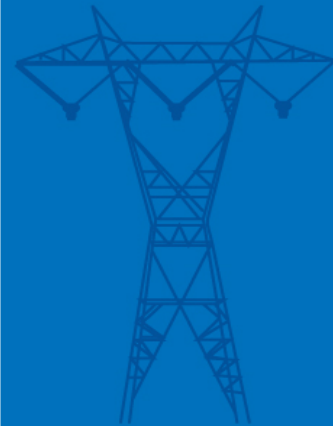


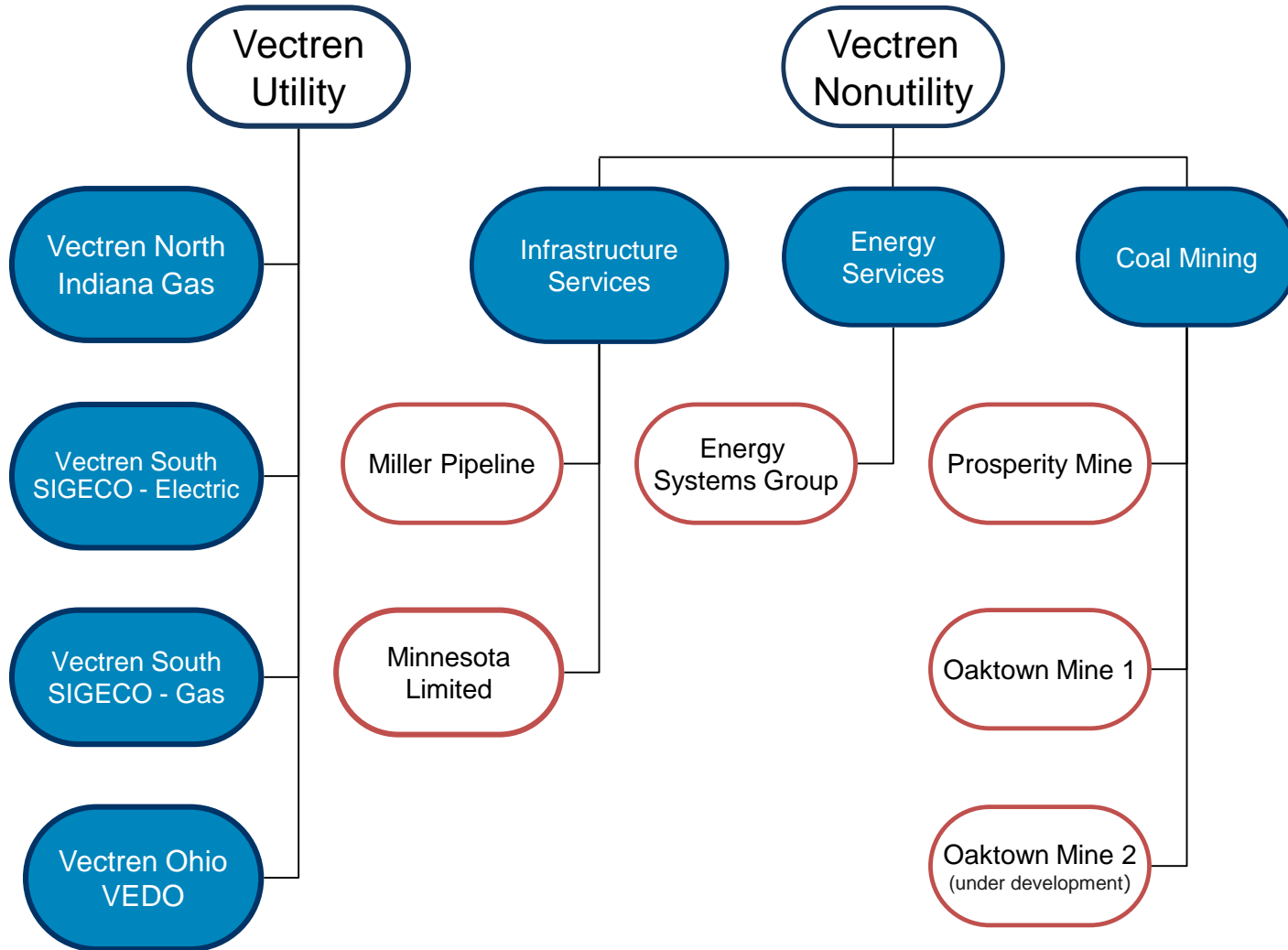
Natural Gas as a Transportation Fuel

OGA Market Conditions Conference

July 16th, 2014



Vectren at a glance



Vectren's utility footprint

Vectren Energy Delivery of Ohio

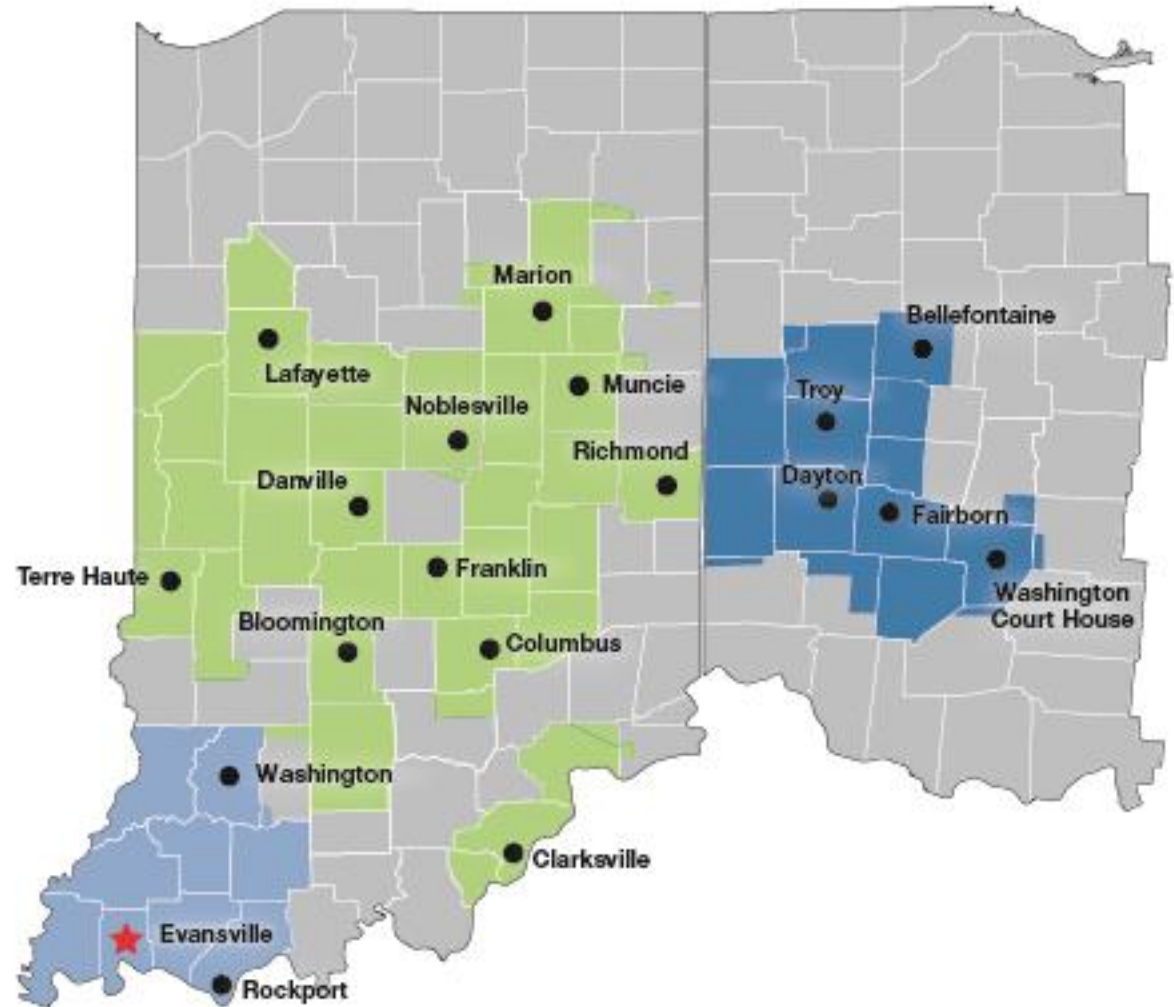
- 315,000 gas customers

Vectren Energy Delivery of Indiana – North

- 570,000 gas customers

Vectren Energy Delivery of Indiana – South

- 110,000 gas customers
- 142,000 electric customers



Overview

