

VECTREN CORP
Form 424B5
February 23, 2007
Table of Contents

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-140777

Prospectus Supplement to Prospectus dated February 20, 2007

4,600,000 Shares

Vectren Corporation

Common Stock

(and Common Stock Purchase Rights)

We have entered into a forward sale agreement with an affiliate of J.P. Morgan Securities Inc., whom we refer to as the forward purchaser. An affiliate of J.P. Morgan Securities Inc., whom we refer to as the forward seller is, at our request, borrowing from third parties and selling 4,600,000 shares of our common stock in connection with a forward sale agreement between us and the forward purchaser. If the forward seller is unable to borrow all of these shares of common stock, as described in this Prospectus Supplement, we will issue and sell a number of shares equal to the number of shares that the forward seller does not borrow and sell.

We will not receive any proceeds from the sale of shares of common stock by the forward seller. We expect to receive proceeds from the sale of those shares, subject to certain adjustments, only upon future physical settlements of the forward sale agreement on a date or dates specified by us within approximately 24 months from the date of this prospectus supplement. See Underwriting Forward Sale Agreement. If we elect to settle the forward sale agreement in cash, we may not receive any proceeds or we may owe cash to the forward purchaser.

Our common stock is listed on the New York Stock Exchange under the symbol VVC. The last reported sale price on the NYSE of our common stock on February 22, 2007, was \$28.33 per share.

Investing in our common stock involves risks that are described or referred to under Risk Factors on page S-14 of this prospectus supplement and page 5 of the accompanying prospectus, and under the Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

	Per Share	Total
Initial price to public	\$ 28.33	\$ 130,318,000
Underwriting discount	\$ 0.99	\$ 4,554,000
Proceeds, before expenses, to Vectren Corporation(1)	\$ 27.34	\$ 125,764,000

- (1) We expect to receive these proceeds (net of the underwriting discount) upon full physical settlement of the forward sale agreement, which will occur within approximately 24 months of the date of this prospectus supplement. For purposes of calculating the aggregate net proceeds to us, we have assumed that the forward sale agreement is fully physically settled based on the initial forward sale price of \$27.34. The forward sale price is subject to adjustment pursuant to the forward sale agreement, and the actual proceeds, if any, will be calculated as provided therein. Although we expect to settle the forward sale agreement entirely by the full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement for all or a portion of our obligations under the forward sale agreement. Some or all of the shares of our common stock sold in this offering will be issued by us if the forward seller is unable to borrow all of the shares to be sold in this offering, as described in this Prospectus Supplement. In this case, we would receive net proceeds (before

Edgar Filing: VECTREN CORP - Form 424B5

expenses) for each share we issued of \$27.34, and the amount we would receive upon physical settlement of the forward sale agreement would be proportionately reduced. See *Underwriting Forward Sale Agreement* for a description of the forward sale agreement. The forward seller has granted the underwriters a 30-day option from the date of this prospectus supplement to purchase up to 690,000 additional shares of our common stock at the public offering price, less the underwriting discount, to cover over-allotments. To the extent that this option is exercised, the number of shares underlying the forward sale agreement will correspondingly increase.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on or about February 28, 2007.

Joint Book-Running Managers

JPMorgan

Merrill Lynch & Co.

Co-Managers

**Robert W. Baird &
Co.**

A.G. Edwards

Edward Jones

Wachovia Securities

Prospectus Supplement dated February 22, 2007

Table of Contents**TABLE OF CONTENTS**

	Page
Prospectus Supplement	
<u>Forward-Looking Statements</u>	S-2
<u>Summary</u>	S-4
<u>Summary Consolidated Financial Data</u>	S-13
<u>Risk Factors</u>	S-14
<u>Use of Proceeds</u>	S-21
<u>Price Range of Common Stock and Dividend Policy</u>	S-22
<u>Underwriting</u>	S-23
<u>Legal Matters</u>	S-29
<u>Experts</u>	S-29
<u>Where You Can Find More Information</u>	S-29
Prospectus	
<u>About this Prospectus</u>	1
<u>Cautionary Statements Regarding Certain Forward-Looking Information</u>	2
<u>Vectren Corporation</u>	4
<u>Risk Factors</u>	5
<u>Use of Proceeds</u>	6
<u>Description of Stock</u>	7
<u>Plan of Distribution</u>	10
<u>Legal Matters</u>	13
<u>Experts</u>	13
<u>Where You Can Find More Information</u>	13

This prospectus supplement contains specific information about the terms of the offering of the common stock. The accompanying prospectus provides you with a general description of the securities that may be offered thereunder. This prospectus supplement may also add, update, or change information contained in the accompanying prospectus. If the general description in the accompanying prospectus varies from the specific descriptions in this prospectus supplement, you should rely on the information in this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus together with additional information described in the accompanying prospectus under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters and the forward seller have not, authorized anyone else to provide you with any different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters and the forward seller are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate only as of the date on the cover page of this prospectus supplement or the accompanying prospectus, as the case may be, and that the information contained in documents incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate only as of the date of those documents. We undertake no obligation to update these statements in the future. You should understand that our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement and the accompanying prospectus, references to Vectren, the Company, we, us or other similar terms refer to Vectren Corporation and, where appropriate, its subsidiaries. The term

Table of Contents

underwriters refers to J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, A.G. Edwards & Sons, Inc., Edward D. Jones & Co., L.P., Robert W. Baird & Co. Incorporated, and Wachovia Capital Markets, LLC.

