

A NiSource Company

Northern Indiana Public Service Company

Preparation for Summer 2009

Presentation to the Indiana Utility Regulatory Commission

May 13, 2009

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Overview of Presentation

- 2008 Plan vs. 2008 Experience
 - Supply/Demand
 - Steam System Reliability
 - Notable Events
- Summer 2009 Preparation
 - Demand Forecast
 - Supply/Demand Balance
 - Effect of economic downturn on demand
 - Capacity & Wind Purchases
 - Generation
 - Transmission
 - Distribution



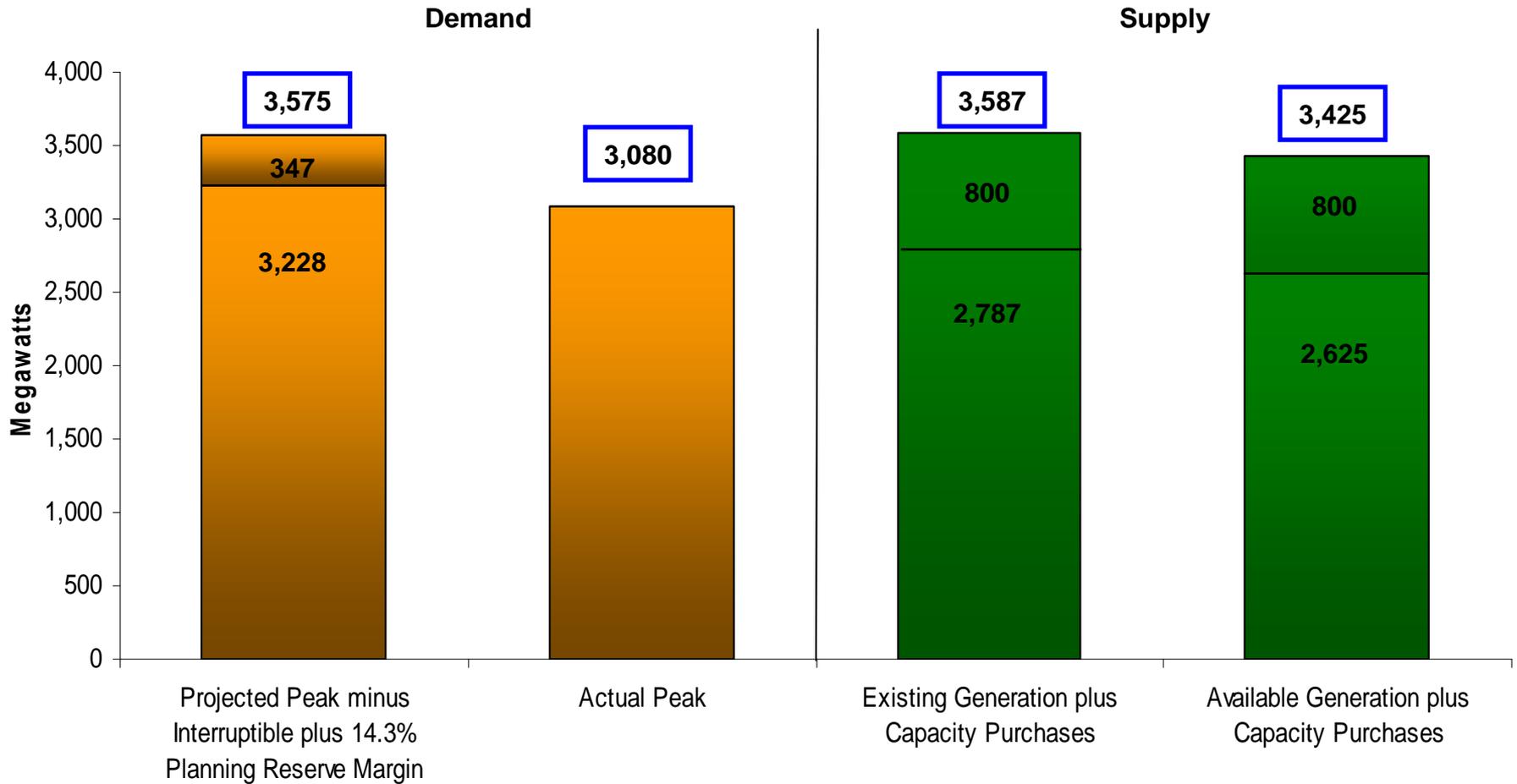


2008 Plan vs. 2008 Experience

- Supply/Demand
- Steam System Reliability
- Notable Events

2008 Actual Supply/Demand Balance

Actual Weather July 17, 2008 87.4°F HE1500 CST

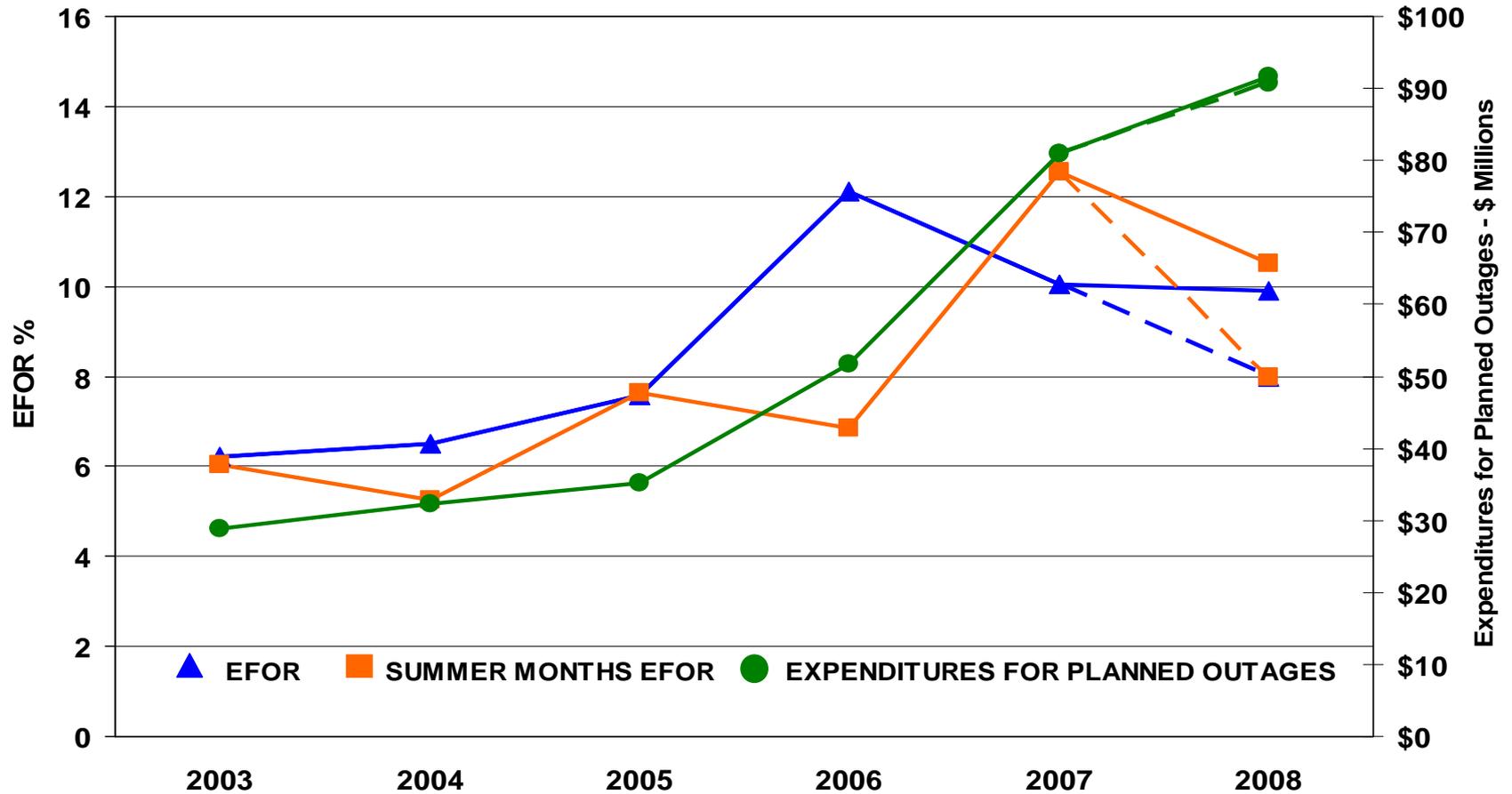


2008 Plan vs. 2008 Experience



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2008 Plan vs. Actual-Steam System Reliability



