Summer 2011 Preparedness

Northern Indiana Public Service Company
Indiana Utility Regulatory Commission

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May 23, 2011
NIPSCO Management

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Director Environmental Policy & Permitting
Overview

- **Summer 2011 Outlook**
  - Capacity in Place to Meet Customers’ Needs

- **Steps Taken to Prepare**
  - Investments in Generation, Transmission, Distribution
  - Compliance with Cyber Security
  - Enhanced Energy Efficiency and Demand Response
  - Improving the Customer Experience

- **Opportunities for Summer 2011 and Beyond**
  - Continued Environmental Focus
  - Future Opportunities
NIPSCO Electric Generation Assets

**R.M. Schahfer Generating Station**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Yr. in Service</th>
<th>Net Cap. MW</th>
<th>Primary Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>1976</td>
<td>431</td>
<td>Coal</td>
</tr>
<tr>
<td>15</td>
<td>1979</td>
<td>472</td>
<td>Coal</td>
</tr>
<tr>
<td>17</td>
<td>1983</td>
<td>361</td>
<td>Coal</td>
</tr>
<tr>
<td>18</td>
<td>1986</td>
<td>361</td>
<td>Coal</td>
</tr>
<tr>
<td>16 A,B</td>
<td>1979</td>
<td>78,77</td>
<td>Gas</td>
</tr>
</tbody>
</table>

**Bailly Generating Station**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Yr. in Service</th>
<th>Net Cap. MW</th>
<th>Primary Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>1962</td>
<td>160</td>
<td>Coal</td>
</tr>
<tr>
<td>8</td>
<td>1968</td>
<td>320</td>
<td>Coal</td>
</tr>
<tr>
<td>10</td>
<td>1968</td>
<td>31</td>
<td>Gas</td>
</tr>
</tbody>
</table>

**Sugar Creek Generating Station**

<table>
<thead>
<tr>
<th>Yr. in Service</th>
<th>Net Cap. MW</th>
<th>Primary Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant</td>
<td>2002/03</td>
<td>Gas</td>
</tr>
</tbody>
</table>

**Norway & Oakdale Hydroelectric**

<table>
<thead>
<tr>
<th>Dam</th>
<th>Yr. in Service</th>
<th>Net Cap. MW</th>
<th>Primary Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>1923</td>
<td>4</td>
<td>Water</td>
</tr>
<tr>
<td>Oakdale</td>
<td>1925</td>
<td>6</td>
<td>Water</td>
</tr>
</tbody>
</table>

**Michigan City Generating Station**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Yr. in Service</th>
<th>Net Cap. MW</th>
<th>Primary Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>1974</td>
<td>469</td>
<td>Coal</td>
</tr>
</tbody>
</table>
Summer 2011 Supply/Demand Outlook

NIPSCO’s Peak Demand Forecast
Weather Normalized Peak Load (MW)

Historic

<table>
<thead>
<tr>
<th>Year</th>
<th>Peak Demand (MW)</th>
<th>Incremental Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3,208</td>
<td>-57 MW</td>
<td>-1.8%</td>
</tr>
<tr>
<td>2008</td>
<td>3,151</td>
<td>-376 MW</td>
<td>-11.9%</td>
</tr>
<tr>
<td>2009</td>
<td>2,775</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>3,070</td>
<td>+295 MW</td>
<td>+10.6%</td>
</tr>
<tr>
<td>2011</td>
<td>Forecast: 3,166</td>
<td>+96 MW</td>
<td>+3.1%</td>
</tr>
</tbody>
</table>

Forecast: 3,166

+96 MW
+3.1%
Summer 2011 Supply/Demand Outlook

Capacity (MW) In Place to Meet Customers' Needs

- Projected Peak July: 3,166
- Demand Response July: -175
- Projected Peak: 2,991
- 3.81% Planning Reserve Margin: +114
- UCAP Generation: 3,080
- Gas: 686
- Coal: 2,378
- Hydro 5: 150
- Wind 11: 66

Projected Peak July: 3,166
Demand Response July: -175
Projected Peak: 2,991
3.81% Planning Reserve Margin: +114
 UCAP Generation: 3,080
Gas: 686
Coal: 2,378
Hydro 5: 150
Wind 11: 66
Generation System and Reliability Improvements

• $71 Million O&M and Capital Outage Investment
  – Fall 2010: Bailly Unit 7 and Michigan City Unit 12 completed standard boiler outages
  – April 2011: Schahfer Unit 14 completed boiler, turbine overhauls, rewinding generator rotor and stator
  – May 2011: Schahfer Unit 15 completed standard boiler outage
  – May 2011: Bailly Unit 8 completing standard boiler outage
  – June 2011: Bailly Unit 7 completing standard boiler outage and generator work
  – September 2010 – May 2011: Total of 39 weeks of planned maintenance outage

• Ongoing Reliability Improvement Plan
  – Fall 2011: Schahfer Unit 18
  – Spring 2012: Michigan City Unit 12, Bailly Units 7 & 8 and Schahfer Unit 17

• Solid Coal Inventory Position
  – At system target inventory of 40 days
  – Pricing flexibility provided by 20% spot market purchases

• Natural Gas Supplies Available, Prices Stable
Solid Generation Reliability

![Bar chart showing Solid Generation Reliability from 2006 to 2011. The chart compares NIPSCO Coal EFOR and NERC Coal Units.](chart.png)
Transmission & Distribution System, Technology Upgrades

