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# 2011 Winter Natural Gas Forum



## Northern Indiana Public Service Company

Presentation to the Indiana Utility Regulatory Commission

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Executive Vice President & Group CEO

October 13, 2011



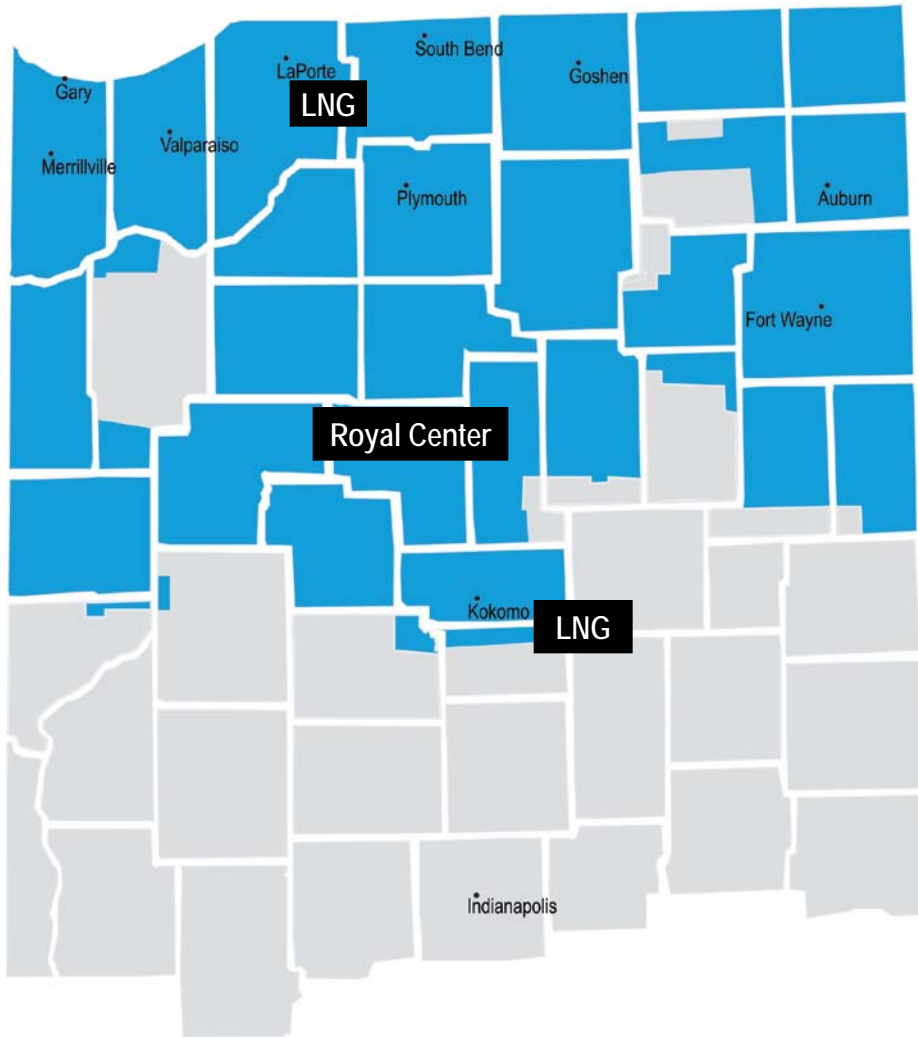
# 2011 IURC Winter Natural Gas Forum

## Becoming Indiana's Premier Utility

- ✓ Maintaining a safe and reliable gas infrastructure
- ✓ Insuring adequate gas supplies and delivery capability
- ✓ Keeping gas prices low and managing price volatility
- ✓ Expanding energy efficiency programs
- ✓ Offering programs to help customers manage their bills
- ✓ Improving communications with customers and stakeholders



# NIPSCO Natural Gas Service Area



- Serves 785,000 natural gas customers
- Delivers natural gas in 32 counties
- Maintains 3 on-system storage facilities

# NIPSCO Customer Profile Information

NIPSCO Sales Customers (YTD 2011)	Customers	Usage (dth)
Residential	633,545	56.71 million
Commercial	48,729	18.58 million
Industrial	2,341	10.66 million
	<b>684,615</b>	<b>85.95 million</b>

NIPSCO Transport. Customers (YTD 2011)	Customers	Usage (dth)
Choice	100,044	23.06 million
Large Industrial/Commercial	472	196.0 million
	<b>101,470</b>	<b>219.06 million</b>

**TOTAL 785,131 305.01 million**

NIPSCO serves 4 of the 10 largest Indiana cities (2010 US Census)