As used in this prospectus supplement and the accompanying prospectus, the abbreviation MMBTU means million British thermal units, MMDth means million decatherms, MW means megawatts, MWh means megawatt hours, GWh means millions of megawatt hours (gigawatt hours), Bcf means billion cubic feet and throughput means combined gas sales and gas transportation volumes.

FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus regarding future events and developments are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Forward-looking statements are based on management's beliefs as well as assumptions made by, and information currently available to, management. Because those statements are based on expectations and not historical facts, actual results may differ materially from those projected in the particular statements. Important factors that could cause future results to differ include those listed under Risk Factors in this prospectus supplement, the accompanying prospectus, and the documents incorporated herein and therein by reference, and the following matters:

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.

Increased competition in the energy environment, including effects of industry restructuring and unbundling.

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.

Financial, regulatory or accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission (the SEC), the Federal Energy Regulatory Commission (FERC), state public utility commissions, state entities which regulate electric and natural gas transmission and distribution, natural gas gathering and processing, electric power supply, and similar entities with regulatory oversight.

Economic conditions, including the effects of an economic downturn, inflation rates, commodity prices, and monetary fluctuations.

Increased natural gas commodity prices and the potential impact on customer consumption, uncollectible accounts expense, unaccounted for gas and interest expense.

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.

The performance of projects undertaken by the Company's nonutility businesses and the success of efforts to invest in and develop new opportunities, including, but not limited to, the realization of synfuel income tax credits and the Company's coal mining, gas marketing and energy infrastructure strategies.

Table of Contents

Direct or indirect effects on our business, financial condition, liquidity and results of operations resulting from changes in credit ratings, changes in interest rates and/or changes in market perceptions of the utility industry and other energy-related industries.

Employee or contractor workforce factors, including changes in key executives, collective bargaining agreements with union employees or work stoppages.

Legal and regulatory delays and other obstacles associated with mergers, acquisitions and investments in joint ventures.

Costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters.

Changes in federal, state or local legislative requirements, such as changes in tax laws or rates, environmental laws and regulations. These and other matters are difficult to predict, and many are beyond our control, including those we discuss in this prospectus supplement, the accompanying prospectus, and our filings with the SEC. Accordingly, you should not rely on the accuracy of predictions contained in forward-looking statements. These statements speak only as of the date of this prospectus supplement, the accompanying prospectus or, in the case of documents incorporated by reference, the dates of those documents, as applicable. We undertake no obligation to update these statements in the future.

Table of Contents

SUMMARY

This summary provides an overview of the Company and its subsidiaries and the key aspects of the offering. This summary is not complete and does not contain all of the information you should consider before purchasing our common stock. You should carefully read all of the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus, including the Risk Factors and our financial statements and related notes contained herein and therein.

Our Company

Vectren Corporation (the Company or Vectren), an Indiana corporation, is an energy holding company headquartered in Evansville, Indiana. Our wholly owned subsidiary, Vectren Utility Holdings, Inc. (Utility Holdings), serves as the intermediate holding company for three operating public utilities: Indiana Gas Company, Inc. (Indiana Gas), Southern Indiana Gas and Electric Company (SIGECO), and the Ohio operations. Utility Holdings also has other assets that provide information technology and other services to the three utilities. Utility Holdings' consolidated operations are collectively referred to as the Utility Group. Both Vectren and Utility Holdings were exempt from registration pursuant to Section 3(a)(1) and 3(c) of the Public Utility Holding Company Act of 1935, which was repealed effective February 8, 2006 by the Energy Policy Act of 2005 (Energy Act). Both Vectren and Utility Holdings are holding companies as defined by the Energy Act.

Indiana Gas provides energy delivery services to approximately 565,000 natural gas customers located in central and southern Indiana. SIGECO provides energy delivery services to approximately 141,000 electric customers and approximately 112,000 gas customers located near Evansville in southwestern Indiana. SIGECO also owns and operates electric generation to serve its electric customers and optimizes those assets in the wholesale power market. Indiana Gas and SIGECO generally do business as Vectren Energy Delivery of Indiana. The Ohio operations provide energy delivery services to approximately 318,000 natural gas customers located near Dayton in west central Ohio. The Ohio operations are owned as a tenancy in common by Vectren Energy Delivery of Ohio, Inc. (VEDO), a wholly owned subsidiary (53% ownership), and Indiana Gas (47% ownership). The Ohio operations generally do business as Vectren Energy Delivery of Ohio.

The Company, through Vectren Enterprises, Inc. (Enterprises), is also involved in nonutility activities in three primary business areas: Energy Marketing and Services, Coal Mining and Energy Infrastructure Services. Energy Marketing and Services markets and supplies natural gas and provides energy management services. Coal Mining mines and sells coal. Energy Infrastructure Services provides underground construction and repair and energy performance contracting services. Enterprises also has other businesses that invest in energy-related opportunities and services, real estate, and leveraged leases, among other investments. In addition, the Company has investments that generate synfuel tax credits and processing fees relating to the production of coal-based synthetic fuels. These operations are collectively referred to as the Nonutility Group. Enterprises supports the Company's regulated utilities pursuant to service contracts by providing natural gas supply services, coal, infrastructure services and other services.

