



Vectren Corporation
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April 5, 2011

Via E-mail (to:rule-comments@sec.gov)

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F. Street N.E.
Washington DC 20549-1090

Re: File No. S7-18-08
Securities and Exchange Commission Release No. 33-9186, Security
Ratings

Ladies and Gentlemen,

Vectren Corporation ("Vectren") appreciates the opportunity to comment on the Securities and Exchange Commission's ("SEC or Commission") proposed amendments to the eligibility requirements for Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"). The proposed amendments would eliminate the provision that currently allows issuers of investment grade debt securities to use Form S-3. Instead, only those entities that have issued \$1 billion or more in debt securities over a three-year period would be permitted to use it. This proposal is similar to that proposed by the SEC in 2008 in Release No. 33-8940.

Vectren is an energy holding company headquartered in Evansville, Indiana with fiscal year 2010 consolidated revenues of \$2.1 billion and consolidated assets of \$4.8 billion, \$3.9 billion of which support our utility operations. Vectren's common stock trades on the New York Stock exchange under the symbol "VVC" with a current market capitalization of \$2.2 billion. Vectren now qualifies as a well-known seasoned issuer ("WKSI").

Vectren began its operations on March 31, 2000 through the combination of two Indiana-based companies, Indiana Energy, Inc. and SIGCORP Inc. On October 31, 2000, Vectren also acquired the natural gas distribution assets of the Dayton Power and Light Company located in west central Ohio. Vectren segregates its businesses into a utility group, which includes gas and electric utility services and a nonutility group. Vectren's wholly owned subsidiary, Vectren Utility Holdings, Inc. ("VUHI") serves as the intermediate holding company for three public utilities: Indiana Gas Company, Inc., Southern Indiana Gas and Electric Company and the Ohio operations. Utility Holdings also has other assets that provide information technology and other services to the three utilities. These 3 utilities provide natural gas and/or electric energy delivery services to over 1,000,000 utility customers in Indiana and Ohio. Vectren, through Vectren

Enterprises, is involved in nonutility activities in four primary business areas: Infrastructure Services, Energy Services, Coal Mining and Energy Marketing.

Background on Utility Use of Form S-3

Vectren, similar to many other utilities, is part of a corporate structure where the parent holding company has its outstanding common stock publicly held and the parent holds 100% of the utility subsidiary's common stock. In Vectren's case, it owns 100% of VUHI's common stock, which in turn, as the intermediate utility holding company, owns 100% of the common stock of each of the three utilities. Two of Vectren's utility subsidiaries have outstanding long-term debt that was issued directly to investors by the utilities, the vast majority of which was issued prior to the merger and acquisition that created Vectren in 2000. The only new debt issued directly to investors by the utilities since the merger relates to 2 small issues of tax exempt debt totaling \$39 million that were issued by Southern Indiana Gas and Electric Company to finance qualified pollution control expenditures related to its electric generating plants. Since the 2000 merger, all of Vectren's long-term debt issues to support its various utility operations have been issued by VUHI, with the proceeds reloaned to each of the utilities with no markup and under the same terms and conditions as the VUHI debt, through the execution of notes between VUHI and the utilities. This arrangement is done in compliance with a Financial Services Agreement ("FSA") between VUHI and each of the 3 utilities. The FSA provides for the use of joint and several guarantees such that each utility is jointly and severally liable for all of the short and long-term debt issued by VUHI. The FSA, including this joint and several guarantee provision, has been approved by both the Indiana and Ohio public utility commissions in various financing proceedings since 2001 and permits the utilities to access the debt markets in a more cost-effective manner than they would have been able to achieve individually.

VUHI has been issuing unsecured long-term debt since 2001, with its most recent public offering of \$125 million, which was completed in 2008 and included the joint and several guarantees of the 3 utilities. This debt offering was completed under a shelf registration for \$300 million of long-term debt that had been previously registered with the SEC on Form S-3. VUHI currently has another \$300 million shelf registration in place, which was declared effective in November, 2010 (SEC Registration No. 333-169708) that is available to meet VUHI's long-term public debt needs through November 2013. The use of the current approach provided through Form S-3 has been very beneficial to VUHI by providing flexibility to access the public financial markets very quickly and efficiently to meet its long-term debt financing needs in a very prudent, cost effective and efficient manner. The proposed \$1 billion threshold for continued use of the S-3, will significantly restrict VUHI's ability to efficiently and effectively access the public debt markets and will be harmful to the company and ultimately to its utility customers.

