



Summer 2010 Preparedness

Northern Indiana Public Service Co.

Presentation to the Indiana Utility Regulatory Commission

Jimmy D. Staton

Executive Vice President & Group CEO

May 20, 2010



NIPSCO Management

Kelly Carmichael

Director Environmental Performance & Regulatory Services

Curt Crum

Director Generation Dispatch & Energy Management

Tim Dehring

Senior VP Energy Delivery

Phil Pack

Director Generation Support Services & Major Projects

Ron Ragains

VP Transmission

Brad Sweet

VP Strategic Planning & Operations Support



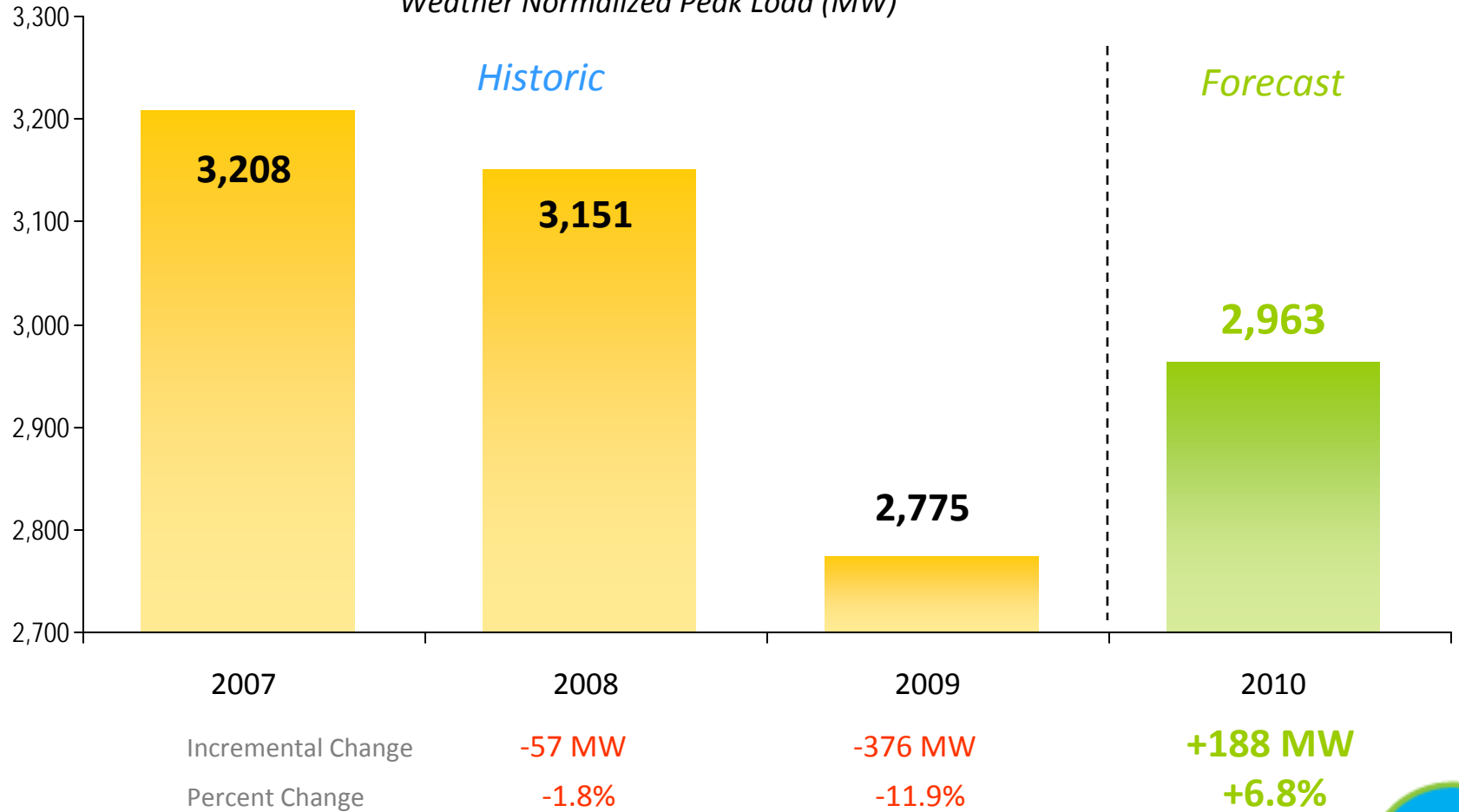
Overview

- **Summer 2010 Supply/Demand Outlook**
 - Forecast Reflects Moderate Economic Recovery
 - Capacity in Place to Meet Customers' Needs
- **Steps Taken to Prepare**
 - Investments in Generation, Transmission, Distribution
 - Reliability Improvements
- **Opportunities for Summer 2010 and Beyond**
 - Net Metering Status
 - Continued Environmental Focus

