

NIPSCO Electric Rate Case Frequently Asked Questions

It has been more than two decades since NIPSCO has made a request for an increase in its electric base rates. We understand that our customers may have questions about the rate case process – what it is, and what it may mean for their electric bills. We would like to provide facts to address common questions about the rate review. As you will see, this is a comprehensive and open process, with ample opportunity for customer and public input. For additional information please visit our Web site at www.nipSCO.com.

1. Why is NIPSCO requesting an electric rate increase?

It has been more than 21 years since NIPSCO has had an electric base rate increase. Since that time we have managed costs to continue providing safe and reliable service for our customers. But the demand for electricity has continued to rise over that time period and the cost to provide service has increased. The internal measures we have taken to manage these increased costs are no longer enough.

2. Why is NIPSCO filing a rate case during such a challenging economic time?

The decision to file an electric rate case at this time was the result of a previous settlement agreement in 2005, which required NIPSCO to file an electric rate case on or before July 1, 2008.

3. Why are NIPSCO's costs for providing electric service increasing?

Costs for most goods and services have increased the last 21 years. The same is true for the production and delivery of electricity. The costs to provide a reliable service that has kept our customers' lights on 99.9 percent of the time have increased. In addition, consumers are using more electricity than 21 years ago, causing the need to provide greater supply resources. National energy use has increased 82 percent. Homes are larger and have more electric appliances such as personal computers and large plasma TVs.

4. How will the decision about the electric rate increase be made?

Under Indiana law, rates for utilities are approved by the Indiana Utility Regulatory Commission. The IURC has the opportunity to review NIPSCO's entire operation in a formal proceeding called a rate case. A rate case includes all interested parties, including the Indiana Office of Utility Consumer Counselor, which represents all customers, industrial customers, consumer advocates, political leaders and others who together review NIPSCO's filing and ask for additional information. Once evidence from interested parties has been considered, the IURC will make a final decision. A rate case usually lasts 12-18 months.

5. How will my electric bill change?

If approved, the average residential customer will see about a \$12.76 increase in their monthly electric bill.

6. What are some of these increasing costs?

Costs associated with generating, transmitting and delivering electricity to our customers' homes, providing a 24-hour customer service center, maintaining existing facilities, building new facilities, like substations in growing areas, and adding environmental equipment to comply with air and water quality standards, to name a few.

7. How are customers using more energy?

Homes are 22 percent larger and customers have many more items using electricity in the home than 21 years ago. The sales of personal computers have increased from 3.5 million in 1988 to 30 million in 2008 and the number of multi-set TV households has increased 68 percent. In fact, large plasma TVs have replaced refrigerators as the greatest energy-consuming appliance in the home.

8. Will the purchase of Sugar Creek Generating Station, NIPSCO's recent generating station acquisition, cover the generation needs for increased demand for electricity?

Not entirely. With demand still increasing and based on our most recent integrated resource plan addressing long-term supply, we will need additional capacity.

9. What other investments is the company making?

NIPSCO is a proud corporate citizen and invests in Indiana and our communities. More than \$2 million in corporate contributions were made throughout 2008 to fund over 600 programs and agencies in our service territory. Also, in excess of \$1 million annually is invested into Economic Development, which during the last decade has helped to attract and support expansion of more than 110 companies and create an additional 11,000 jobs.

10. Why has my electric bill increased over time when you say you have not increased your base rates?

While you may notice fluctuations or changes in your bill over time, the base rate for electric service has not changed. The changes can be attributed to increasing energy usage and rising fuel costs, which are separate from base rates and directly passed through to customers.

11. How do NIPSCO electric rates compare with the national average?

For the past decade, NIPSCO's residential electric base rate has been below the national average. Our rates are much lower than utilities in the east and west coasts of the United States, and we are among the lower rates for coal-powered utilities in the United States.

12. The economy is tough around the country. Do you need this increase now?

We understand the rate increase will impact our customers. However, during the past decade NIPSCO has not recovered costs for the millions of dollars the company has spent to continuously provide reliable service while meeting increasing demand. NIPSCO only seeks rates that are fair. No business can remain viable if it is unable to recover its costs.

13. Where can I go if I have additional questions?

Additional information about the rate case can be found on our Web site at www.nipsco.com.

###