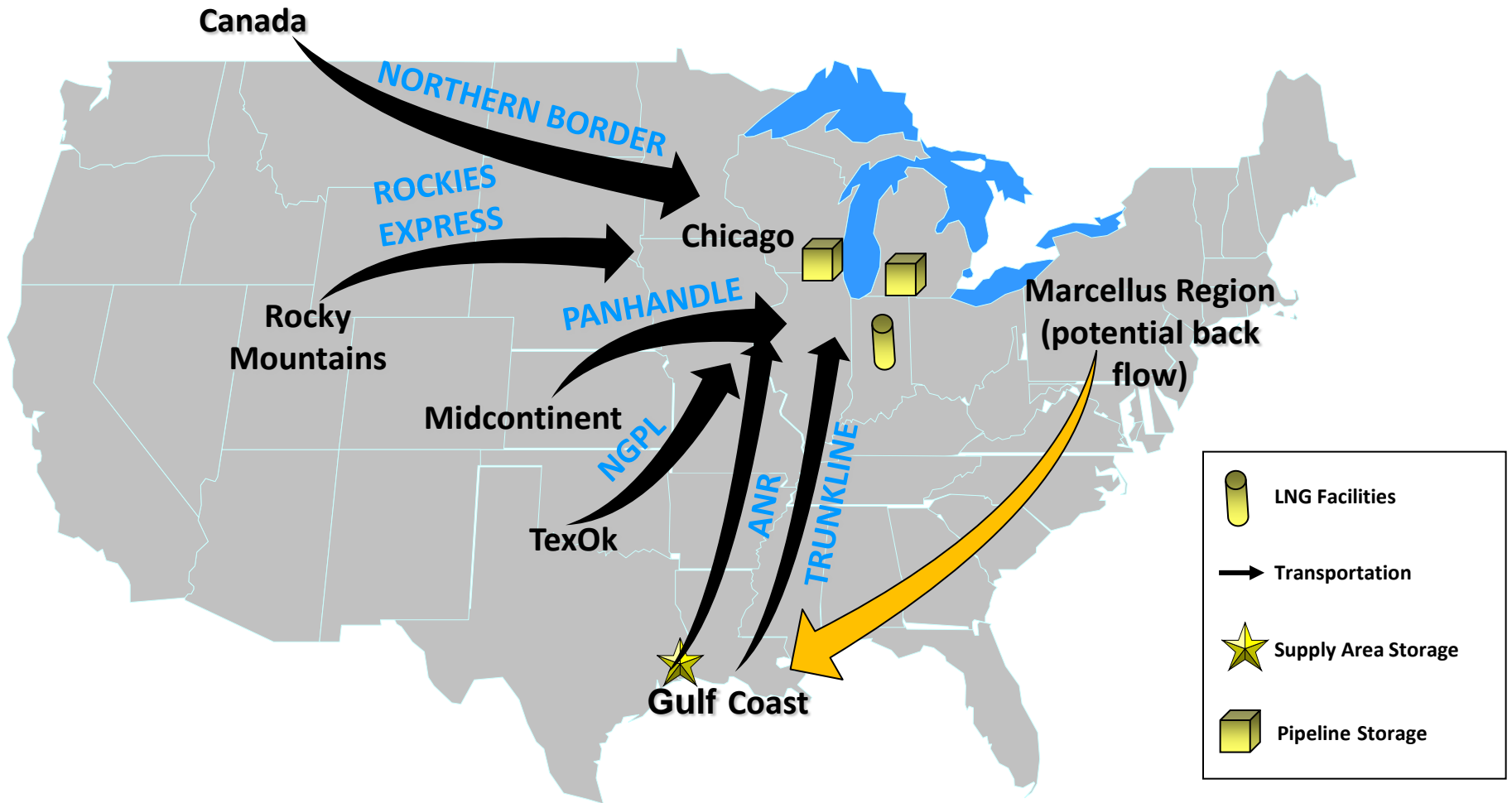
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10 Largest Indiana Cities		
Rank	City	Population
1	Indianapolis	820,445
2	Ft. Wayne	253,691
3	Evansville	117,429
4	South Bend	101,168
5	Hammond	80,830
6	Bloomington	80,405
7	Gary	80,294
8	Carmel	79,191
9	Fishers	76,794
10	Muncie	70,085