Vectren generally endorses the comments submitted by both the American Gas Association on behalf of the natural gas utility industry on March 28, 2011 and Edison Electric Institute on behalf of the electric utility industry on September 5, 2008,

December 3, 2009, and March 28, 2011. Members of the natural gas and electric utility industries will be negatively impacted by the proposed rule changes. The utility industry is one of the most capital-intensive industries, annually investing billions of dollars in the reliability and safety of our nation's energy infrastructure. Utilities' use of the Form S-3 has provided efficient and ready access to capital to fund these investments. Given their history of issuances under Form S-3 and the investment quality of their securities, utilities are well-known debt issuers followed by market analysts and the public. Further, the utilities are often reporting entities under the Exchange Act, providing public access to substantial information about the utilities.

Impact of the Proposal

VUHI has relied on and continues to rely on the Form S-3 to offer debt securities to the public as needed, timing the issuances of those securities so as to benefit from favorable interest rates and market conditions. The Form S-3 has allowed us to keep our cost of financing and cost of capital low with corresponding benefits for our customers. The proposed eligibility standard of \$1 billion in non-convertible securities issued in public offerings over 3 years would prevent VUHI, and many other utilities, from continuing to use the Form S-3. Without the ability to continue relying on the Form S-3 or its equivalent, VUHI would incur significant additional costs and delays involved in using the Form S-1, or in relying solely on private funding. Vectren encourages the SEC to continue to allow VUHI, and regulated utilities, to rely on the Form S-3 or an equivalent approach that avoids the delays in utilizing the public markets to issue debt securities.

If the Form S-3 is amended as proposed, it will likely encourage many utilities to increase their use of private placement debt since the remaining available Form S-1 will not allow quick reactions to capital market conditions. The Form S-1 does not incorporate future filings, as permitted under the Form S-3, resulting in the need to file a registration statement for each offering and then awaiting SEC review and comment. Also, the increased costs to the utilities would flow through to their customers resulting in higher costs for them as well. Further, all of this would occur at a time when there is a focus on promoting increased investment in infrastructure. The ability to use the Form S-3 and react quickly to capital market conditions is crucial to containing costs for the utilities and their customers.

Utility Subsidiaries Subject to State Regulation Should Remain Eligible

Utilities are subject to regulation at the state and federal levels with oversight of their capital structure, rates, revenues, assets and costs. Further, utilities have substantial assets and long track records of income and payment of debt. As part of this regulation, utilities typically must maintain certain debt to equity ratios and receive prior authorization from the state public service commissions to issue debt with a term of over 1 year. These authorizations generally include certain restrictions on the amount, type and costs of debt as well as the uses for such debt. As suggested by others, regulation by

a state commission would provide a better metric for eligibility to issue debt on Form S-3 than the \$1 billion threshold.

Intermediate Holding Companies Issuing Debt Guaranteed by Utilities that Are Subject to State Regulation Should Also Remain Eligible

VUHI, although not a utility, is an intermediate utility holding company, that issues long and short-term debt to support the financing needs of its operating utilities. All of VUHI's debt issuances have joint and several guarantees from the 3 utilities as a result of provisions contained in the FSA. The FSA has been in place continuously since 2001, when it was initially approved by both the Indiana and Ohio utility commissions and its use has continued to receive commission support through numerous financing proceedings since that time. As a result of this state commission oversight of the FSA and of the intercompany debt between VUHI and the utilities, VUHI, Vectren's intermediate utility holding company, should also continue to remain eligible to issue debt on Form S-3 and not be subject to the \$1 billion threshold.

WKSI Subsidiaries in Good Standing Should Remain Eligible

VUHI is a separate reporting entity that is required to file regular reports, including Forms 10-K, 10-Q, and 8-K, with the SEC since it is registered under the Securities Exchange Act of 1934 as a result of the filing of a Form 10 registration statement. These reports are subject to review and comment by the SEC. As such, VUHI must comply with the various public reporting requirements, including making its disclosures readily available to the public. We would also endorse the alternative to the \$1 billion criteria, that a subsidiary: (i) all of whose shares are held by a WKSI parent; (ii) who is subject to the reporting requirements of the Exchange Act; and (iii) who has timely filed all required periodic reports for the prior 12 months, be eligible to continue to use the Form S-3 for non-convertible debt and preferred stock issuances. We would also urge the continuation of the ability to include the joint and several guarantees by the utility subsidiary guarantors on the Form S-3 as is the case under the current eligibility requirements. See General Instruction I(C)(4).

Other Eligibility Alternatives

There are other alternatives that have been suggested in the proposal as well as by others providing comments: continued eligibility to use the Form S-3 if entity has \$1 billion in assets; a debt float equal to the equity float required to use the Form S-3 (\$75 million); or grandfathering current users of Form S-3. Vectren would support any of these alternatives as well.

While Vectren understands that the SEC must replace the credit rating references with other criteria, the \$1 billion in public debt offerings over a three-year period is not the appropriate replacement.

If the Commission has any questions about these comments, please contact me at rgoocher@vectren.com or 812-491-4080. Thank you for giving us the opportunity to provide these comments.

Sincerely,



Robert L. Goocher
Treasurer and VP, Investor Relations
Vectren Corporation