Winter Natural Gas Forum

Northern Indiana Energy
Presentation to the Indiana Utility Regulatory Commission

Jimmy D. Staton
Executive Vice President & Group CEO
October 15, 2010
Agenda

- Service Territory/Customer Demographics
- Winter Bill Projections
- NIE Gas Portfolio
- Energy Efficiency Programs
- Enhanced Comparability Information
- Service Options
NIE Service Territory

- **NIPSCO**: 28 Counties
- **NIFL**: 5 Counties
- **Kokomo Gas**: 6 Counties
## Service Territory Demographics

October 1, 2010

<table>
<thead>
<tr>
<th>Customers</th>
<th>NIPSCO-Gas</th>
<th>NIFL</th>
<th>Kokomo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>568,588</td>
<td>36,480</td>
<td>30,065</td>
</tr>
<tr>
<td>Commercial</td>
<td>41,079</td>
<td>3,611</td>
<td>2,458</td>
</tr>
<tr>
<td>Industrial</td>
<td>2,181</td>
<td>166</td>
<td>22</td>
</tr>
<tr>
<td>Total Sales</td>
<td>611,848</td>
<td>40,257</td>
<td>32,545</td>
</tr>
<tr>
<td>Choice</td>
<td>101,164</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transportation</td>
<td>199</td>
<td>95</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total Customers</strong></td>
<td><strong>713,211</strong></td>
<td><strong>40,352</strong></td>
<td><strong>32,557</strong></td>
</tr>
</tbody>
</table>

### Throughput (Dth)

<table>
<thead>
<tr>
<th></th>
<th>NIPSCO-Gas</th>
<th>NIFL</th>
<th>Kokomo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>47,661,280</td>
<td>2,819,848</td>
<td>2,486,436</td>
</tr>
<tr>
<td>Commercial</td>
<td>15,919,463</td>
<td>1,131,488</td>
<td>934,408</td>
</tr>
<tr>
<td>Industrial</td>
<td>12,954,711</td>
<td>318,859</td>
<td>197,254</td>
</tr>
<tr>
<td><strong>Transportation (incl. Choice)</strong></td>
<td>178,465,661</td>
<td>8,138,941</td>
<td>2,698,191</td>
</tr>
<tr>
<td><strong>Total Throughput</strong></td>
<td><strong>255,001,115</strong></td>
<td><strong>12,409,136</strong></td>
<td><strong>6,316,289</strong></td>
</tr>
</tbody>
</table>
## Winter Bill Impacts - Residential

<table>
<thead>
<tr>
<th>Company</th>
<th>5-Year Average Actual Pricing (Normal Usage)²</th>
<th>2009/2010¹ Actual Pricing (Normal Usage)²</th>
<th>2010/2011 Projected Bill (Normal Usage)²</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIPSCO</td>
<td>$651</td>
<td>$289</td>
<td>$519</td>
</tr>
<tr>
<td>NIFL</td>
<td>$588</td>
<td>$414</td>
<td>$463</td>
</tr>
<tr>
<td>Kokomo</td>
<td>$644</td>
<td>$551</td>
<td>$510</td>
</tr>
</tbody>
</table>

- **NIE** defines heating season as November to March
- **Forecast** based on actual storage/hedging; market prices based on NYMEX futures closing price for October 5th
- **Residential projections** announced on October 13th

¹ The increase from 2009/2010 to 2010/2011 reflects the expiration of a gas purchase adjustment credit. Without this credit, actual bills would have been near the projected bills for this winter.

² Normal usages is NIPSCO – 640 therms; NIFL – 577 therms; and Kokomo – 635 therms
NIE Gas Portfolio
# Peak Day Supply Mix

<table>
<thead>
<tr>
<th>Portfolio Components</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage</td>
<td>75.48%</td>
</tr>
<tr>
<td>Delivered Supply</td>
<td>5.15%</td>
</tr>
<tr>
<td>Transported Supply</td>
<td>19.37%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

![Pie chart showing supply mix]

- **Storage**: 0.833 Bcf
- **Delivered Supply**: 0.057 Bcf
- **Transported Supply**: 0.214 Bcf
Winter Price Mix

<table>
<thead>
<tr>
<th>Winter Supply Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage (Fixed Price)</td>
</tr>
<tr>
<td>Hedges (Fixed Price)</td>
</tr>
<tr>
<td>Floating (Market Price)</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

- Floating (Market Price): $3.92 per Dth
- Storage (Fixed Price): $4.23 per Dth
- Hedges (Fixed Price): $6.33 per Dth
Asset Portfolio – Diverse and Uniquely Positioned