Summer 2010 Supply/Demand Outlook

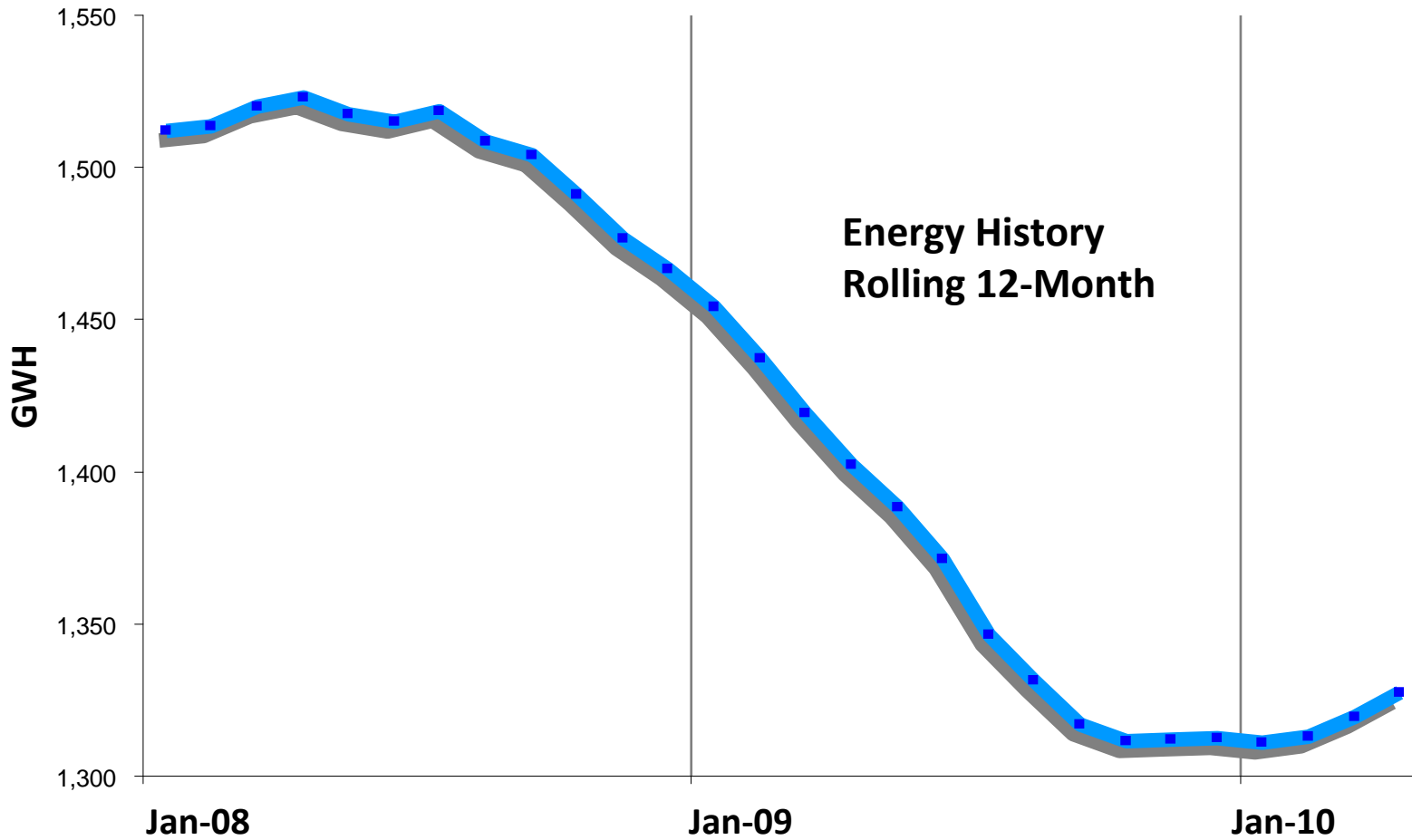
NIPSCO's Peak Demand Forecast

Weather Normalized Peak Load (MW)