2008 Plan vs. 2008 Experience



Notable Events

- Unit 16A (Combustion Turbine Peaking Unit)
 - Last June 3, during the summer presentation, NIPSCO advised the Commission that Unit 16A would be available by June 15, 2008
 - On June 11, 2008, during the final reassembly of the generator, it was determined that the generator frame, the bearing brackets, and hydrogen seal gland brackets were distorted
 - After repairs, Unit 16A was released to dispatch on July 17, 2008
- Two Major Storms
 - Early August
 - A thunderstorm with high winds caused significant structural damage to the electric system, interrupting approximately one-third of our customers
 - NIPSCO utilized mutual aid in the six day restoration effort to more than double our internal line resources
 - Late December
 - An ice storm, along with continuous high winds, caused repetitive interruptions to many customers
 - Mutual aid was also used in this five day restoration effort

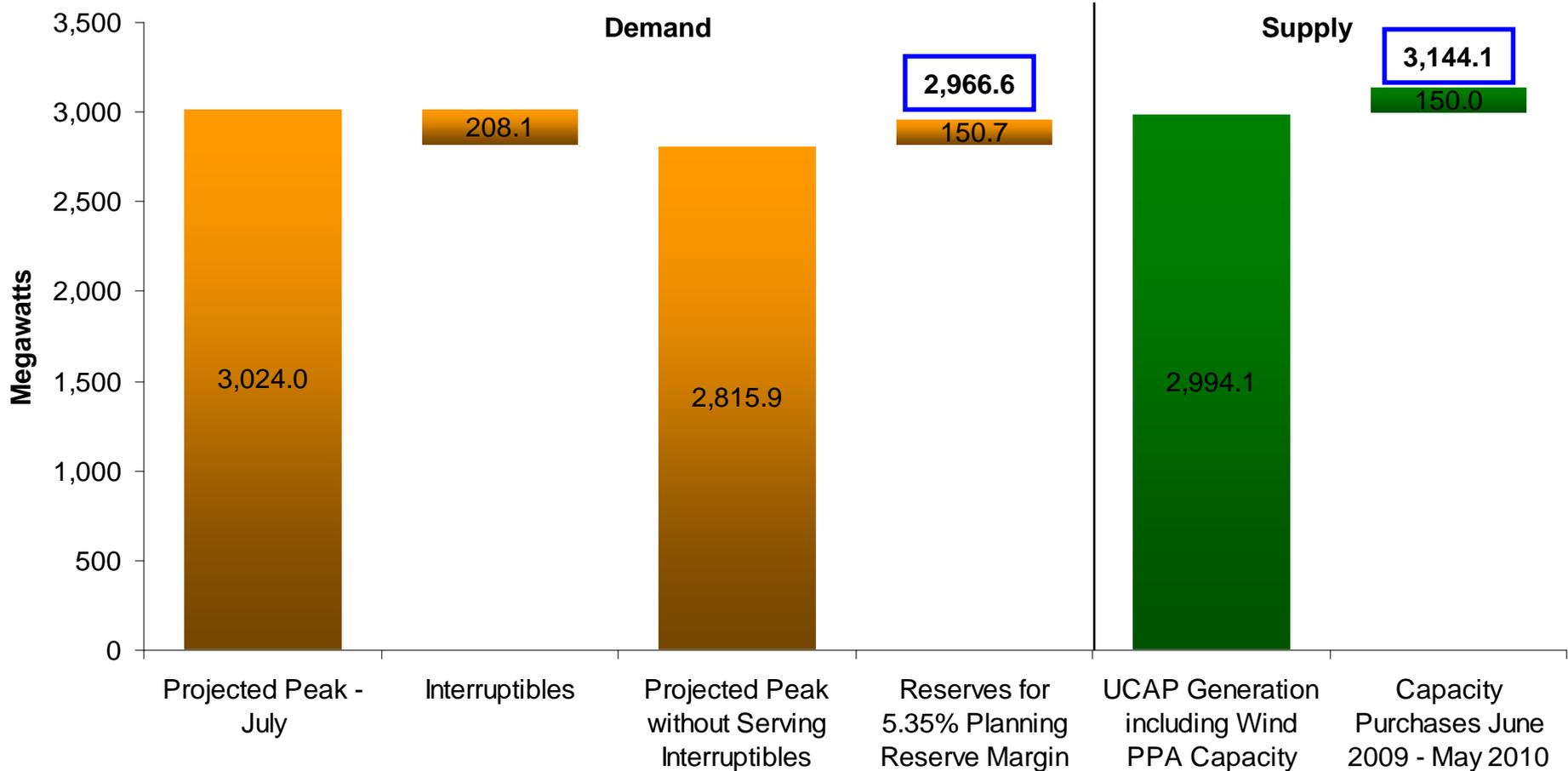


Key Elements for Summer 2009 Preparation

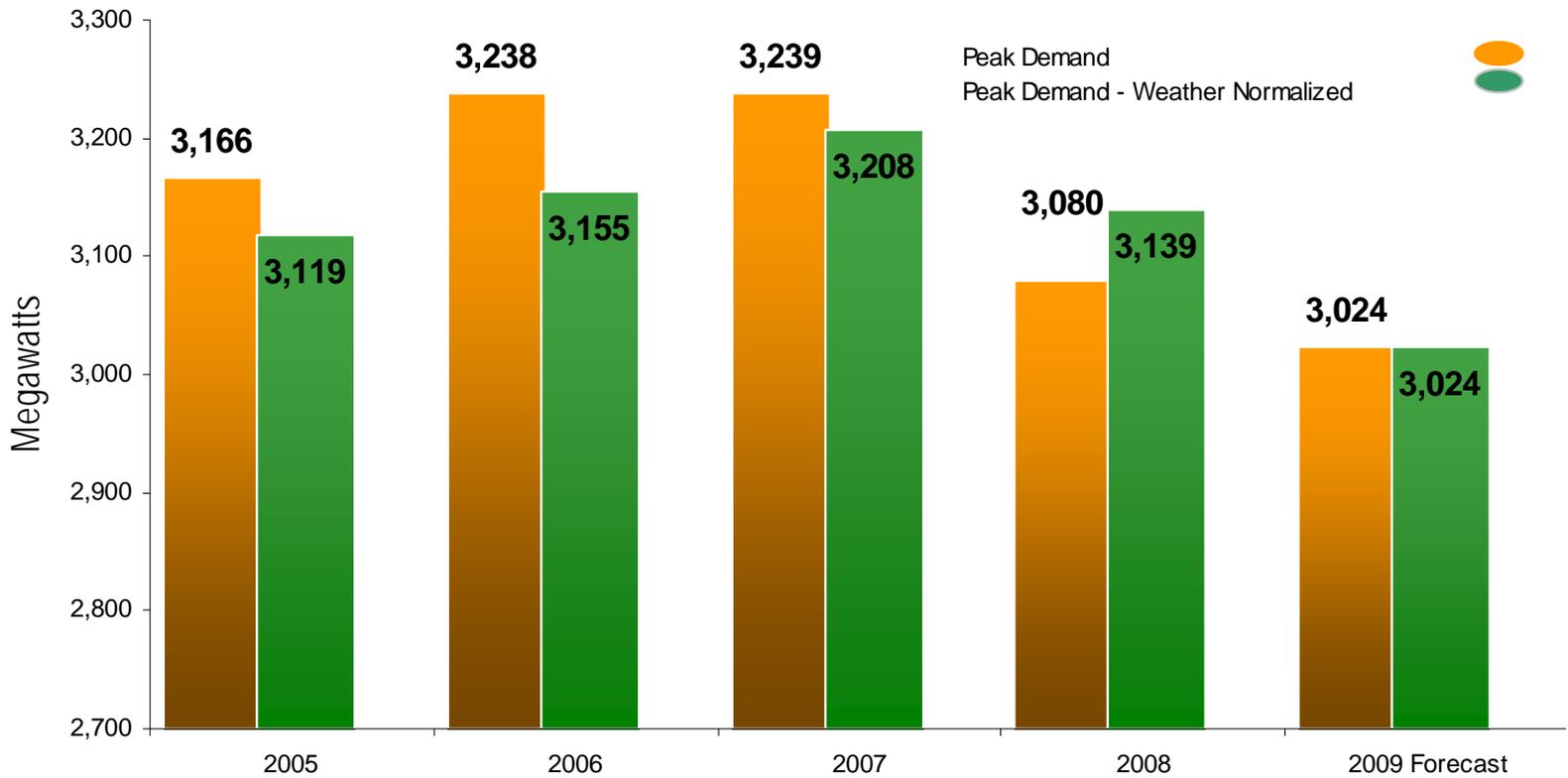
- Demand Forecast
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Summer 2009-Supply/Demand Balance



Peak Demand (MWs)