- Canada
- Rocky Mountains
- Midcontinent
- TexOk
- Gulf Coast

LNG Facilities
Transportation
Supply Area Storage
Pipeline Storage
Asset Portfolio – Flexible, Reliable and Integrated

Interconnected to 7 Interstate Pipelines, 3 On-System Storage Facilities, and Major Supply Basins
## Transported Supply Mix

### Long-Haul Contracted Services

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Off-Peak MDQ (Dth)</th>
<th>Peak MDQ (Dth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANR</td>
<td>48,792</td>
<td>59,352</td>
</tr>
<tr>
<td>Crossroads</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>NGPL</td>
<td>134,726</td>
<td>185,284</td>
</tr>
<tr>
<td>Panhandle</td>
<td>65,915</td>
<td>82,083</td>
</tr>
<tr>
<td>Trunkline</td>
<td>60,188</td>
<td>108,338</td>
</tr>
<tr>
<td></td>
<td>317,620</td>
<td>443,056</td>
</tr>
</tbody>
</table>

### Peak MDQ (Dth)
- Trunkline: 24.45%
- ANR: 13.4%
- Panhandle: 18.53%
- NGPL: 41.82%
- Crossroads: 1.81%

### Off-Peak MDQ (Dth)
- Trunkline: 18.95%
- ANR: 15.36%
- Panhandle: 20.75%
- NGPL: 42.42%
- Crossroads: 2.52%
Residential Energy Efficiency
# NIPSCO Gas Efficiency Programs

## 2010/2011 Programs

### Appliance Rebate Program
- Rebates for high efficiency furnaces, boilers, water heaters, and programmable thermostats

### New Construction Program
- Encourage builders to adopt Energy Star standards in new homes through rebates

### Low Income Furnace Replacement Program
- Program targeting customers up to 150% of Federal poverty guidelines

### Multi-Family Direct Install Program
- Installation of energy efficient water fixtures in rental units to reduce hot water consumption

### Home Retrofit Program
- Home energy audit and incentives for installation of recommended energy savings measures

### Think!Energy 5th Grade Elementary Education Program
- Energy efficiency education and take-home kits provided to students in gas service territory

<table>
<thead>
<tr>
<th>Program</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appliance Rebate Program</td>
<td>14,811 Rebates</td>
</tr>
<tr>
<td>New Construction Program</td>
<td>347 Homes</td>
</tr>
<tr>
<td>Low Income Furnace Replacement Program</td>
<td>160 Replacements</td>
</tr>
<tr>
<td>Multi-Family Direct Install Program</td>
<td>1,000 Installs</td>
</tr>
<tr>
<td>Home Retrofit Program</td>
<td>477 Audits</td>
</tr>
<tr>
<td>Think!Energy 5th Grade Elementary Education Program</td>
<td>4,047 Students</td>
</tr>
</tbody>
</table>

**Total Annual Estimated Net Therm Savings**: 1,149,665

**Total Annual Estimated Dollar Savings**: $1,038,619
NIPSCO’s Appliance Rebate Program

- “Save Energy” Web Page
- “Save in the Shade” Summer Tour
- Customer Bill Inserts and Newsletters
- News Coverage
- Trade Ally/Contractor Outreach
- Indiana Builders Outreach

Quick Reference Guide

EnergyHarvest Appliance Rebate Program

Residential Appliance Product Rebates

- If you are a NIPSCO or NIPSCO Climate System customer, you may be eligible for the NIPSCO Appliance Rebate Program. Visit the program website for resident details.

- If you are interested in purchasing a specific model and retailer at an energy-efficient home, please contact us for more information.

- Incentivized programs are limited, so please make sure to check on the website before you visit a retailer.

- NIPSCO’s Appliance Rebate Program aims to help customers save energy and reduce costs. For more information, please visit www.NIPSCO.com/SaveEnergy.
Energy Efficiency Programs Outreach
Energy Efficiency Education Outreach

- 5th Grade Student Education
  4,047 students

- Program will begin in November 2010
  Students will be trained in energy efficiency and conservation measures
Information on Comparable Alternative Products

**Web Site to Offer ‘One Stop’ Customer Info**

- Terms for all available products:
  - Price (and change methodologies)
  - Length of contract
  - Termination fee
- NIPSCO’s current GCA rate
- Updated monthly (or more often)
- Contact information for all providers