Summer 2010 Supply/Demand Outlook

Actual Energy Use Shows Uptick



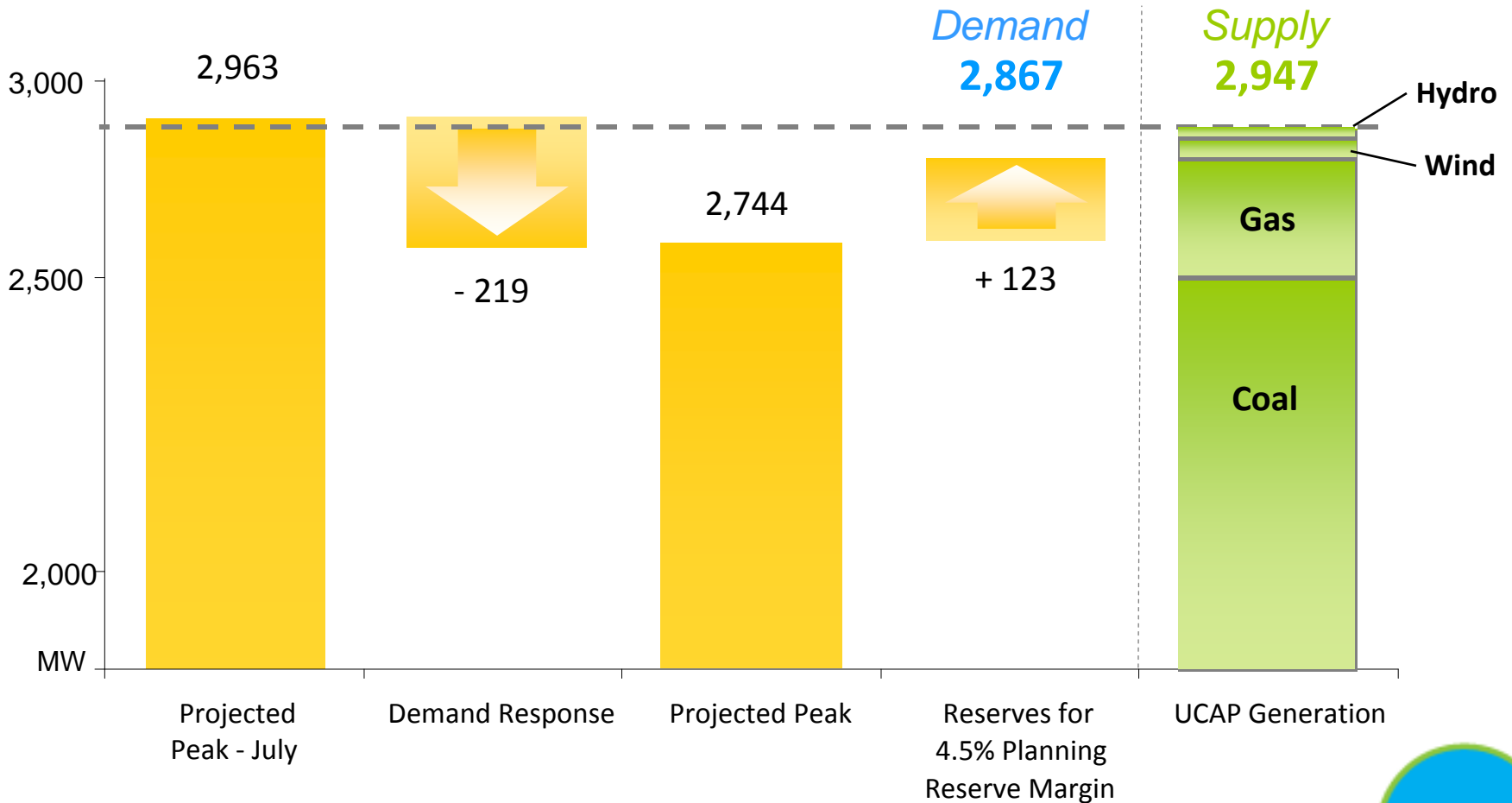
Summer 2010 Supply/Demand Outlook

Signs of Recovery, But Not Across All Sectors

| <u>Segment (MWh)</u> | <u>Q1 '08</u> | <u>Q1 '09</u> | <u>Q1 '10</u> | <u>Change ('09 - '10)</u> | |
|----------------------------------|---------------|---------------|---------------|---------------------------|----------------|
| Metals | 30,185 | 27,612 | 33,471 | 5,859 | 21.22% |
| Steel Related | 488,283 | 388,403 | 410,803 | 22,400 | 5.77% |
| Foods | 38,460 | 34,854 | 36,480 | 1,626 | 4.66% |
| Steel | 1,162,944 | 888,861 | 896,530 | 7,669 | 0.86% |
| Petroleum Refining | 133,120 | 123,760 | 121,310 | (2,450) | -1.98% |
| Printing & Publishing | 20,256 | 20,506 | 19,526 | (979) | -4.78% |
| Chemicals | 7,309 | 7,431 | 6,918 | (513) | -6.91% |
| Consumer Products | 13,176 | 12,636 | 10,777 | (1,859) | -14.72% |