	2005		2006		2007		2008		2009 Forecast	
MW	3,166	3,119	3,238	3,155	3,239	3,208	3,080	3,139	3,024	3,024
Percent increase/decrease	8.4%	5.7%	2.3%	1.2%	0.0%	1.7%	-4.9%	-2.2%	-1.7%	-3.5%
MW increase/(decrease)	244	168	72	36	1	53	(159)	(69)	(52)	(111)

Summer 2009 Preparation



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Demand Forecast

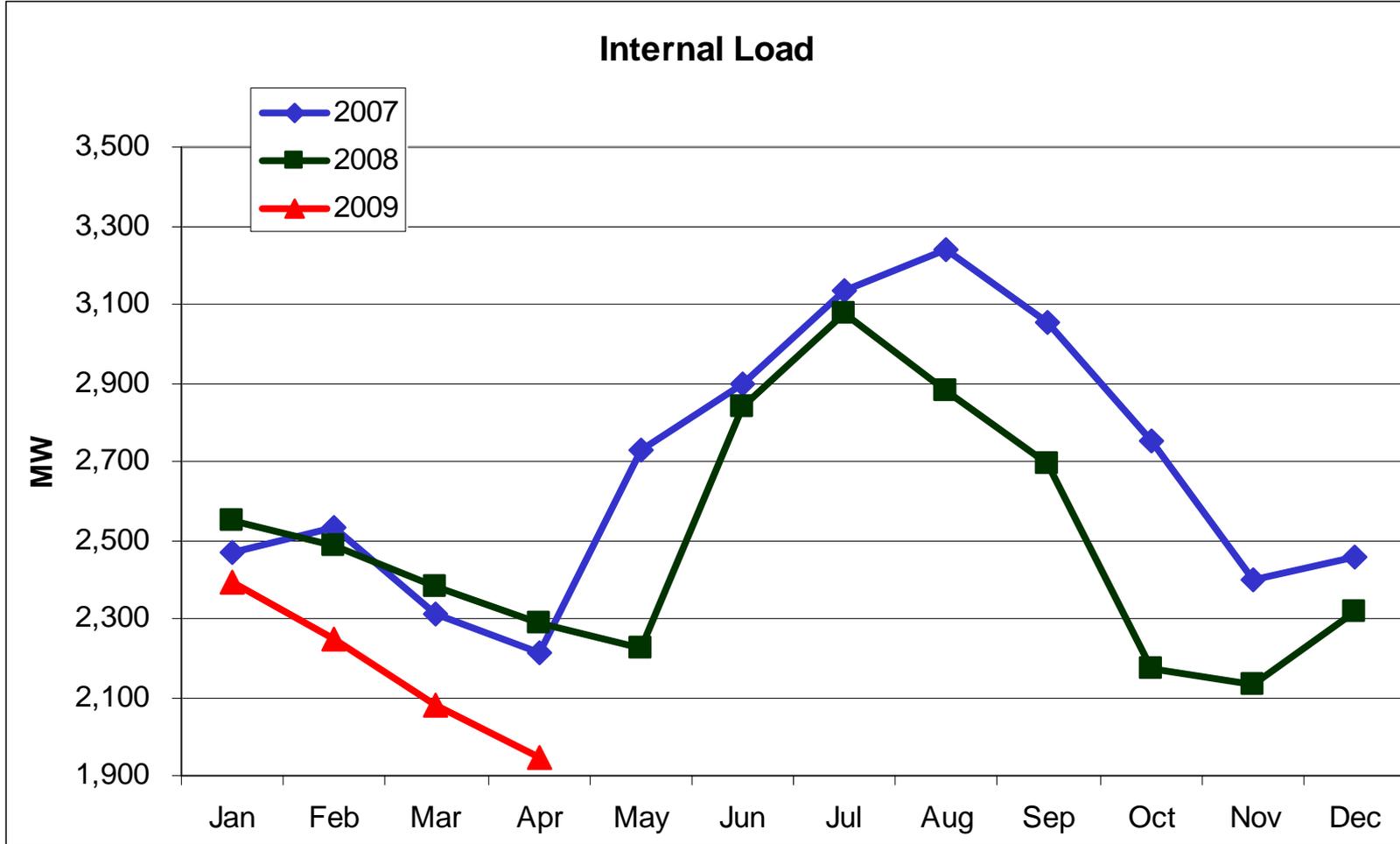
- The major loss of load is concentrated in the steel manufacturing sector, and those companies that support steel manufacturing
- This loss is directly a result of decreased activity in the economy at large. Forward looking indicators (Chicago Purchasing Managers Index (PMI), Steel Scrap prices) indicate that this segment may have bottomed out