The Company segregates its operations into three groups: a Utility Group, a Nonutility Group, and Corporate and Other. At December 31, 2006, the Company had \$4.1 billion in total assets, with \$3.4 billion (84%) attributed to the Utility Group, \$0.6 billion (16%) attributed to the Nonutility Group, and less than \$0.1 billion attributed to Corporate and Other. Net income for the year ended December 31, 2006, was \$108.8 million, or \$1.44 per share of common stock, with \$91.4 million attributed to the Utility Group, \$18.1 million attributed to the Nonutility Group, and a net loss of \$0.7 million attributed to Corporate and Other. Net income for the year ended December 31, 2005, was \$136.8 million, or \$1.81 per share of common stock, with \$95.1 million attributed to the Utility Group, \$48.2 million attributed to the Nonutility Group, and a net loss of \$6.5 million attributed to Corporate and Other.

Vectren was incorporated under the laws of Indiana on June 10, 1999. Our corporate offices are located at One Vectren Square, Evansville, Indiana 47708. Our telephone number is (812) 491-4000.

Table of Contents

Our Strategy

Our strategy is focused on becoming the leading regional provider of energy and related solutions to business, residential and municipal customers. We believe strong customer relationships are key to our success, and we will continue to build upon our strong core utility foundation to help make our customers more productive, comfortable and secure and to provide attractive returns to our shareholders.

We will focus on our strong utility foundation by remaining a competitive, safe and reliable provider of energy and related products and services. Our utility franchise is built upon successfully operating our core utility assets. Our competitive electric generating and energy distribution assets allow us to offer competitive customer rates. We have aligned our business groups and have formed strategic alliances and partnerships to utilize our core competencies, manage risk, reduce costs and better manage our operations.

We will continue to build upon the loyalty of our existing and new customers by offering value-added products and services. Through delivering value and anticipating and meeting customer needs, we will continue to build customer loyalty, critical to maintaining and growing our customer base. We will actively support customer conservation initiatives in tandem with the implementation of conservation adjustment trackers to recover the resulting lost margins from these efforts.

We will continue to build on a supportive regulatory environment in our service territories and to proactively address regulatory issues. We have cultivated constructive relationships with the state regulatory bodies and we have achieved supportive outcomes in a number of recent situations, including approval of a normal temperature adjustment mechanism with respect to our Indiana natural gas customers, and conservation programs that work in tandem with a lost margin recovery mechanism for the Ohio and our Indiana North operations. Maintaining favorable relationships with the state public service commissions and consumer representatives will remain our strategic imperative aimed at securing adequate returns on our rate base and optimizing our regulated investments.

We will continue to develop our nonutility businesses to provide a diversified foundation of earnings and revenue growth, while maintaining the strong linkage to our core regulated utility businesses. We will continue to focus on growing and developing our nonutility businesses, in addition to providing products and services to our regulated utilities by reinvesting earnings in core operating businesses, investing in gas storage assets, developing and marketing new coal reserves, and growing our energy infrastructure business.

We will pursue competitive returns for our shareholders. Our goal is to continue to grow our cash dividend annually and produce, on average over a five year period, annual earnings growth per share of more than 5%. We also have a goal of growing our earnings from our regulated operations on average from 3.5% to 4% annually and our earnings from our nonutility operations on average of 10% or more annually. We plan to meet our annual earnings growth goals through cost controls, managed expansion in our businesses and appropriate rate relief.

Our Competitive Strengths

We believe we have developed competitive strengths that position us to successfully execute our strategy. These strengths include:

Balanced business model. Our business model features stable earnings growth from our regulated operations, which have provided the primary support behind our ability to pay dividends at an increasing rate each year, while we believe our nonutility assets have greater earnings growth potential. Our regulated operations in Indiana and Ohio provide utility services to 992,000 gas and 140,000 electric customers. The combination of a gas and electric customer base allows us to fully utilize our expertise in satisfying the complete spectrum of

Table of Contents

utility needs in our service territories. Significant infrastructure investments are anticipated in our utility operations. We believe that this increase in rate base will support earnings growth in our utility operations. Our nonutility businesses are closely linked with our core utility businesses and we expect that these nonutility businesses will achieve earnings growth by continuing to reinvest their earnings in existing operations, including additional gas storage capacity and new coal reserves, among others.

Supportive regulatory environments. We are continuing to invest significant new capital in our regulated operations, including investments related to our environmental expenditures, such as those related to emission reduction efforts for which recovery rider mechanisms have previously been authorized. Our regulated businesses operate in supportive regulatory environments. We have achieved supportive regulatory outcomes in a number of situations, including approval of rider mechanisms to recover capital expenditures associated with compliance with Clean Air Act and Clean Air Mercury requirements, approval of a normal temperature adjustment mechanism with respect to our Indiana natural gas customers, and conservation programs that work in tandem with a lost margin recovery mechanism for the Ohio operations and for Indiana North. Through such mechanisms, we expect to have a more stable regulated earnings stream and thus better opportunities to more consistently achieve our authorized rates of return.

Consistent dividend growth. We have posted 47 consecutive years of dividend growth and currently target a payout ratio of approximately 65% of earnings over time.

Experienced management team. Our seasoned management team has significant utility and related industry experience and this has enabled us to continue to grow our utility operations as well as to develop and grow nonutility businesses which complement and are directly linked to our core utility operations.

Disciplined approach to growth through business combinations or alliances. We have developed a network of business alliances with key partners that helps us reduce or offset costs to our utility customers, while providing incremental earnings growth opportunities in related or affiliated businesses, as well as improving the risk profile of our operations. Our management team evaluates opportunities to pursue further alliances, as well as business combinations, in the areas where we have proven expertise. We will also consider divesting certain businesses if we determine that they are no longer core to our strategy.