Summer 2010 Supply/Demand Outlook

Capacity In Place to Meet Customers' Needs



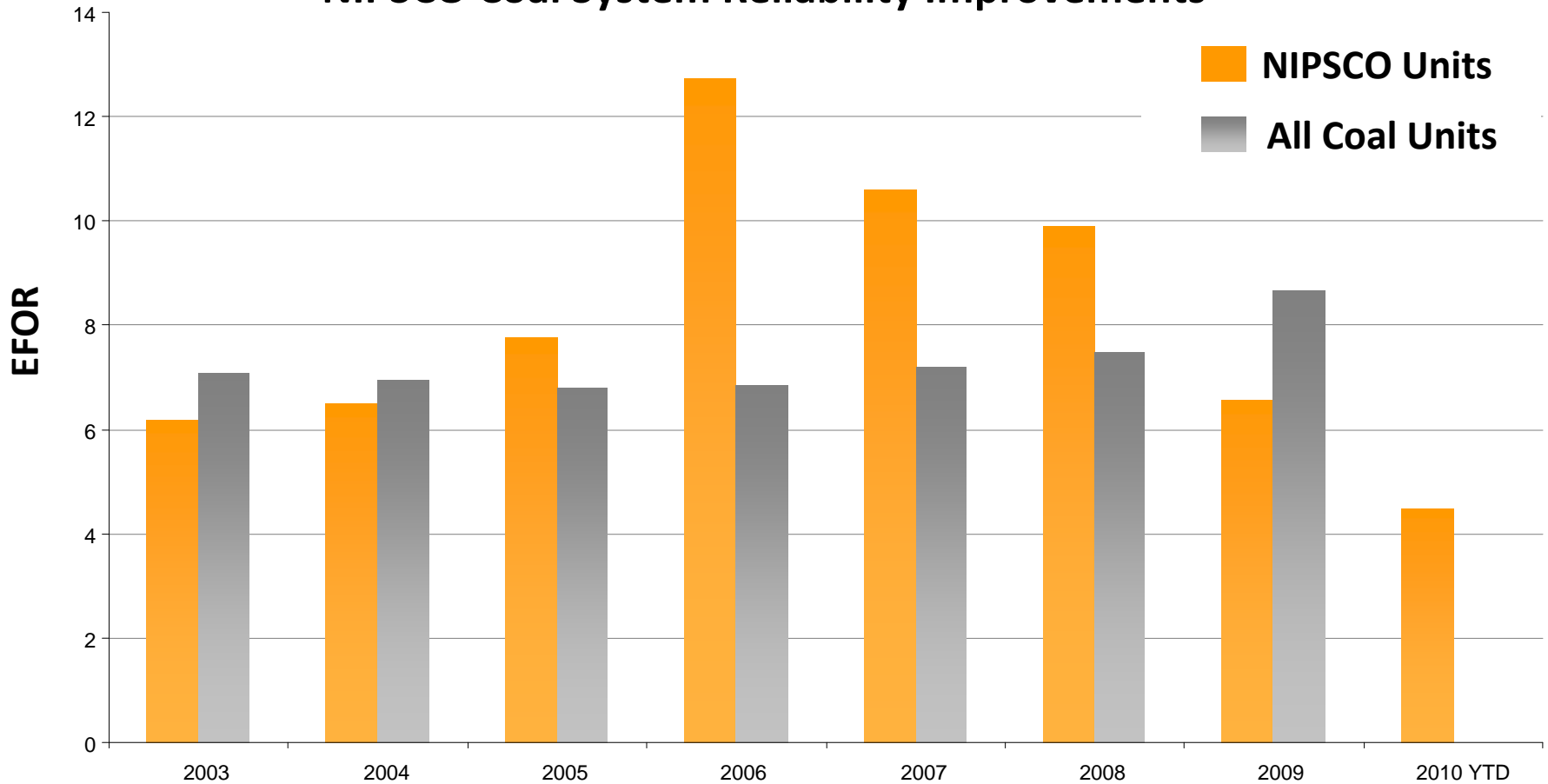
Steps Taken To Prepare

Generation Reliability

- **\$135 Million Investment**
 - Schahfer Unit 17: Completed standard boiler outage (SBO), reheater tube replacement
 - Bailly Unit 8: On path with extensive 15-week planned outage
 - Schahfer Unit 18: Fall 2009 SBO, lower water wall panels and superheater sections
 - 41 weeks of planned maintenance outage from Oct 2009 to May 2010
- **Ongoing Reliability Improvement Plan**
 - Fall 2010: Bailly Unit 7 and Michigan City Unit 12
 - Spring 2011: Schahfer Units 14, 15, Bailly Unit 8
- **Solid Coal Inventory Position**
 - Slightly above system target inventory of 1.1 million tons (42 days of inventory)
 - Successful 2009 fuel procurement strategy
 - Deferred tons into 2010
 - Did not buy spot tons in 2009
 - 2010 flexibility for 18% spot market purchases
- **Natural Gas Supplies Available, Prices Stable**