Nearly 70% is transported

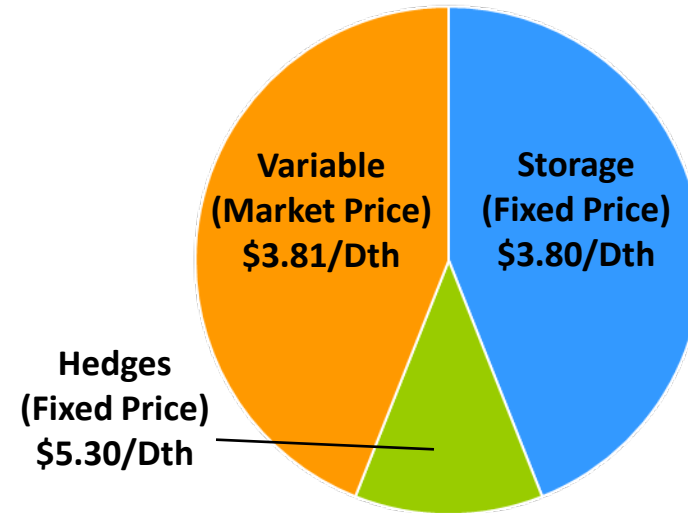


# Asset Portfolio – Diverse and Uniquely Positioned

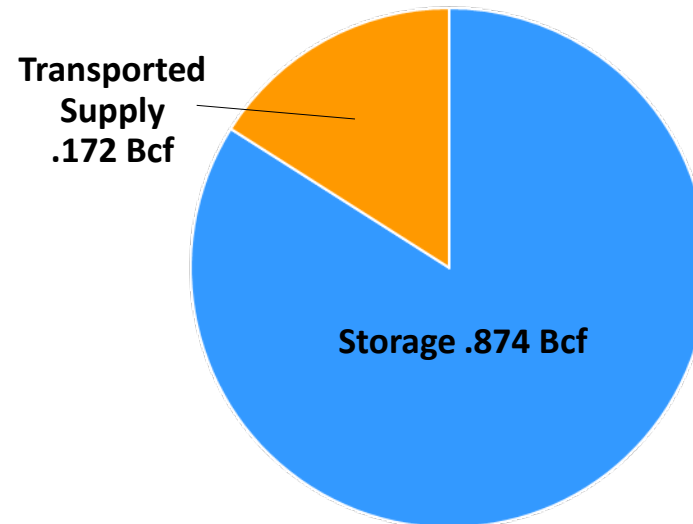


# NIPSCO Gas Portfolio and Pricing Mix

Winter Supply Mix	
Storage (Fixed Price)	44%
Hedges (Fixed Price)	12%
Variable (Market Price)	<u>44%</u>
Total	100%



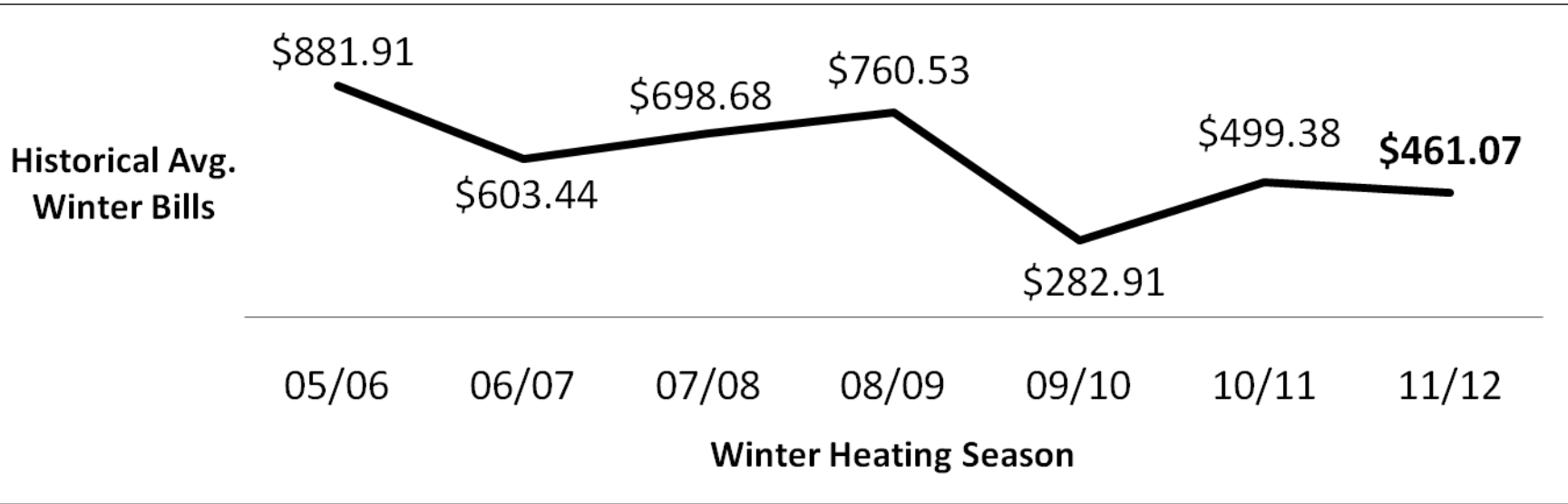
Peak Day Supply Mix	
Storage	84%
Delivered Supply	0%
Transported Supply	<u>16%</u>
Total	100%



# Winter Bill Projection 2011/2012

	2010/2011 Actual Pricing	2011/2012 Projected Bill	Difference
<b>NIPSCO Residential Customers</b>	\$499	<b>\$461</b>	Decrease of \$38 or 7.7%

- Normal usage of **623 therms**
- Five month heating season from Nov.-March
- Market prices based on NYMEX futures closing price for October 6



# Breakdown of low-income program funding/participation

## LIHEAP (State Assistance)

- Gas heating assistance to more than 42,000 customers in 2010/2011
- Reduced funding in 2011/2012

## NIPSCO CARE DISCOUNT

- LIHEAP customers are auto-enrolled and receive a % bill discount
- \$4-6 million budget in 2011/2012
- Approx. 75% funded by customers, 25% funded by NIPSCO

## NIPSCO HARDSHIP

- Eligible to customers at 151-200% of poverty level
- Receive up to \$200 in gas heating assistance
- Provided nearly \$200,000 in assistance to 1,100 customers in 2010/2011 (funds provided by NIPSCO)

## Gift of Warmth

- NIPSCO provides \$200,000 for matching program
- Offers help to customers who don't qualify for other programs

## TOWNSHIP TRUSTEES


- Funded by annual tax revenue
- Approx. \$1.2 million to help 7,000 customers in 2010/2011

- **Deposit Reduction:** Deposits capped at \$50 for each gas/electric meter for LIHEAP-enrolled customers

# Addressing the LIHEAP Shortfall

## LIHEAP shortfall of 27% (\$2.9 million) for NIPSCO customers

- Customers can't access assistance from NIPSCO CARE without LIHEAP
- NIPSCO is developing creative solutions to help fill the gap, including;
  - Providing \$200,000 for Gift of Warmth program
  - Proposed reallocation of unused USP dollars to LIHEAP
  - Proposed reallocation of Tennessee Gas Pipeline refund
  - Partnering with community organizations that offer assistance, education and support (ex. Holistic Community Coalition)
- Coordinated LIHEAP advocacy efforts with Congressional and State leaders