- **$26 Million in Transmission, Distribution Reliability Investment**
- **Added Capacity for Peak Day Deliverability**
  - New 345/138KV transformer at Green Acres substation
  - Two new and three upgraded distribution substations with new circuit feeders in NW Indiana
- **Replaced Aging Substation Equipment to Ensure Reliability**
  - Transmission substation relays and circuit breaker replacements
  - Transformer replacements in various distribution substations
- **Prepared Electric System for Summer Operations**
  - Infrared inspections of substation equipment
  - Transmission operating guides, emergency plans reviewed with MISO
- **Enhanced Restoration Capabilities**
  - Automated callout system in dispatch center
  - Integrated Outage Management System with in-vehicle, GPS enabled, mobile computers
Significant Improvement in Distribution Reliability

SAIDI Improvement Trend

- 2007: 180
- 2008: 199
- 2009: 140
- 2010: 122
- 2011: 110
Enhancing Cyber Security

• **Leadership Role in Cyber Security**
  – Chair the NERC Regional Reliability Organization (ReliabilityFirst) Critical Infrastructure Protection Committee
  – Assist in the development of national grid security alerts with NERC
  – Participate in the development and execution of national level cyber security and disaster exercises, including the U.S. Department of Homeland Security’s Cyber Storm III exercise

• **Comply with Federal CIP Standards**
  – Comprehensive written cyber security policy
  – Implemented plans and procedures to support policy
  – Comprehensive incident response plan, including reporting any attempted probe or breach to the FBI
Enhancing Energy Efficiency Programs

Energy Conservation “Core” and “Core Plus” Programs

- Residential Appliance Recycling Program (August 2010)
- Commercial & Industrial Custom Incentive Program and New Construction Program (January 2011)
- Residential Conservation/Home Energy Report Program (March 2011)
- Core Residential Lighting Incentive Program (May 2011)
- A/C Cycling Program (August 2011)
- Core School Energy Education Kits (November 2011)
Participation in Demand Response Programs

- **NIPSCO Customers Will Participate in MISO Demand Response Programs**
  - Seven customers (172.8 MW) registered for Demand Response Resource Type I - Energy Only Program
  - Five customers (185.8 MW) registered for the Emergency Demand Response - Energy Only (EDR) program

- **MISO Awaiting FERC Approval for Tariff Changes**
Feed-In Tariff and Net Metering

• Gives customers the option to generate their own power from renewable energy
• Settlement Filed April 18, 2011

<table>
<thead>
<tr>
<th>Net Metering</th>
<th>Feed-in Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit applied to bill, offsets individual usage</td>
<td>NIPSCO buys electricity, customer receives a check</td>
</tr>
<tr>
<td>Available to all NIPSCO electric customers (projects up to 1 MW)</td>
<td>Available to all NIPSCO electric customers (projects from 5 kW - 5 MW)</td>
</tr>
<tr>
<td>Wind, solar, hydro</td>
<td>Wind, solar, small hydro, biomass</td>
</tr>
<tr>
<td>Expands existing net metering program</td>
<td>Supports statewide policy and economic development</td>
</tr>
</tbody>
</table>
Leveraging Technology to Improve the Customer Experience

- **Electrical Outage/Streetlight Reporting**
  - Report streetlight out via web (available now)
  - View electric outage information via mobile device (Q4 2011)
  - Report electric outage online via web, mobile device (Q1 2012)
  - Provide outage restoration times via IVR (Q1 2012)
  - Report streetlight out via mobile device (Q1 2012)

- **Mobile Payment Program** *(Q4 2011)*
  - View current balance, amount due, due date via mobile device
  - Pay bill via mobile device

- **Social Media** *(Q2 2011)*
  - Facebook launch

- **At-Home Agent Program** *(Q3 2011)*
  - Remote Customer Service Representative (CSR) pilot program
  - CSRs are first responders during storms and emergencies

- **Email** *(Q4 2011)*
  - Customers receive alerts, energy efficiency tips

- **“Voice of the Customer” Initiative**
New Source Review Consent Decree Settlement

- Court Expected to Finalize in Q2/Q3 2011; Implementation Underway
- In Line with Other Utility Settlements: Limitations on NOx, SO2 and PM
- Resolves New Source Review Past Claims and Some Future Claims
- Avoids Cost and Risk Associated with Litigation
Continued Strong Environmental Commitment

Investments Result in Significant NOx and SO2 Reductions

- Bailly Scrubber
- Michigan City & Schahfer Low Sulfur Coal Conversion (2 units)
- Ozone Seasonal SCRs
- Schahfer Unit 14 FGD
- Schahfer Unit 15 FGD
- Schahfer Unit 17 & 18 FGD Upgrade
- Annual SCR Operations and Low NOx Burner Project
- Michigan City FGD

Lb NOx/mmBtu
Lb SO2/mmBtu

Year:
Future Opportunities

• Revitalizing NW Indiana Economy
  – Build a modern energy infrastructure to attract and retain business
  – Develop creative economic development solutions

• Meeting Customer Needs
  – Enhance customer assistance programs
  – Make it easy to do business with us
  – Enable customers to use less energy

• Modernizing Generation Fleet
  – Continued aggressive EPA regulation with compressed compliance timeframes
  – Balance market demands and aging infrastructure
Conclusion

NIPSCO has adequate resources and infrastructure to meet our customers’ needs during summer 2011.