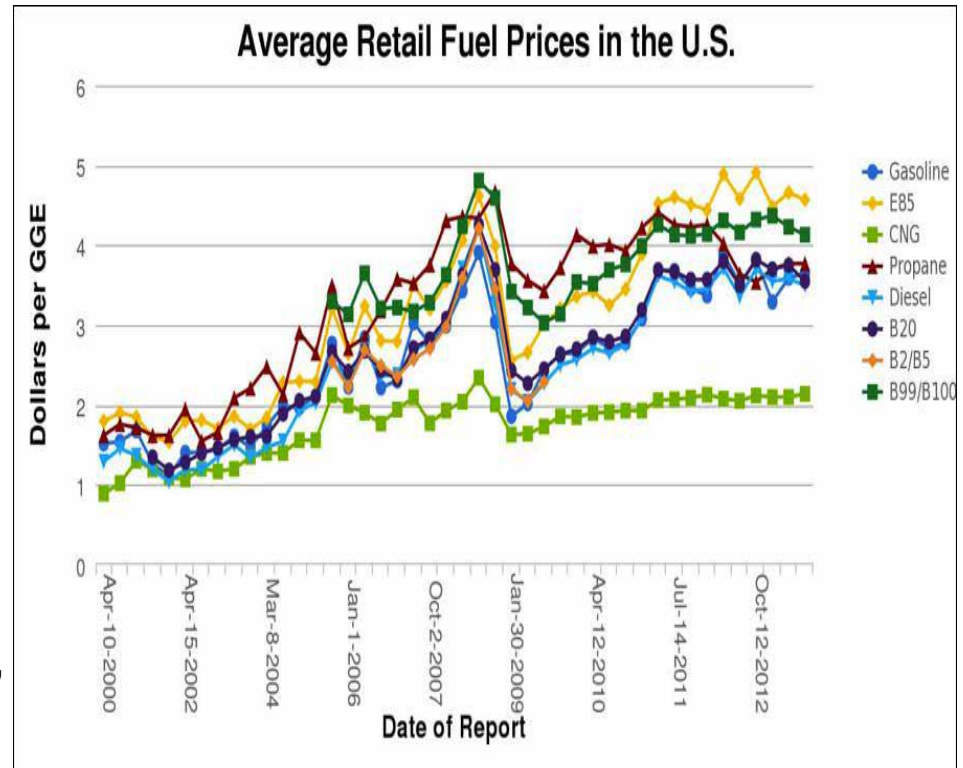
- Factors for CNG growth
 - Fuel
 - Vehicle
 - Infrastructure
- Working with the LDC
- Vectren's CNG Station experience in OH

Key Factors for Underlying CNG Growth

- Economics
- Vehicle Availability
- Fueling Infrastructure
- Public Policy

Natural Gas Vehicle Market

- Economics, vehicle availability, fueling infrastructure and public policy are factors driving NGV growth
- Shale supply continues to keep the price at the pump low and stable