	<p><b>Holistic Community Coalition Partnership</b></p> <ul style="list-style-type: none"><li>• Provides "do-it-yourself" energy conservation and education workshops for low-income, disabled residents and seniors</li><li>• Offers in-home installations and helps residents find inexpensive ways to make their homes more energy efficient</li></ul>
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# Helping Customers Save Energy

## Participation Since May 2007

### ***Appliance Rebate Program***

- ✓ Rebates for high efficiency furnaces, boilers, water heaters, and programmable thermostats

**45,987 Rebates**

### ***New Construction Program***

- ✓ Encourage builders to adopt Energy Star standards in new homes through rebates

**1,054 Homes**

### ***Low Income Weatherization & Furnace Replacement Program***

- ✓ Providing weatherization for customers up to 150% of Federal poverty guidelines, and in some cases, replacing furnaces

**529 Homes**

### ***Multi-Family Direct Install Program***

- ✓ Installation of energy efficient water fixtures in rental units to reduce hot water consumption

**27,093 Installs**

### ***Home Retrofit Program***

- ✓ Home energy audit and incentives for installation of recommended energy savings measures

**1,477 Audits**

### ***Think!Energy 5<sup>th</sup> Grade Elementary Education Program***

- ✓ Energy efficiency education and take-home kits provided to students in gas service territory