Launched on October 1, 2010
## NIPSCO Provides Customer Options

<table>
<thead>
<tr>
<th></th>
<th>Customers at 10/01/09</th>
<th>Customers at 10/01/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NIPSCO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GCA Service</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ NIPSCO purchases gas and arranges for portfolio on customers behalf</td>
<td>542,180</td>
<td>563,955</td>
</tr>
<tr>
<td>✓ Gas prices fluctuate monthly with market conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NIPSCO Choice</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ NIPSCO Choice provides gas customers the opportunity to choose their gas supplier</td>
<td>108,017</td>
<td>101,164</td>
</tr>
<tr>
<td>✓ Continue to receive delivery of gas through the current NIPSCO distribution system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Presently 12 marketers approved to operate on NIPSCO system</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PPS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Under PPS Fixed Price option, customers pay the same price per therm</td>
<td>45,011</td>
<td>40,064</td>
</tr>
<tr>
<td>✓ Under PPS Capped Price option, the gas supply charge will be capped for 12 months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Gas delivery charges on customers’ bills vary from month-to-month depending on how much gas is used under either Fixed Price or Capped option</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DependaBill</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Customized based on gas usage history and the historical temperatures in the area</td>
<td>12,304</td>
<td>7,829</td>
</tr>
<tr>
<td>✓ The fixed payment remains the same for the 12-month term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ No interim adjustment or end-of-year settle-up due to usage or gas prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ DependaBill guarantees a fixed monthly bill, but not guaranteed savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Company (excludes C&amp;I transport)</strong></td>
<td>707,512</td>
<td>713,012</td>
</tr>
<tr>
<td><strong>Percentage Receiving Options</strong></td>
<td>23%</td>
<td>21%</td>
</tr>
</tbody>
</table>
# Budget Billing Results

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Plan Customers</td>
<td>As Percentage Company Total</td>
</tr>
<tr>
<td>NIPSCO</td>
<td>212,627</td>
<td>30%</td>
</tr>
<tr>
<td>NIFL</td>
<td>10,173</td>
<td>26%</td>
</tr>
<tr>
<td>Kokomo</td>
<td>11,464</td>
<td>35%</td>
</tr>
</tbody>
</table>

- ✓ Customers pay the same amount each month throughout the entire year
- ✓ Monthly statement will always show the status of customer’s account
- ✓ Each May, the amount paid is compared to actual usage to determine if customers have overpaid or underpaid
- ✓ Debit and credit balances, will be adjusted accordingly
Summary

• NIPSCO’s diverse asset portfolio continues to generate value for its customers

• NIPSCO’s alternative products give customers the ability to manage their own gas cost exposure

• NIPSCO continues to expand its energy efficiency and conservation programs to help customers reduce their bills
Appendix
### Demand Snapshot – Steel Production

<table>
<thead>
<tr>
<th>Week</th>
<th>National Capacity Utilization</th>
<th>National Production (tons)</th>
<th>Indiana/Chicago Production (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 25, 2010</td>
<td>70.8%</td>
<td>1,712,000</td>
<td>449,000</td>
</tr>
<tr>
<td>September 26, 2009</td>
<td>58.3%</td>
<td>1,392,000</td>
<td>386,000</td>
</tr>
<tr>
<td>September 27, 2008</td>
<td>83.2%</td>
<td>1,986,000</td>
<td>480,000</td>
</tr>
</tbody>
</table>

*Source: American Iron and Steel Institute*
Storage Refill and Pricing

$2.00
$2.50
$3.00
$3.50
$4.00
$4.50
$5.00
$5.50

4/1/2010
4/15/2010
4/29/2010
5/13/2010
5/27/2010
6/10/2010
6/24/2010
7/8/2010
7/22/2010
8/5/2010
8/19/2010
9/2/2010
9/16/2010
9/30/2010
10/14/2010
10/28/2010

$/Dth

Inventory Cost - $4.23 per Dth

2010 Daily Chicago Citygate Price
2010 vs. 2009 Pricing (Chicago City-gate)

2009 Daily Chicago Citygate Price
2010 Daily Chicago Citygate Price
Cinergy On-Peak vs. Chicago Citygate (10 day Rolling Average)
Prompt Month NYMEX

$/MMBtu

- Black: 2007-2008
- Blue: 2008-2009
- Purple: 2009-2010
- Green: 2010-2011

Months:
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan
- Feb
- Mar
NYMEX Forward Strip

$/MMBtu

Nov-10  Feb-11  May-11  Aug-11  Nov-11  Feb-12  May-12  Aug-12  Nov-12  Feb-13

10/03/08  09/30/09  09/30/10
Changing Basis Relationships

- **Rocky Mountains**
- **Midcontinent**
- **TexOk**
- **Gulf Coast**

- **Rockies Express**
- **TCO**

- **Chicago**
  - 2009: $0.1460
  - 2010: $0.0350

- **TexOk**
  - 2009: $(0.1930)
  - 2010: $(0.1900)

- **Gulf Coast**

- **TCO**
  - 2009: $0.1785
  - 2010: $0.1275