- Less volatility in the gas gallon equivalent (GGE) when market prices move vs. competitive fuel types – commodity is a smaller percentage of the price/gl than traditional fuels
- New natural gas vehicle and engine applications are becoming available, creating more options for the buyer
- Station growth is up over 70% since 2009



Economics: The Fuel

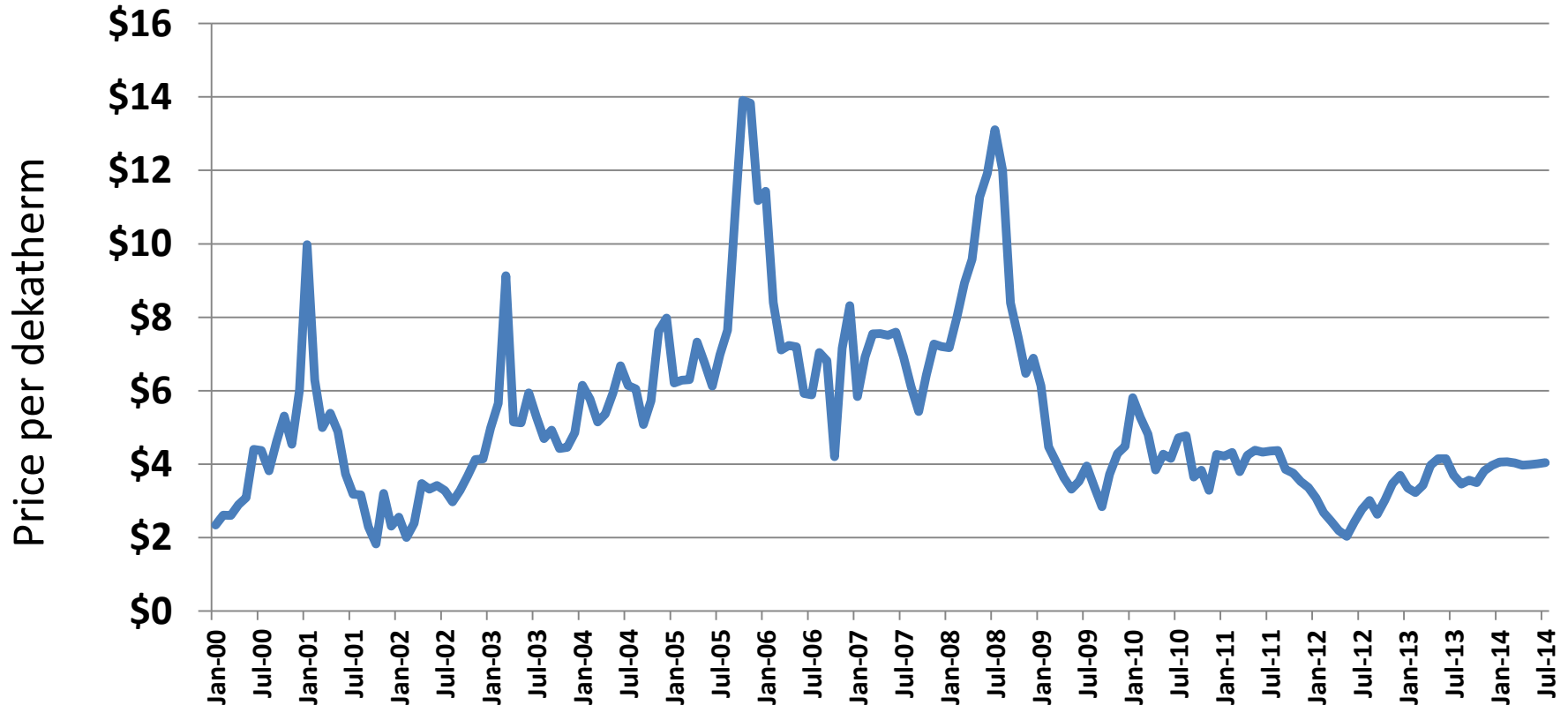
- America's economically producible gas resource base is huge
 - Recovery of natural gas from shale
 - 100 years supply – very conservative