Steps Taken To Prepare

NIPSCO Coal System Reliability Improvements

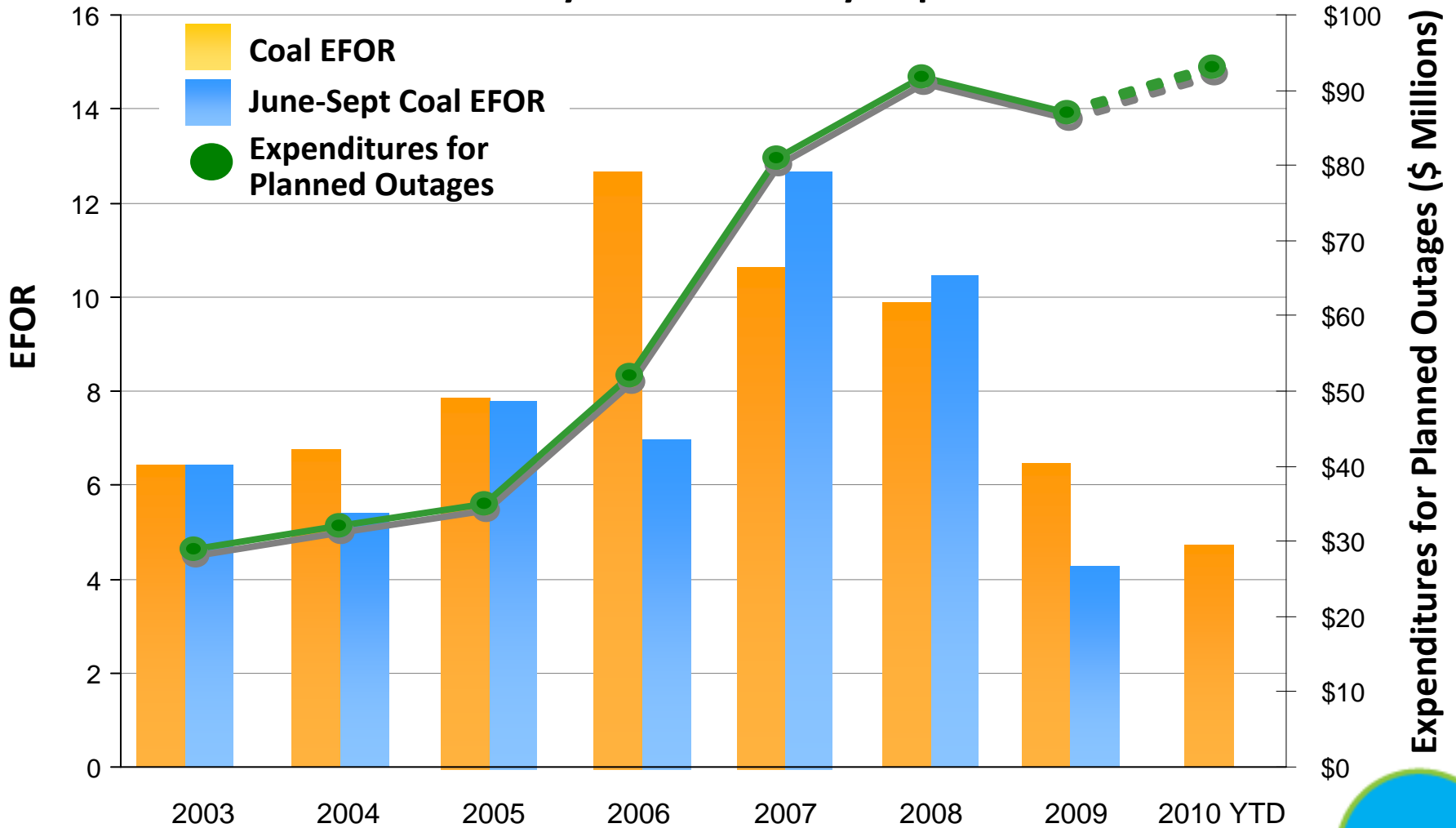


Source: NERC GADS system



Steps Taken to Prepare

NIPSCO Coal System Reliability Improvements



Steps Taken to Prepare

Transmission Reliability

- **\$22 Million Investment**
 - 345kV relay and breaker upgrades
 - 138kV breakers, conductors, relay upgrades, other enhancements
 - 69kV circuit conductor replacement
 - St John 345/138kV transformer replacement
 - New 138/69 kV substation at Leesburg
 - Cyber, physical and substation security
 - Upgrade 138/69kV transformer capacity at E. Winamac Substation
- **No Significant Operational Events**