**9,199 Students**



**Total Net Therm Savings**

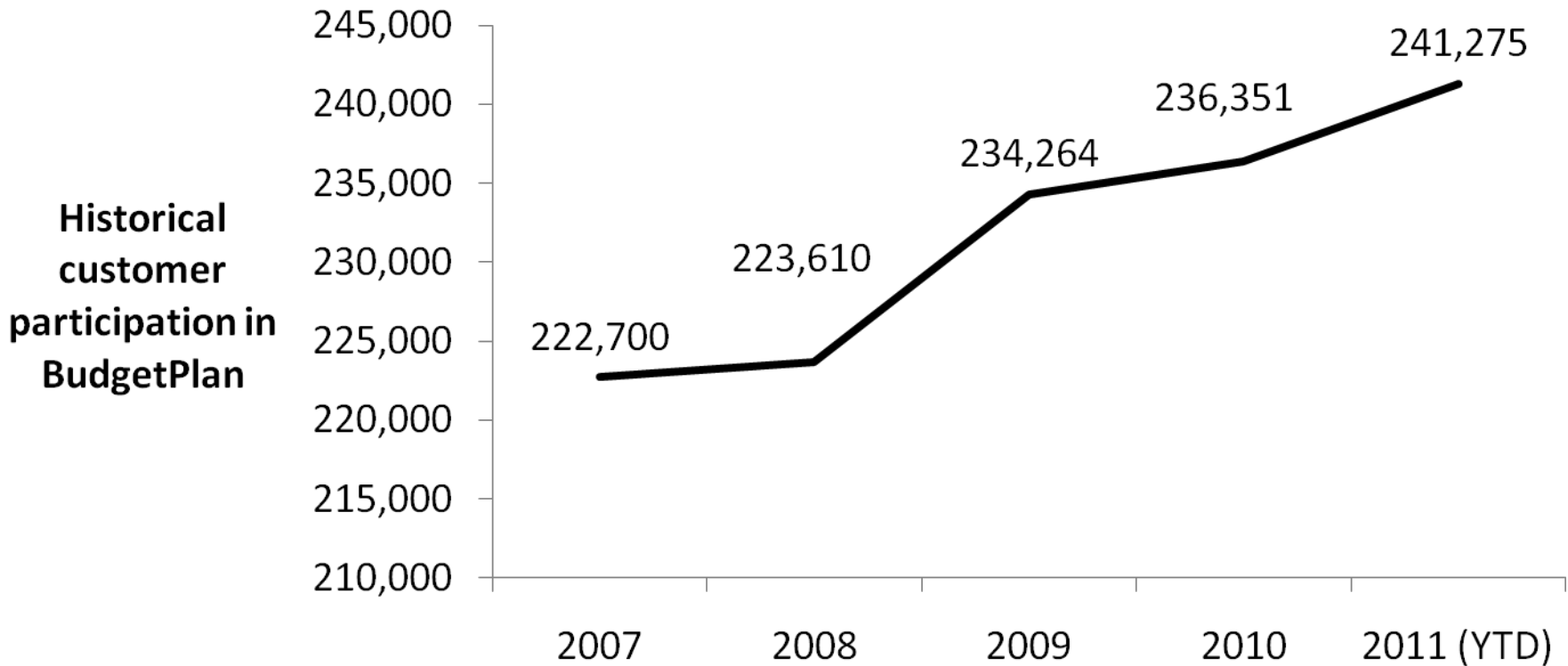
**13.1 million therms**

**Total Customer Avoided Cost**

**\$12.4 million**



# Budget Billing Participation



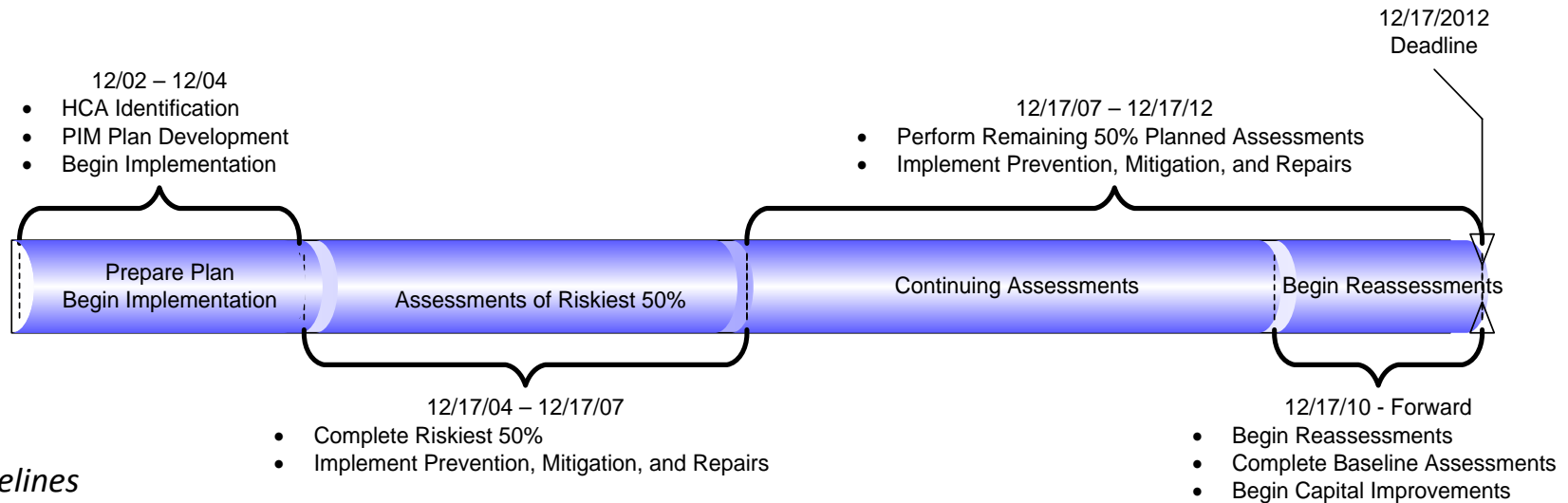
- Approximately 27% of eligible customers participate currently
- Slight year-over-year change in participation levels



# Maintaining & Operating a Safe Gas System

## Transmission Integrity Management Program (Rule issued 12/02)

- Requires assessments of high consequence area (HCA) pipelines\*
- Dec. 2007 Deadline – Initial Assessment of 50% Riskiest Mains
  - ✓ **Completed over 80% by deadline**
- Dec. 2012 Deadline – Remaining Initial Assessments
  - ✓ **Completed by 2009** (2 years early)



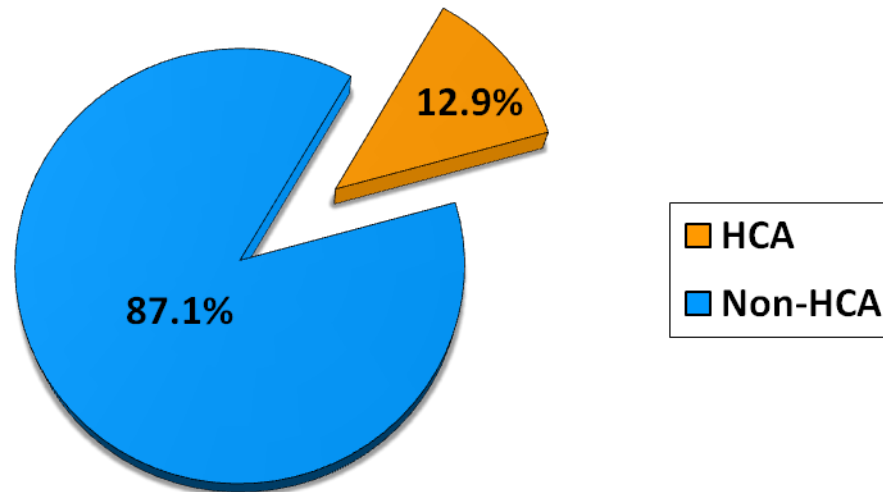
\* Pipelines

*Close to Homes  
and Businesses*

# Maintaining & Operating a Safe Gas System

## NIPSCO Gas Transmission Pipeline Inventory

- Approx. 810 Miles of Transmission Pipeline
  - ✓ 105 miles within High Consequence Areas (HCA)
  - ✓ 4" to 36" pipelines in TIMP Program



# Maintaining & Operating a Safe Gas System

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## **NIPSCO Results of Assessment**

- **Over 500 Pipeline Inspections and Examinations**
  - No External Corrosion
  - No Internal Corrosion
- **99% of Anomalies Found were Minor**
  - Minor coating flaws
  - Minor atmospheric corrosion
  - Weak levels of cathodic protection
  - Insufficient cover or erosion
  - A few shorted casings



# Maintaining & Operating a Safe Gas System

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## Distribution Integrity Management Program (Rule Published 2010)

- Plan Development and Implementation Due by August 2, 2011
  - ✓ Plan Completed **March 2011**
  - ✓ Coordination with IURC Office of Pipeline Safety and IEA Committee
- Requires Operators to:
  - ✓ Have Knowledge of their Systems
  - ✓ Identify Threats, Evaluate and Prioritize Risks
  - ✓ Identify and Implement Measures to Address Risks
  - ✓ Measure Performance, Monitor Results and Evaluate Effectiveness
  - ✓ Periodically Evaluate and Improve Program
  - ✓ Report Results