<u>Segment</u>	<u>First Qtr 2008</u> <u>(kWh)</u>	<u>First Qtr 2009</u> <u>(kWh)</u>	<u>Difference</u>	<u>Variance</u>
Steel	1,162,944,202	888,860,779	(274,083,423)	-23.57%
Steel Related	488,282,952	388,403,312	(99,879,640)	-20.46%
Petroleum Refining	133,120,000	123,760,000	(9,360,000)	-7.03%
Foods	38,460,326	34,854,463	(3,605,863)	-9.38%
Metals	30,184,888	27,612,032	(2,572,856)	-8.52%
Consumer Products	13,176,000	12,636,000	(540,000)	-4.10%
Chemicals	7,308,756	7,430,976	122,220	1.67%
Printing & Publishing	20,256,000	20,505,600	249,600	1.23%



Demand Forecast

Internal Load

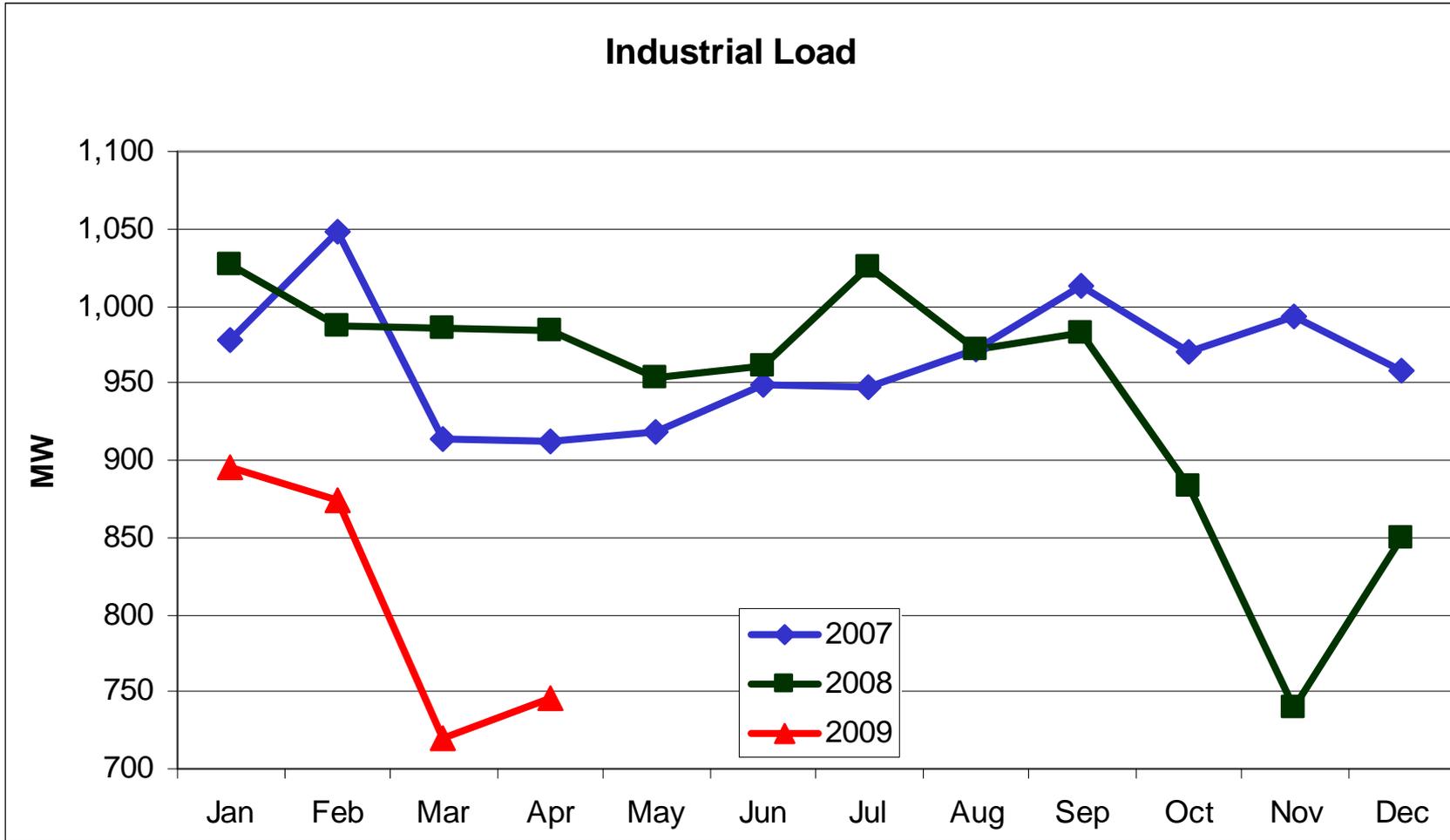


Summer 2009 Preparation



Demand Forecast

Industrial Load



Summer 2009 Preparation



Capacity & Wind Purchases

- On July 30, 2008, NIPSCO purchased 150 MWs of capacity from one supplier for June 1, 2009 through May 31, 2010
 - This capacity purchase points to specific generation units to meet the Midwest ISO requirements
