42 Vectren Corporation Employment Agreement between Vectren Corporation and J. Gordon Hurst dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.7.)
- EX - 10.43 Vectren Corporation Employment Agreement between Vectren Corporation and Richard G. Lynch dated as of March 31, 2000. (Filed and designated in Form 10-Q for the quarterly period ended June 30, 2000, File 1-15467, as Exhibit 99.8.)
- EX - 21 Listing of Subsidiaries (Filed and designated in Form 10-K for the year ended December 31, 2000, File 1-15467, as Exhibit 21.)
- EX - 23 Consent of Independent Public Accountants (Filed herewith)
- EX - 99.1 Vectren Corporation Press Release regarding gas cost adjustment proceedings filed in Current Report on 8-K on March 29, 2001. (Filed herewith.)