# Maintaining & Operating a Safe Gas System

## Gas Distribution System Pipe Inventory

- **16,386 Miles of Distribution Pipe**

- ✓ Bare Steel: 58 miles (0.4%)
- ✓ Coated Steel: 7,820 miles (48%)
- ✓ Plastic: 8,366 miles (52%)

	<b>National Avg.</b>	<b>NIPSCO Avg.</b>
Bare Steel Makeup	13%	0.4%

- **Very High Quality Gas Mains**

- ✓ 99.5 % plastic or cathodically protected steel (industry avg. is 87%)
- ✓ Far less likely to leak
- ✓ NIPSCO's "priority pipe" composition approx. 30 times better than national avg.

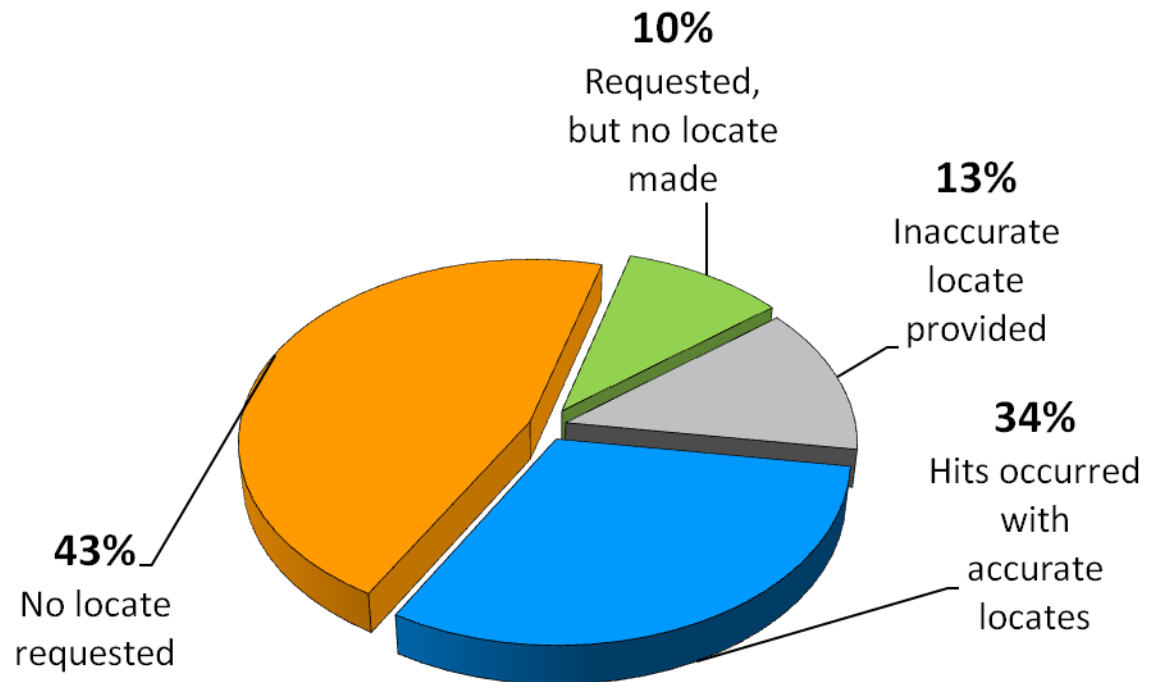


# Biggest Threat to Gas System: Third Party Damage

## Improvements made year-over-year

Year	Damage /1000 Gas Locates
2008	6.85
2009	5.60
2010	5.27
2011 YTD	4.20

77% of 3<sup>rd</sup> party hits occur when no locates were requested or when accurate locates were provided



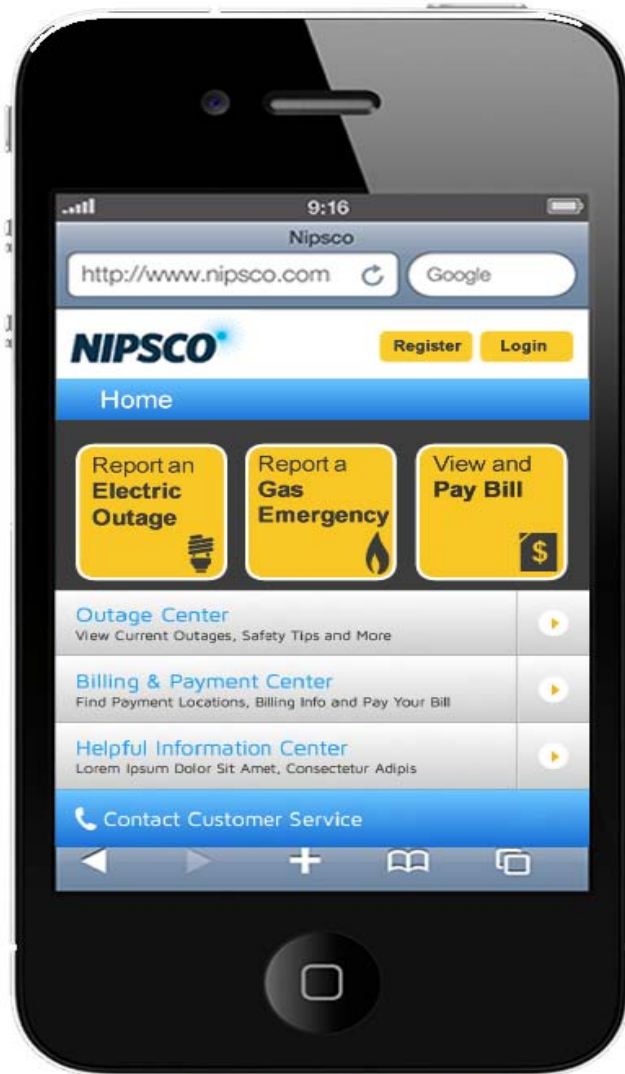
# Working with the Community to Improve Safety