- NIPSCO started receiving energy from Barton Wind and Buffalo Ridge on April 10 and April 15, 2009, respectively
 - NIPSCO is receiving 50MW from Barton and 50.4MW from Buffalo Ridge
 - Includes receipt of renewable energy credits (“RECS”) under the two purchased power contracts



Summer 2009 Generation Preparation



- Sugar Creek was successfully dispatched into Midwest ISO effective December 1, 2008
 - Gaining operating experience and improving coordination of market offers with purchase of gas
 - Optimizing ramp rates in offers to clear more in ASM
 - Combined Cycle operation has advantages
 - Utilized by the Midwest ISO under its RAC process
 - Provides more regulation than steam units
- All units except Unit 10 are scheduled to be available from June 1, 2009 through the end of September
 - Unit 10 is projected to be available at the end of June 2009
 - NIPSCO performed over 34 weeks of planned maintenance outages since last summer

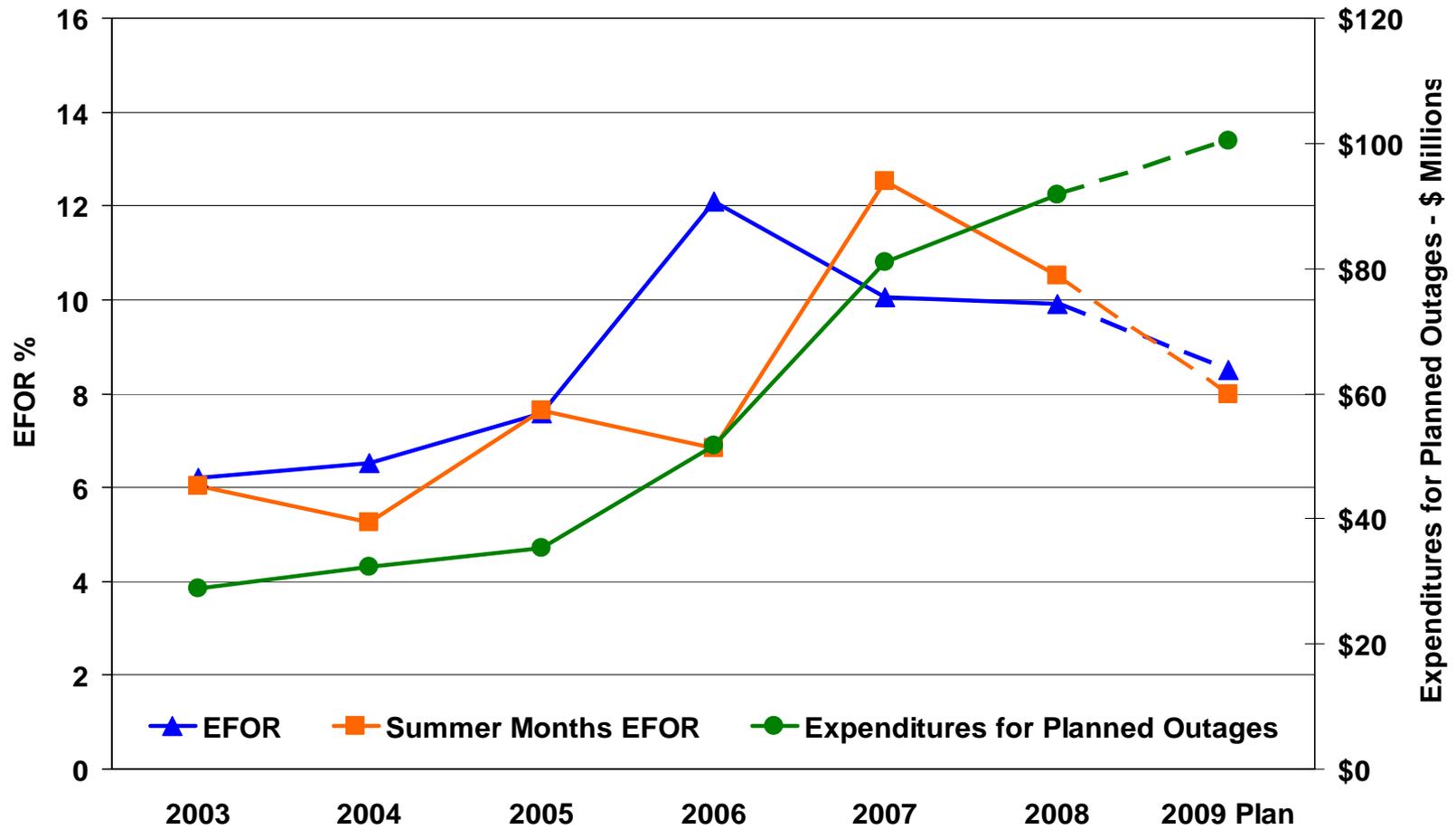
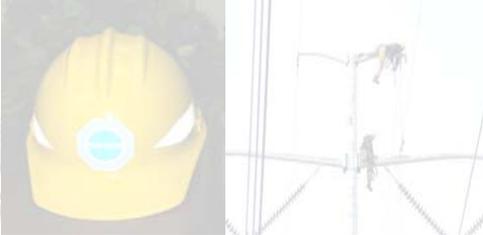