Steps Taken to Prepare

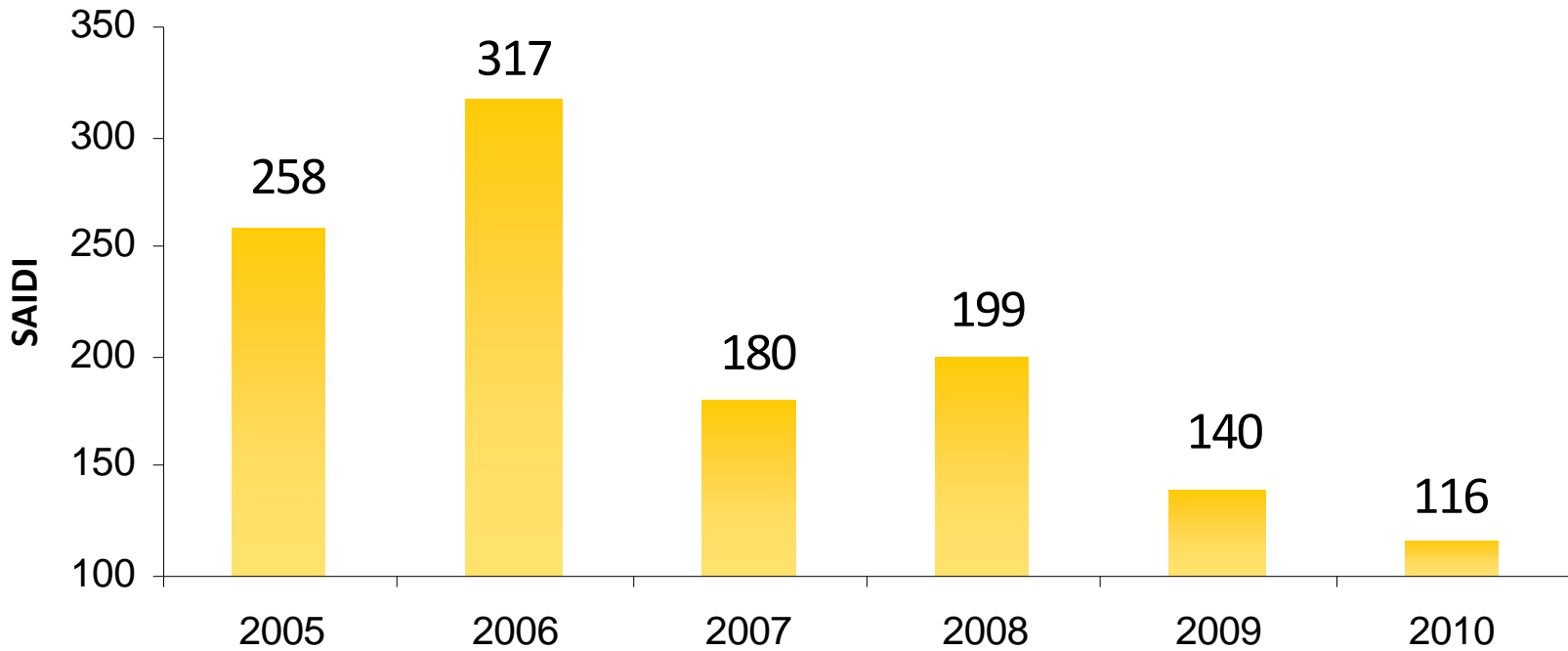
Distribution Reliability/Customer Service

- **Reliability Initiatives**
 - \$3 million investment in circuit capacity and automation in growth areas
 - Infrared inspection prior to June 1
 - Improved coordination of field dispatch operations
- **Customer Service Enhancements**
 - Enhanced web outage information, including estimated restoration times
 - Zero justified complaints for eight consecutive months
 - Lower than average IURC complaint rate



Significant Improvement in SAIDI

Distribution Reliability - SAIDI Improvement Trend



Net Metering

- **21 Residential Customers**
- **45 kW solar**
- **35 kW wind**
- **Tariff**
 - Residential Customers and Schools (K-12) with 10 kW generation or less
 - Solar, wind or hydro electric generating projects