## NIPSCO's Damage Prevention Mitigation Strategy Includes:

- **Public Awareness and Education (Spring/Fall Campaigns)**
  - Targeted outdoor ads, events, media education, customer communication, etc.
- **Support for new Dig Law**
  - Advisory committee with fining authority
- **Initiated NWI Damage Prevention Council**
- **Targeted Outreach to Negligent Excavators**
- **Added Damage Prevention Field Coordinator**
- **Enlisting Employees as Damage Prevention Ambassadors**



# Reaching Customers in New Ways



## Mobile Launch Q4 2011

- **Contact Customer Service**
- View Account Balance
- Make a Payment
- **Report a Gas Emergency**
- Report an Electric Outage
- Report a Streetlight Outage
- View Power Outage Center
- View Emergency Safety Tips



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# 2011 Winter Natural Gas Forum

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## Continued focus areas for NIPSCO

- Generating value for customers through a diverse asset portfolio
- Effectively delivering low-cost natural gas to customers
- Formulating plans to bridge the LIHEAP funding gap
- Operating a safe and reliable gas transmission and distribution system, and ahead of schedule in complying with pipeline integrity management programs
- Offering effective programs to help customers save energy
- Reaching customers through new communications channels



# Thank You

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## Questions?



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# Appendix



# Diverse Supply Options Help Maintain Competitive Pricing



# Demand Snapshot – Steel Production

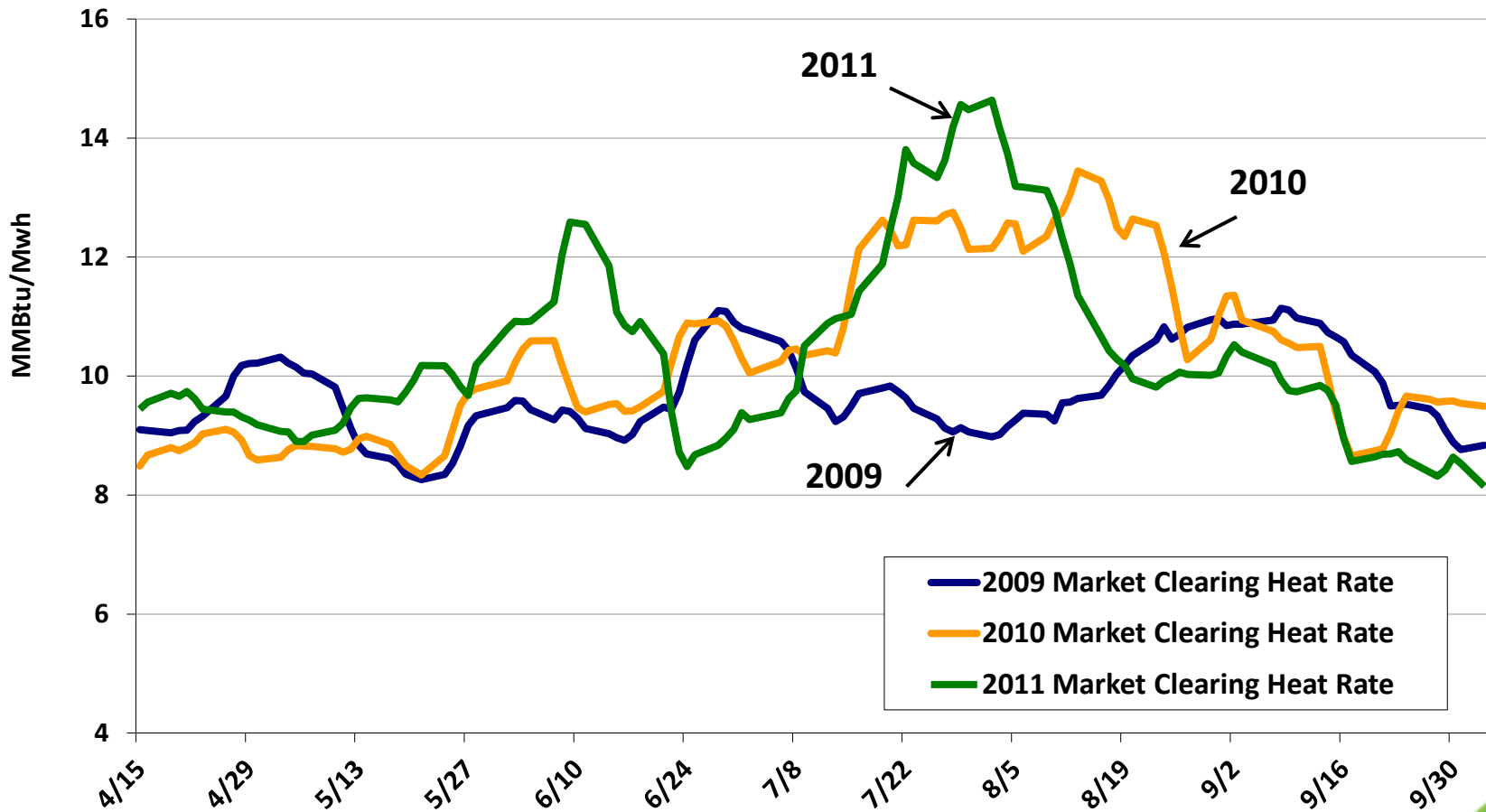
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Week	National Capacity Utilization	National Production (tons)	Indiana/Chicago Production (tons)
<b>September 17, 2011</b>	77.0%	1,884,000	<b>481,000</b>
<b>September 25, 2010</b>	70.8%	1,712,000	<b>449,000</b>
<b>September 26, 2009</b>	58.3%	1,392,000	<b>386,000</b>
<b>September 27, 2008</b>	83.2%	1,986,000	<b>480,000</b>

