

Fact Sheet

NIPSCO Electric Base Rate Case

December 22, 2008



A NiSource Company

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On December 19, 2008, Northern Indiana Public Service Company (NIPSCO) submitted modifications to its existing electric base rate case that was filed with the Indiana Utility Regulatory Commission (IURC) in August. The base rate adjustment request – NIPSCO's first in more than 20 years – is designed to provide service to customers at just and reasonable rates, while addressing challenges facing the electric industry. Here are some additional facts about the base rate case:

RATE CASE PROCESS

- Regulated utilities, like NIPSCO, go through a formal public proceeding known as a rate case when they want to change the services they offer and/or the prices they charge. In Indiana, utilities may change their prices or alter their services only with the formal approval of their governing body – the Indiana Utility Regulatory Commission (IURC).
- The rate case process can last for 12 to 18 months. NIPSCO first submits its proposed rates to the IURC. Several rounds of hearings and testimony take place before the IURC makes the final determination of the new rates for each customer group (residential, commercial and industrial).
- It is expected that the new electric base rates will go into effect in late 2009 or early 2010.
- In deciding how much revenue NIPSCO has the opportunity to earn, the IURC has the opportunity to review NIPSCO's entire operation. A rate case is a comprehensive and open process, with ample opportunity for customer and public input from all interested parties, including the Indiana Office of Utility Consumer Counselor (OUCC) which represents all customers, industrial customers, consumer advocates, political leaders and others together to review NIPSCO's filing and ask for additional information.

NIPSCO ELECTRIC CUSTOMER MAKEUP

- NIPSCO's electric system delivers service to approximately 457,000 customers in twenty counties in the northern part of Indiana. NIPSCO customers consumed more than 17,800 Gigawatt (GWH) hours of electricity during the 2007 test year. The table below summarizes NIPSCO's customers by class:

Customer Class	Amount of Customers	2007 Sales (GWH)
Residential	400,991	3,543.6
Commercial	52,815	3,775.0
Industrial	2,509	9,443.7
Wholesale	6	909.1
Other	755	141.7
TOTAL	457,076	17,813.1

- While industrial customers make up less than one percent of the total NIPSCO electric customers, they consumed more than 53 percent of the electricity sold during 2007.

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NIPSCO'S RATE STRUCTURE PROPOSAL

- Under the newly proposed rates, NIPSCO will provide simpler and more straightforward rate structures that are just and reasonable to all classes of customers, and that encourage the efficient use of electric power.
- The newly proposed rate structure is designed to more accurately reflect the cost to serve each customer group. Additionally, the new structure will create price signals for customers that should help them better manage and understand how they are using electricity.

OVERALL RATE ADJUSTMENT

- With the early addition of the Sugar Creek electric generating facility to begin serving customers, NIPSCO amended its filing to remove the two-step rate implementation and simplify the proposal to include only one overall rate adjustment.
- Under the company's modified proposal, NIPSCO is seeking an increase that is less than the previously-filed combination of steps one and two. The filing results in approximately \$85.7 million in additional revenue (approximately \$19 million less than the original filing) and an overall increase to customer rates of 9.8%.

RATE CHANGES FOR RESIDENTIAL CUSTOMERS

Residential Customer				
Monthly Usage (kilowatt hours)	Current Bill	Proposed Bill	Increase Amount	Percent Increase
600	\$67.90	\$79.01	\$11.11	16.36%
Average 735	\$81.68	\$94.44	\$12.76	15.62%
800	\$88.31	\$101.87	\$13.56	15.35%

GENERATING CAPACITY

- Currently, the NIPSCO generating facilities have a total capacity of 2,787 megawatts ("MW") and consist of the following separate generation sites: R.M. Schahfer Generating Station, Michigan City, Bailly Generating Station, and two hydroelectric generating sites near Monticello, Indiana. Of the total capacity, 92.4 percent is from coal-fired units, 7.3 percent is from natural gas-fired units and 0.3 percent is from hydroelectric units.
- As part of the need to expand its existing amount of generating capacity to serve both short and long-term customer demands for energy, NIPSCO purchased the 535-MW combined cycle gas turbine (CCGT) Sugar Creek, located near Terre Haute, Indiana. Additionally, NIPSCO added 100 MW of wind power be supplied from Buffalo Ridge I LLC and Barton Windpower LLC, which are both subsidiaries of Iberdrola Renewables.
- In October, the company issued two Requests for Proposals (RFP) seeking bids on power resources. The first request seeks capacity and energy proposals for up to 300 megawatts (MW) of electricity to address the company's projected electricity supply needs during the 2011-2016 time period. The second request seeks up to 300,000 megawatt hours (MWH) of electricity, generated from renewable sources and/or demand side management technologies, to address the company's projected electricity supply needs beginning in 2011.

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- NIPSCO intends to dismantle the 485-MW Dean H. Mitchell generating station, which was indefinitely shutdown in January 2002. Restarting the plant was considered when NIPSCO was looking to add additional generating capacity, however the cost of purchasing one or more CCGT's was far less expensive than the \$587.5 million cost associated with restarting the Mitchell plant.
- NIPSCO will also retire two natural gas-fired units – Units 2 and 3 – from the Michigan City generating station, as the units have reached the end of their useful life.

GENERAL FACTS AND FIGURES

- NIPSCO employs more than 2,500 people in Indiana, ranging from professional and administrative staff to hourly workers such as linemen, power plant operators, mechanics, and construction workers.
- NIPSCO paid about \$250 million in local, state, and federal taxes in 2007, \$42 million in property taxes, and collected and remitted an additional \$91.8 million in sales taxes to the state.
- In 2007, NIPSCO paid about \$2.6 million in utility fees. All Indiana utilities pay these fees, which are used to fund the operations of the Indiana Utility Regulatory Commission and the Office of the Utility Consumer Counselor.
- NIPSCO operates a fleet of nearly 1,500 vehicles that logged more than 12 million miles in 2007. The company operates 380 pieces of power equipment (back hoes, trenchers, etc.), and 535 trailers. In all, the company's vehicles and equipment consumed about 1.74 million gallons of fuel (gasoline and diesel) last year.
- NIPSCO operates about 9,200 miles of electric transmission and distribution lines, supported by more than 300,000 utility poles.
- NIPSCO has long been the cleanest electric utility in Indiana, having spent more than \$400 million on technologies and processes that limit SOx and NOx emissions from its power plants.

TIMELINE FOR RATE CASE

- August 29, 2008 – NIPSCO files its case in chief
- January 6-23, 2009 – Hearing on NIPSCO's case-in-chief
- Early 2009 – Public field hearing date to be determined
- June 12, 2009 – NIPSCO files rebuttal testimony
- July 27–August 7, 2009 – Final hearing
- 4th Qtr 2009–1st Qtr 2010 – Expected IURC decision

For Additional Information: Contact NIPSCO Communications/Public Affairs at 219-647-6556