Successful nonutility portfolio of businesses. We have achieved earnings growth in our nonutility business group through the direct link of our major nonutility operations to our core utility businesses. In addition to providing these services to third parties, our Energy Marketing and Services group markets and supplies natural gas to our gas utility operations; our Coal Mining group mines and sells coal to our electric utility; and our Energy Infrastructure Services group provides underground construction and repair services to our gas operations.

Recent Developments

Vectren South (Southern Indiana Gas & Electric) Base Rate Filing

On September 1, 2006, we filed a petition with the Indiana Utility Regulatory Commission (IURC) to adjust our electric and gas base rates in our southern Indiana service territory. In our petition, we seek to increase our rates by approximately \$76.7 million to recover the nearly \$120 million additional investment in electric utility infrastructure since our last base rate increase in 1995 that is not currently included in rates charged to customers. The increase in rates is also required to support system growth, maintenance, and reliability as well as to recover costs deferred under previous IURC rate orders, including costs related to the start-up of, and the energy market conducted by, Midwest Independent System Operator, Inc. (MISO), a FERC approved regional transmission organization in which we are a member, as well as certain demand side management expenses. In addition, we are seeking a tracker recovery mechanism to earn a return on expected future investments in electric transmission.

Table of Contents

We also seek to increase our base (non-gas cost) rates by approximately \$10.4 million to cover the ongoing cost of operating and maintaining our natural gas distribution and storage system. This case also includes a request for a recovery mechanism to earn a return on expected future investments in the replacement of bare steel and cast iron mains.

These filings begin a process that may conclude in the late summer or early fall of 2007. The initial public hearings in both rate cases have been conducted. On January 30, 2007, the Indiana Office of the Utility Consumer Counselor (OUCC) filed testimony in the gas rate case proposing an increase of \$5.1 million.

Ohio and Indiana Decoupling Mechanisms

In late 2005, we filed conservation programs and conservation adjustment trackers in Ohio and Indiana designed to help customers conserve energy and reduce their annual gas bills. The programs would allow us to recover costs of promoting the conservation of natural gas through conservation trackers that work in tandem with a lost margin recovery mechanism. This mechanism is designed to allow us to recover the distribution portion of our rates from residential and commercial customers based on the level of customer revenues established in each utility's last general rate case.

Indiana

In December 2006, the IURC approved a settlement agreement between us and the OUCC that provides for the implementation of a 5-year energy efficiency program to be implemented. The order allows our Indiana utilities to recover the costs of promoting the conservation of natural gas through conservation trackers that work in tandem with a lost margin recovery mechanism that would provide for recovery of 85% of the difference between revenues actually collected by us and the revenues approved in our most recent rate case. The order was implemented in the North service territory in December 2006 and will be implemented in the South service territory after the next general rate case, which should be completed in the late summer or early fall of 2007. See *Recent Developments Vectren South Base Rate Filing*. While most expenses associated with these programs are recoverable, in the first program year we are required to fund \$1.5 million in program costs without recovery. Revenues recorded in 2006 as a result of this order relating to lost margin recovery totaled \$0.7 million and revenues to fund energy efficiency programs totaled \$0.6 million.

Ohio

In September 2006, the Public Utilities Commission of Ohio (PUCO) approved a conservation proposal that would implement a decoupling approach, including a related conservation program, for our Ohio operations. The PUCO decision was issued following a hearing process and the submission of a settlement offer by us, the Office of the Ohio Consumers Counsel (OCC), and the Ohio Partners for Affordable Energy (OPAE). The settlement was contested by the PUCO Staff. In the decision the PUCO addressed decoupling by approving a two year, \$2 million total, low-income conservation program to be funded by us, as well as a sales reconciliation rider intended to be a recovery mechanism for the difference between the weather normalized revenues actually collected by us and the revenues approved by the PUCO in our most recent rate case. The decision by the PUCO produced an outcome that was different from the settlement. Following the decision, we and the OPAE advised the PUCO that we would accept the outcome even though it differed from the terms of the settlement. The OCC sought rehearing of the decision, which was denied in December, and thereafter the OCC advised the PUCO that the OCC was withdrawing from the settlement. At that point the OCC also initiated the process for appealing the PUCO's September and December decisions to the Ohio Supreme Court. Thereafter, we, the OPAE, and the PUCO Staff advised the PUCO that we accepted the terms provided in the September decision, as affirmed by

Table of Contents

the December rehearing decision. Since that time there have been a number of procedural filings by the parties and presently we are awaiting a further decision from the PUCO. We believe that the PUCO had the necessary legal basis for its decisions and thus should confirm the outcome provided in the September decision. We began recognizing the impact of this order on October 1, 2006, and have recorded revenues in 2006 related to the order in the amount of \$1.3 million.

Utility Holdings Debt Issuance

In October 2006, Utility Holdings issued \$100 million aggregate principal amount of 5.95% senior unsecured notes due October 1, 2036 (2036 Notes). The 30-year notes were priced at par. The 2036 Notes are guaranteed by Utility Holdings' three public utilities: SIGECO, Indiana Gas, and VEDO. These guarantees are full and unconditional and joint and several. In addition, Utility Holdings' timely payment of the regularly scheduled payments of the principal and interest on the 2036 Notes when due, and payments in connection with the redemption of the notes at the option of representatives of deceased owners, are insured by a financial guaranty insurance policy issued by Financial Guaranty Insurance Company for the benefit of the holders of the notes.