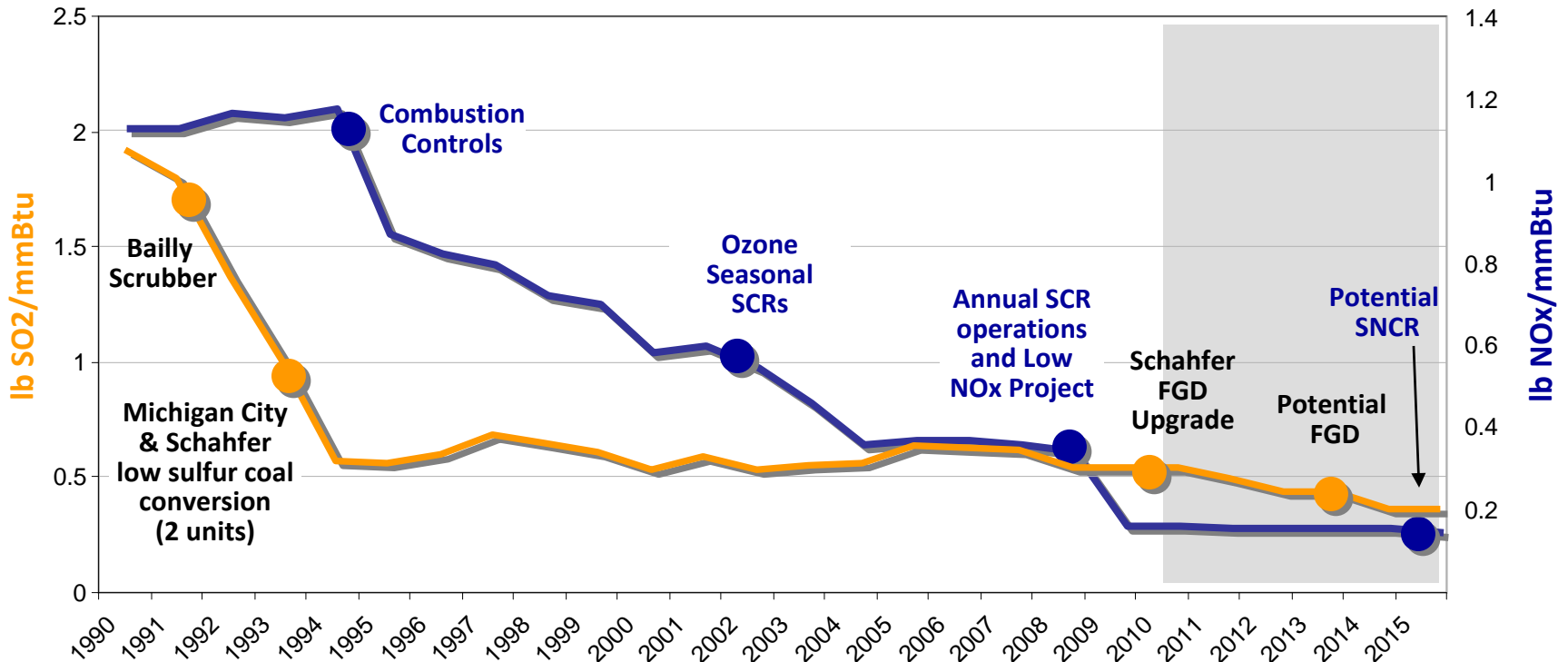
Continued Strong Environmental Commitment

| NIPSCO Unit (capacity) | SCR / SNCR NO _x Control | FGD SO ₂ Control | Mercury Control |
|------------------------------|---------------------------------------|--------------------------------|--------------------|
| Bailly Station | | | |
| Unit 7 (160 MW) | ✓ | ✓ | ✓ |
| Unit 8 (320 MW) | ✓ | ✓ | ✓ |
| Michigan City Station | | | |
| Unit 12 (469 MW) | ✓ | \$167M | \$4M |
| Schahfer Station | | | |
| Unit 14 (431 MW) | ✓ | \$154M | \$4M |
| Unit 15 (472 MW) | \$10M | \$159M | \$48M |
| Unit 17 (361 MW) | \$10M | ✓ | \$3M |
| Unit 18 (361 MW) | \$10M | ✓ | \$3M |
| Sugar Creek Station | | | |
| Sugar Creek (535 MW) | ✓ | NA | NA |



Continued Strong Environmental Commitment

Investments Result in Significant NO_x and SO₂ Reductions



Continued Strong Environmental Commitment

- **Achieve environmental compliance through local investments**
 - Jobs in environmental construction, maintenance
- **Reduce emissions locally versus purchasing out-of-state pollution allowances**
 - Improves air quality in NW Indiana
- **Enhance Indiana economic development opportunities**
 - Attainment opens door to business expansion in NW Indiana



Conclusion

NIPSCO has adequate resources and infrastructure to meet our customers' needs during summer 2010.