Source: American Iron and Steel Institute

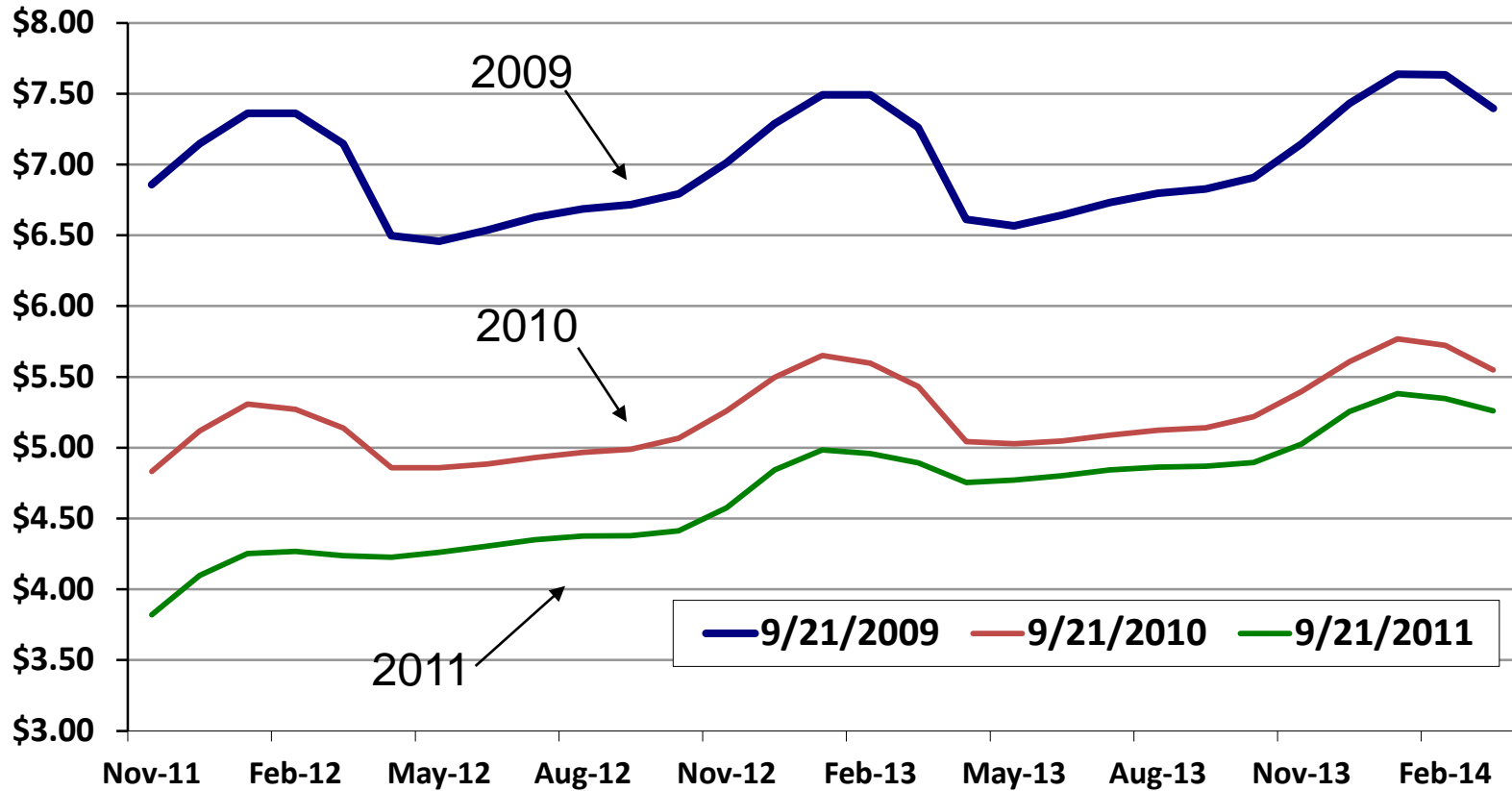


# Summer 2011 – Market Clearing Heat Rate (Chicago vs. CinHub)



# NYMEX Forward Curve

The Entire Forward Curve has Dropped Over the Last Few Years



EIA projects an annualized average price of \$4.30 for 2011.