The 2036 Notes have no sinking fund requirements, and interest payments are due quarterly. The notes may be called by Utility Holdings, in whole or in part, at any time on or after October 1, 2011, at 100% of principal amount plus accrued interest. During the first and second quarters of 2006, Utility Holdings entered into several interest rate hedges with an aggregate \$100 million notional amount. Upon issuance of the notes, these instruments were settled resulting in the payment of approximately \$3.3 million, which was recorded as a *Regulatory asset* pursuant to existing regulatory orders. The value paid is being amortized as an increase to interest expense over the life of the issue maturing October 2036.

The net proceeds from the sale of the 2036 Notes and settlement of the hedging arrangements totaled approximately \$92.8 million. These proceeds were used to repay most of the \$100,000,000 outstanding principal balance of Utility Holdings' 7.25% Senior Notes due October 15, 2031, which were redeemed on October 19, 2006 at par plus accrued interest.

IGCC Certificate of Public Convenience and Necessity

On September 7, 2006, Vectren Energy Delivery of Indiana and Duke Energy Indiana, Inc., filed with the IURC a joint petition for a Certificate of Public Convenience and Necessity (CPCN) for the construction of new electric capacity. Specifically, Vectren requested the IURC approve its construction and ownership of up to 20% of the Integrated Gasification Combined Cycle (IGCC) project. Vectren's CPCN filing also seeks timely recovery of its 20% portion of the project's construction costs as well as operation and maintenance costs and additional incentives available for the construction of clean coal technology, available under existing Indiana legislative authority provided by Senate Bill 29. Initial studies of plant design have already begun and, if the project moves forward as currently designed, plant construction is expected to begin in 2007 and continue through 2011.

Acquisition of Miller Pipeline

Effective July 1, 2006, we purchased the remaining 50% ownership in Miller Pipeline Corporation (Miller), making Miller a wholly owned subsidiary. The results of Miller's operations, formerly accounted for using the equity method, have been included in our consolidated results of operations since July 1, 2006. Miller, originally founded in 1953, performs natural gas and water distribution, transmission, and construction repair and rehabilitation primarily in the Midwest and the repair and rehabilitation of gas, water, and wastewater facilities nationwide. Miller's customers include our utilities.

Table of Contents

Sale of Telecom-Related Investments

In 2006, the majority owner of SIGECOM, LLC (SIGECOM) and Vectren agreed to sell their interests in SIGECOM to WideOpenWest, LLC. We have recorded an after tax loss of \$1.3 million regarding this transaction. Proceeds from the sale are expected to total approximately \$45 million and to be distributed in early 2007. SIGECOM provides broadband services, such as cable television, high-speed internet, and advanced local and long distance phone services, to the greater Evansville, Indiana area.

ProLiance Lawsuit Settlement

In November, 2006, ProLiance Energy, LLC (ProLiance), our unconsolidated nonutility energy marketing affiliate owned by us and Citizens Gas and Coke Utility, agreed to settle a 2002 civil lawsuit between the City of Huntsville, Alabama and ProLiance. The \$21.6 million settlement (Huntsville Settlement) relates to a dispute over a contractual relationship with Huntsville Utilities during 2000-2002.

During 2006, ProLiance recorded an \$18.3 million charge recognizing the Huntsville Settlement. During 2004, ProLiance recorded \$3.9 million as a reserve for loss contingency recognizing the initial unfavorable judgment and the uncertainties related to the ultimate outcome. During 2006 and 2005, \$0.1 million and \$0.5 million of legal fees were charged against the reserve.

As an equity investor in ProLiance, we recorded our share of these charges which totaled \$6.6 million after tax in 2006 and \$1.4 million after tax in 2004. We are currently exploring whether a portion of those charges may be recoverable from insurance carriers.

Synfuel Developments

Pace Carbon Synfuels, LP (Pace Carbon) is a Delaware limited partnership formed to develop, own, and operate four projects to produce and sell coal-based synthetic fuel (synfuel) utilizing Covol technology. We have an 8.3 percent interest in Pace Carbon, which we account for using the equity method. In addition, Vectren Fuels, Inc., a wholly owned subsidiary involved in coal mining, receives processing fees from a synfuel producer unrelated to Pace Carbon for a portion of its coal production. Under current tax laws, these synfuel related credits and fees cease at the end of 2007.

The Internal Revenue Service has issued private letter rulings, which concluded that the synthetic fuel produced at the Pace Carbon facilities should qualify for tax credits. The IRS has completed tax audits of Pace Carbon for the years 1998 through 2001 without challenging tax credit calculations. As a partner in Pace Carbon, we have reflected synfuel tax credits in our consolidated results from inception through December 31, 2006, of approximately \$92 million, of which approximately \$81 million have been generated since 2001. To date, we have been in a position to utilize or carryforward substantially all of the credits generated. Primarily from the use of these credits, the Company generated an Alternative Minimum Tax (AMT) credit carryforward of approximately \$42.1 million at December 31, 2006.

Synfuel tax credits are only available when the price of oil is less than a base price specified by the Internal Revenue Code, as adjusted for inflation. We estimate that high oil prices caused a 35 % phase out of synfuel tax credits in 2006. Therefore, of the \$21.5 million in tax credits generated in 2006, only \$14.0 million are reflected as a reduction to our income tax expense.