Summer 2009 Generation Preparation

- Continue Summer Preparation plans to minimize EFOR
 - Review of procedures and plans and performing preventative maintenance
 - Identify EFOR Risks
 - An excessive amount of debris from Lake Michigan has caused derates to Bailly Unit 8
 - This unit has been derated for over 19,000 MWh and has been off line for over 300 hours this calendar year through April 30, 2009
 - NIPSCO is working with the United States Corps of Engineers on a permanent solution to this issue
- Continue to invest to reduce SO₂ and NO_x



2009 Plan-Steam System Reliability



Summer 2009 Preparation

Summer 2009 Transmission Preparation

- Reliability - \$15,200,000 invested
 - Over 100 138kV potential transformers replaced, including about 25 in late 2008 and 80 in the first half of 2009
 - Ten 138kV metering current transformers at various industrial substations scheduled to be replaced due to their condition by June 1, 2009
 - New six mile 138kV transmission circuit constructed between Tower Road Substation and Flint Lake Substation to increase reliability of Porter County area electric system
 - Three 345kV circuit breakers, one 138kV breaker, and two 34kV breakers replaced at various substations
 - Three relay upgrades on 345kV circuits completed
 - Cyber security and physical security investments at key facilities and substations
- Capacity - \$5,700,000 invested
 - Installation of second 345/138kV transformer at Hiple Substation, and purchase of an identical spare 345/138kV transformer
- Summer Preparation continues, involving inspection, maintenance and planning



Summer 2009 Distribution Preparation

- Will complete an infrared inspection of distribution substations by June 1, 2009
- Completed annual review of storm response protocols
- Settled labor agreement ahead of May 31, 2009 expiration
 - Included provisions for better response to storm events
- Additional improvements in storm response capabilities
 - Enhanced website information for our customers related to outage status
 - Consolidation of distribution and transmission field dispatch operations
 - Ongoing early replacements for retiring linemen
- Tree related outages continue to decline as spending was increased in the 2005 to 2008 timeframe



Updated Tree Trimming Policy

- Customer Contact
 - Website (www.nipsco.com/trees)
 - Protecting your power
 - Right tree, right place, right way
 - Improved communication, planning before work begins
 - Every property owner will be contacted during the work planning phase either by direct communication or door hanger notice
 - Regular contact with community organizations, local government, media
 - Training on quality work techniques and customer service
- Work Specifications
 - Shorter tree trimming cycles
 - More selective tree removals
- Oversight
 - Arborist Work Planners
 - Quality control audits and inspections by internal forestry staff



Conclusion

- NIPSCO has adequate resources and infrastructure to meet our customers' needs during summer 2009