Natural gas price in North America defined by supply and demand in North America

Rapidly increasing supply + slowly growing demand = low prices (for a long time)

Gas costs remain low, stable

Historic natural gas pricing – NYMEX (New York Mercantile Exchange)



Economics: The Vehicle

- NGVs always cost more to buy or convert, BUT....

.....they cost much less to operate.

- At \$4.00/Mcf, natural gas now selling for the energy equivalent of \$22.40 per barrel of oil:
 - At the pump: Savings of \$1.50-\$2.00 per gallon

Growth in World NGV Market

- 2003: 2.8 million
- 2007: 7 million
- Today: 16.4 million

International Vehicle Availability

- Every major car manufacturer is making natural gas vehicles for some market somewhere:

- | | | | |
|--------------|-----------|---------|------------|
| ▪ GM/Opel | Chevrolet | Ford | Mercedes |
| ▪ Volkswagen | Fiat | Citroen | Hyundai |
| ▪ Renault | Peugeot | Tata | Mitsubishi |
| ▪ Toyota | Honda | Nissan | Isuzu |
| ▪ Skoda | Volvo | Geely | Lifan |

Economics: The Vehicle

Example: Trash Truck

- 15,000 GGEs/year x \$1.50 = \$22,500 savings/year
- \$30,000 incremental price
- Less than 1.5 year payback

Example: Courier (Honda)

- 1,500 GGEs/year x \$1.50 = \$2,250 savings/year
- \$6,000 incremental price
- Less than 3 year payback

Infrastructure Strategy

- Fueling Stations
 - Gasoline: 150,000
 - Diesel: 75,000
 - CNG: 1,350

CNG stations are expanding about 20-25 per month



● Open

- | | |
|---|---|
| 1. Vectren Energy (Private) *
1331 E. Dayton-Yellow Springs Rd.
Fairborn, OH | 9. Quasar
6400 Maysville Pike.
Zanesville, OH |
| 2. Clean Energy
1798 E. 55th St.
Cleveland, OH | 10. CNG Auto Sales
600 W Church St.
Newark, OH |
| 3. Clean Energy
18899 Snow Rd.
Brook Park, OH | 11. City of Dublin
6351 Shier-Rings Rd.
Dublin, OH |
| 4. Clean Energy
1600 Gateway Blvd SE.
Canton, OH | 12. CNG Trans
2727 Brice Rd.
Reynoldsburg, OH |
| 5. Smith Dairy
444 Hostetter Rd.
Orrville, OH | 13. City of Columbus Fleet Management
4211 Groves Rd.
Columbus, OH |
| 6. Quasar
2072 Secrest Rd.
Wooster, OH | 14. CNG Auto Sales
1721 Alum Creek Dr.
Columbus, OH |
| 7. Kalmbach Clean Fuels
11790 Highway 4
Upper Sandusky, OH | 15. Quasar
2506 Jackson Pike
Columbus, OH |
| 8. CNG Auto Sales
501 N. 3rd St.
Coshocton, OH | |