In July, 2006, we suspended our participation in the production of synthetic fuel due to the high price of oil and uncertainty of federal legislation that might favorably affect the reference price of oil governing the phase out of synfuel tax credits. Consistent with that decision to suspend participation, we impaired our investment in Pace Carbon and expensed funding requirements estimated at that time. Charges approximating \$9.5 million, or

Table of Contents

\$5.7 million after tax, were recorded in our Income Statement under *Other-net* in the second quarter of 2006. The Company resumed participation in October, 2006, as oil prices began to fall.

For the year ended December 31, 2006, synfuel-related activity, inclusive of the phase out of tax credits, the impairment of synfuel-related assets, the related hedging activity, and estimated impact of insurance contracts, resulted in an after tax loss of \$3.8 million, or \$0.05 per share. Mark-to-market losses associated with financial contracts hedging 2007 production recognized in 2006 totaled \$1.5 million after tax, or \$0.02 per share. In 2005 and 2004, synfuel-related earnings totaled \$11.7 million and \$12.1 million, respectively. We have hedged all 2007 production and would expect a positive contribution to earnings as a result of this activity. However, the accounting for the contracts hedging 2007 production could result in some quarterly earnings volatility throughout 2007.

Table of Contents

The Offering

Issuer	Vectren Corporation
Common stock offered by the forward seller(1)	4,600,000 shares (5,290,000 shares if the underwriters over-allotment option is exercised in full)
Number of shares of common stock to be outstanding assuming full physical settlement of the forward sale agreement(2)	80,852,552 shares (81,542,552 shares if the underwriters over-allotment option is exercised in full)(2)
New York Stock Exchange symbol	VVC
Common stock closing price range (January 3, 2007 - February 22, 2007)	\$28.69 - \$27.70 per share
Recent dividend declaration	Our Board of Directors declared a dividend of \$0.315 per share payable on March 1, 2007, to shareholders of record on February 15, 2007. Investors will not be entitled to receive this dividend in respect of any of the shares of our common stock they purchase in this offering.
Use of proceeds(2)	<p>We will not initially receive any proceeds from the sale of shares of common stock by the forward seller. At an initial forward price of \$27.34 per share, we expect to receive net proceeds of \$125,764,000, subject to the price adjustment and other provisions of the forward sale agreement, in the event of full physical settlement of the forward sale agreement, which we expect would occur within approximately 24 months following the date of this prospectus supplement.</p> <p>We intend to use any net proceeds that we receive upon physical settlement of the forward sale agreement, if we elect physical settlement, to repay short-term debt obligations incurred to fund our capital expenditure program and for other general corporate purposes. In the event the forward seller is unable to borrow all of the shares to be sold in the offering, it determines it is impracticable to do so or it cannot do so at a cost not greater than a specified amount per share of our common stock and we are required to issue shares, any net proceeds we receive upon issuance of shares in this offering will be used for the same purposes. See Use of Proceeds.</p>
Accounting treatment	Before any issuance of our common stock upon physical settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares that would be issued upon physical settlement of the forward sale

Table of Contents

agreement over the number of shares that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical settlement of the forward sale agreement and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of our common stock is above the per share adjusted forward sale price, which is initially \$27.34 (which is the public offering price less the underwriting discount shown on the cover page of this prospectus supplement), subject to adjustment based on the federal funds rate less a spread and subject to decrease on certain dates specified in the forward sale agreement by the amount of the per share quarterly dividends we currently expect to declare during the term of the forward sale agreement. However, if we decide to physically settle the forward sale agreement, delivery of our shares on any physical settlement of the forward sale agreement will result in dilution to our earnings per share and return on equity.

Risk factors

See **Risk Factors** and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the **Risk Factors** section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

- (1) Unless otherwise specified, in this prospectus supplement we assume that we will not be required to issue any of the shares of our common stock subject to this offering. If the forward seller is unable to borrow all of the shares of common stock subject to this offering, it determines it is impracticable to do so or it cannot do so at a cost not greater than a specified amount per share of our common stock, we will issue and sell a number of shares equal to the number of shares that the forward seller does not borrow and sell, and in such circumstances, the number of shares issuable upon physical settlement of the forward sale agreement will be proportionately reduced.
- (2) Based on the number of our issued and outstanding common shares as of January 31, 2007 (assuming that the forward sale agreement is fully physically settled based on the initial forward sale price of \$27.34 by the delivery of 4,600,000 shares of our common stock). The forward sale price is subject to adjustment pursuant to the forward sale agreement, and the actual receipt of proceeds by us is subject to physical settlement of the forward sale agreement. See **Underwriting Forward Sale Agreement** for a description of the forward sale agreement. This number of shares of our common stock does not include the approximately 7.2 million shares of common stock reserved for issuance through our share-based compensation plans, benefit plans and dividend reinvestment plan.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following summary financial data for the years ended December 31, 2004 through December 31, 2006 have been derived from our audited consolidated financial statements and related notes, which are incorporated by reference herein. The information set forth below is qualified in its entirety by reference to, and should be read together with, management's discussion and analysis of results of operations and financial condition, the financial statements and related notes, and other financial information incorporated by reference herein.

(In millions, except per share data)	Year Ended December 31,		
	2006	2005	2004
Operating Data:			
Operating revenues	\$ 2,041.6	\$ 2,028.0	\$ 1,689.8
Operating income	\$ 220.5	\$ 213.1	\$ 199.5
Net income	\$ 108.8	\$ 136.8	\$ 107.9
Average common shares outstanding	75.7	75.6	75.6
Fully diluted common shares outstanding	76.2	76.1	75.9
Basic earnings per share on common stock	\$ 1.44	\$ 1.81	\$ 1.43
Diluted earnings per share on common stock	\$ 1.43	\$ 1.80	\$ 1.42
Dividends per share on common stock	\$ 1.23	\$ 1.19	\$ 1.15
Cash Flow Statement Data:			
Cash flow from operations	\$ 310.2	\$ 268.4	\$ 238.0
Capital expenditures, excluding AFUDC equity	\$ (281.4)	\$ (231.6)	\$ (252.5)

	As of December 31,		
	2006	2005	2004
Balance Sheet Data:			
Cash and cash equivalents	\$ 32.8	\$ 20.4	\$ 9.6
Net utility plant	\$ 2,385.5	\$ 2,251.9	\$ 2,156.2
Total assets	\$ 4,091.6	\$ 3,868.1	\$ 3,586.9
Short-term borrowings	\$ 464.8	\$ 299.9	\$ 412.4
Current maturities of long-term debt	\$ 24.2	\$ 0.4	\$ 38.5
Long-term debt subject to tender	\$ 20.0	\$ 53.7	\$ 10.0
Long-term debt, net	\$ 1,208.0	\$ 1,198.0	\$ 1,016.6
Redeemable preferred stock			\$ 0.1
Minority interest in subsidiary	\$ 0.4	\$ 0.4	\$ 0.4
Common shareholders' equity	\$ 1,174.2	\$ 1,143.3	\$ 1,094.8

Table of Contents

RISK FACTORS

In addition to the other information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus, you should carefully consider the following risk factors, as well as the Risk Factors section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, before you decide to invest in our common stock.

Risks related to our business:

We are a holding company, and our assets consist primarily of investments in our subsidiaries.

Dividends on our common stock depend on the earnings, financial condition, capital requirements and cash flow of our subsidiaries, principally Utility Holdings and Enterprises, and the distribution or other payment of earnings from those entities to us. Should the earnings, financial condition, capital requirements or cash flow of, or legal requirements applicable to, them restrict their ability to pay dividends or make other payments to us, our ability to pay dividends on our common stock could be limited and our stock price could be adversely affected. Our results of operations, future growth and earnings and dividend goals also will depend the performance of our subsidiaries. Additionally, certain of our lending arrangements contain restrictive covenants, including the maintenance of a total debt to total capitalization ratio, which could limit our ability to pay dividends.

We operate in an increasingly competitive industry, which may affect our future earnings.

The utility industry has been undergoing dramatic structural change for several years, resulting in increasing competitive pressure faced by electric and gas utility companies. Increased competition may create greater risks to the stability of our 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 customers to choose their electricity supplier in a competitive market. Indiana has not enacted such legislation. Ohio regulation also provides for choice of commodity providers for all gas customers. In 2003, we implemented this choice for our gas customers in Ohio. Indiana has not adopted any regulation requiring gas choice except for large-volume customers. We cannot provide any assurance that increased competition or other changes in legislation, regulation or policies will not have a material adverse effect on our business, financial condition or results of operations.

A significant portion of our gas and electric utility sales are space heating and cooling. Accordingly, our operating results may fluctuate with variability of weather.

Our gas and electric utility sales are sensitive to variations in weather conditions. We forecast utility sales on the basis of normal weather, which represents a long-term historical average. Since we do not have a weather-normalization mechanism for our electric operations or our Ohio natural gas operations, significant variations from normal weather could have a material impact on our earnings. However, the impact of weather on the gas operations in our Indiana territories has been significantly mitigated through the implementation on October 15, 2005, of a normal temperature adjustment mechanism.

Our gas and electric utility sales are concentrated in the Midwest.

The operations of our regulated utilities are concentrated in central and southern Indiana and west central Ohio and are therefore impacted by changes in the Midwest economy in general and changes in particular industries concentrated in the Midwest. These industries include automotive assembly, parts and accessories, feed, flour and grain processing, metal castings, aluminum products, appliance manufacturing, polycarbonate resin (Lexan®) and plastic products, gypsum products, electrical equipment, metal specialties, glass, steel finishing, pharmaceutical and nutritional products, gasoline and oil products, and coal mining.

Table of Contents

Risks related to the regulation of our businesses, including environmental regulation, could affect the rates we charge our customers, our costs and our profitability.

Our businesses are subject to regulation by federal, state and local regulatory authorities. In particular, we are subject to regulation by the FERC, the IURC and the PUCO. These authorities regulate many aspects of our transmission and distribution operations, including construction and maintenance of facilities, operations, safety and the rates that we can charge customers and the rate of return that our utilities are authorized to earn. Our ability to obtain rate increases to maintain our current authorized rate of return depends upon regulatory discretion, and there can be no assurance that we will be able to obtain rate increases or rate supplements or earn our current authorized rate of return.

In addition, our operations and properties are subject to extensive environmental regulation pursuant to a variety of federal, state and municipal laws and regulations. These environmental regulations impose, among other things, restrictions, liabilities and obligations in connection with storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances in the environment. Such emissions from electric generating facilities include particulate matter, sulfur dioxide (SO₂), nitrogen oxide (NOx), and mercury, among others.