* Denotes Vectren Service Area

● Coming Soon

- | |
|--|
| 16. CNG Fuels, Inc. (Public) *
2720 Needmore
Dayton OH |
| 17. American Honda (Private) *
101 S Stanfield
Troy, OH |
| 18. Waste Management (Private) *
1700 N Broad. St.
Fairborn, OH |

Working with the LDC

- Requested Information
 - What is your estimated gas load (MCFH)?
 - What is your desired delivery pressure?
 - How many hours per day will you be fueling?
 - What time of day will you be fueling?
 - Are you interested in any other locations in the area?
 - What is your estimated timeline?

Get the LDC involved as early as possible

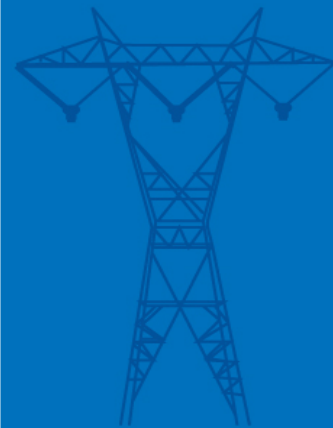
Working with the LDC (cont'd)

- Factors to consider
 - Natural gas quality
 - Propane peak shaving
 - Easements
 - Timeline

- Other Factors
 - Local Government
 - Fire Chief

Fairborn CNG Station

VECTREN FACILITIES AND FLEET



CNG Proposal

1335 E. Dayton-Yellow Springs Road, Fairborn

- Design a publicly accessible compressed natural gas vehicle fueling station at Vectren's existing Fairborn operations center
 - Currently fuel six Vectren-owned CNG vehicles with existing equipment
- Why here?
 - Existing equipment and infrastructure
 - Vectren-owned property allows expansion
 - Centrally located in Vectren Ohio service territory
 - Accessible to I-675 and I-70/75 corridor

Project and Station Specifics

- Relocate/add equipment to allow public accessibility to a 24/7 CNG fueling station
 - Add a 24'x24' canopy (18'6" tall, 14'6" vertical clearance)
 - Includes one dispenser and two nozzles, a new compressor, three storage tanks, credit card reader, additional lighting, alarm and surveillance systems, illuminated monument sign
 - Grading/site upgrades to include landscaping in compliance with the City
 - Access to public station will be off Trebein Road
- Area contains 11+ acres, located east of I-675 in Fairborn and within a PD-2 Planned commercial Development zoning district

The Process

- Told we needed to seek Preliminary and Final Planned Unit Development (PUD) Plan Modification approval under Fairborn Codified Ordinance
- First formal step was a presentation to the Planning Board, which, after two sessions, approved project by vote of 7-0
 - Planning Board and Staff recommended approval, having made a finding that the request is consistent and compatible with all land uses and zoning districts and will leave the spirit and intent of the original planned unit development approval intact
- Next formal step was presentation to Fairborn City Council
 - We were unprepared for what occurred there

The Problem

- Assumed the project would be seen as a positive to the community
 - State of OH focus
 - Environmentally friendly technology
 - Economic development benefit
- Did not anticipate vocal public concerns and grass roots efforts to obstruct
 - NIMBY
- Did not anticipate safety concerns
 - Lack of knowledge regarding CNG operations
 - Overestimation of traffic count that project would generate
- Did not anticipate legal issues – zoning, permitted use debate
- The standard process that was followed didn't allow Vectren to formally present and address the issues that were raised

Next Steps

- Licked our wounds
- Fully engaged legal counsel
- Prepared detailed response to each of the concerns that were raised by the public and the Council members
 - City of Fairborn also did the same on their specific issues
- Requested that Vectren be able to formally present at next Council meeting to address publically all the issues
 - Ensured our presentation and answers would then be part of public record
- The result: passed with a 5-2 vote

Lessons Learned

- Not everyone holds your viewpoint
 - Just because you think it's "good" – good for the community, the environment, the economy, realize that others disagree
 - Do not underestimate grass roots efforts
- Not everyone has the background you might in regard to education on the industry
 - Take every opportunity you're given to educate
- Do your homework and come prepared
 - Seek legal counsel before you need it
 - Don't let others carry the water for you
- Don't forget politics

Questions?

GRAHAM BAILEY
VECTREN CORPORATION
937-312-2565
GBAILEY@VECTREN.COM