Environmental legislation also requires that facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Our current costs to comply with these laws and regulations are significant to our results of operations and financial condition. In addition, claims against us under environmental laws and regulations could result in material costs and liabilities. With the trend toward stricter standards, greater regulation, more extensive permit requirements and an increase in the number and types of assets operated by us subject to environmental regulation, our investment in environmentally compliant equipment, and the costs associated with operating that equipment, have increased and are expected to increase in the future.

Further, there are proposals to address global climate change that would regulate carbon dioxide (CO₂) and other greenhouse gases. Any future legislative or regulatory actions to address global climate change could adversely affect our business and results of operations by, for example, requiring changes in, and increased costs related to, our fossil fuel generating plants and coal mining operations.

From time to time, we are subject to material litigation and regulatory proceedings.

We, as well as our equity investees such as ProLiance, may be subject to material litigation and regulatory proceedings from time to time. There can be no assurance that the outcome of these matters will not have a material adverse effect on our business, results of operations or financial condition.

Our electric operations are subject to various risks.

Our electric generating facilities are subject to operational risks that could result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased purchased power costs. Such operational risks can arise from circumstances such as facility shutdowns due to equipment failure or operator error; interruption of fuel supply or increased prices of fuel as contracts expire; disruptions in the delivery of electricity; inability to comply with regulatory or permit requirements; labor disputes; and natural disasters.

We may experience significantly increased gas costs.

Commodity prices for natural gas purchases have increased and become more volatile in recent years. Subject to regulatory approval, our utility subsidiaries are allowed recovery of gas costs from their retail customers through commission-approved gas cost adjustment mechanisms. As a result, profit margins on gas sales are not expected to be impacted. Nevertheless, regulators may disallow, and have in the past disallowed,

Table of Contents

recovery of a portion of gas costs for various reasons, including but limited to, a finding by the regulator that natural gas was not prudently procured, as an example. In addition, it is possible that as a result of this near term change in natural gas commodity prices, our subsidiaries may experience increased interest expense due to higher working capital requirements, increased uncollectible accounts expense and unaccounted for gas and some level of price sensitive reduction in volumes sold or delivered. However, we believe that the negative earnings impact on the reduction of price sensitive natural gas volumes sold is significantly mitigated by Indiana and Ohio orders received in the fourth quarter of 2006 that authorize lost margin recovery.

The impact of MISO participation is uncertain.

Since February, 2002 and with the IURC's approval, we have been a member of the MISO. The MISO serves the electrical transmission needs of much of the Midwest and maintains operational control over our electric transmission facilities as well as that of other Midwest utilities.

On April 1, 2005, the MISO energy market commenced operation (the Day 2 energy market). As a result of being a market participant, we now bid our owned generation into the Day Ahead and Real Time markets and procure power for our retail customers at Locational Marginal Pricing (LMP) as determined by the MISO market.

As a result of MISO's operational control over much of the Midwestern electric transmission grid, including our electric transmission facilities, our continued ability to import power, when necessary, and export power to the wholesale market has been, and may continue to be, impacted. Given the nature of MISO's policies regarding use of transmission facilities, as well as ongoing FERC initiatives and uncertainties around Day 2 energy market operations, it is difficult to predict near term operational impacts. However, it is believed that MISO's regional operation of the transmission system will ultimately lead to reliability improvements within the Midwestern transmission system.

The potential need to expend capital for improvements to the transmission system, both to our own facilities as well as to those facilities of adjacent utilities, over the next several years will become more predictable as MISO completes studies related to regional transmission planning and improvements. Such expenditures may be significant.

Wholesale power marketing activities may add volatility to earnings.

Our regulated electric utility engages in wholesale power marketing activities that primarily involve asset optimization strategies. These optimization strategies primarily involve the offering of utility-owned or contracted generation into the MISO hourly and real time markets. As part of these strategies, we may also execute energy contracts that are integrated with portfolio requirements around power supply and delivery. Projected earnings from wholesale marketing activities may vary based on fluctuating prices for electricity and the amount of electric generating capacity or purchased power available, beyond that needed to meet firm service requirements.

If we do not accurately forecast future commodities prices or if our hedging procedures do not operate as planned in certain nonutility businesses, our net income could be reduced or we may experience losses.

The operations of ProLiance as well as our nonutility retail gas retail supply and coal mining businesses execute forward and option contracts that commit them to purchase and sell natural gas and coal in the future, including forward contracts to purchase commodities to fulfill forecasted sales transactions that may or may not occur. If the value of these contracts changes in a direction or manner that is not anticipated, or if the forecasted sales transactions do not occur, we may experience losses.

Table of Contents

To lower the financial exposure related to commodity price fluctuations, these nonutility businesses may execute contracts that hedge the value of commodity price risk. As part of this strategy, we may utilize fixed-price forward physical purchase and sales contracts, and/or financial forwards, futures, swaps and option contracts traded in the over-the-counter markets or on exchanges. However, although almost all natural gas and coal positions are hedged, with either these contracts or with our owned coal inventory and known reserves, we do not hedge our entire exposure or our positions to market price volatility. To the extent our forecasts of future commodities prices are inaccurate, our hedging procedures do not work as planned, our coal reserves cannot be accessed or we have unhedged positions, fluctuating commodity prices are likely to cause our net income to be volatile and may lower our net income.

The performance of our nonutility businesses are also subject to certain risks.