

NIPSCO'S Electric Infrastructure Modernization Plan

Frequently Asked Questions

*Delivering Clean, Reliable and Affordable Energy
Supporting Indiana Jobs and Economic Growth
Helping Customers Manage Energy Use and Save Money*

Powering Life in Northern Indiana

- 1. What is NIPSCO's Infrastructure Modernization Plan?** Similar to the focus on addressing the nation's aging roads, bridges and transportation infrastructure, NIPSCO is embarking on a plan to modernize and replace essential parts of its energy infrastructure over the next decade and beyond.

NIPSCO's Electric Infrastructure Modernization Plan – which includes input and review from both internal and external sources – takes a long-term look at the best approach for prioritizing and identifying investments in its system which will provide significant benefits to homes and businesses in northern Indiana and across the State.

- 2. Why is NIPSCO making these improvements now?** Vast portions of the nation's electric and natural gas systems – including NIPSCO's – were built in the post-World War II era. After more than 50 years, portions of the energy system are nearing the limits of its original design. NIPSCO's plan proactively addresses these critical areas before they become problematic.
- 3. What types of improvements will be made?** The first part of NIPSCO's Infrastructure Modernization Plan will address the electric system, while plans for the company's natural gas system will be presented later in 2013. The plans will include new or replacement electric transmission and distribution projects for purposes of safety, reliability, system modernization, or economic development.

Sample Electric Modernization Projects	Estimated Total Cost
Replacing 450 miles of underground electric cable that is unjacketed and prone to failure	\$140 million
Rebuild 500 miles of electric lines/circuits	\$365 million
Replace 75 substation transformers and 900 breakers	\$290 million

- 4. How will customers and communities benefit from these investments?** NIPSCO's plan will provide a number of direct benefits to customers and communities, including:
 - Help to ensure a continued safe and reliable system for the future
 - Identification and elimination of potential recurring outages caused by aging system failures (i.e. replacing wood poles more than 40-years-old, upgrading outdated 50-year-old electric lines, etc.)
 - More modern energy system, which is a critical component to attracting new businesses and expanding existing businesses in this area
 - Support the equivalent of 1,200 direct and indirect jobs – including local trades – associated with these projects throughout the decade
 - Investment of more than \$1 billion through 2020 resulting in a direct local economic boost
 - Consumer protections from spending limits and external review/oversight to ensure the necessity of these investments
 - Gradual and minimal bill impact over time

- 5. Does this project have anything to do with a “smart grid” system?** No. The projects included in the plan will address things such as electric substations, underground electric cables, transformers and more – it does not entail any sort of smart grid or smart meter system.
- 6. What’s the process for determining a project?** NIPSCO’s Infrastructure Modernization Plan will require investments in every county that NIPSCO currently provides service and will take place through 2020. To select what equipment will be replaced, NIPSCO is working with Black & Veatch – a global engineering, consulting and construction company – to develop a model to help prioritize NIPSCO’s investments for the plan.

The model reviews every piece of equipment on NIPSCO’s transmission and distribution system to assign each item an individual risk score. These risk scores were based on the likelihood of the system failing because of its age and the impact to NIPSCO’s customers and electric system if the equipment were to fail.

By assigning the risk score for each item, NIPSCO was able to identify which equipment poses the highest risk to the system. Rather than just replacing assets based on a single factor like age or location, the Black & Veatch model helps NIPSCO identify which equipment will add the greatest overall system and customer benefit if replaced.

The model avoids any potential to “favor” a particular community. Instead, the most at-risk, critical equipment will be replaced first.

- 7. How much will NIPSCO be investing?** Below is a breakdown of the \$1 billion in electric investments NIPSCO is planning through 2020, which will be reviewed and approved semi-annually by the Indiana Utility Regulatory Commission prior to any dollars being spent or allocated.

Proposed Electric Infrastructure Modernization Investments (Through 2020)						
2014	2015	2016	2017	2018	2019	2020
\$75.2	\$66.5	\$158.9	\$114.5	\$181.7	\$238.1	\$237.9
million	million	million	million	million	million	million

- 8. How will this affect customer bills?** One of the key focus areas of this plan is to make the necessary improvements while minimizing the impact on customer bills. It is important to not only maintain competitive electric rates for businesses, but it’s equally important to maintain affordable rates for our residential customers. Rather than making these investments at one time, NIPSCO is spreading out the work to help eliminate sudden spikes in customer bills.

Customers will experience minimal bill impacts, with little-to-no change in their bills for the first two years of the plan. For example, residential bills will see a 0% annual increase in 2014 and a 0.48% annual increase in 2015. As we approach 2016, electric bills are projected to see a gradual average increase of approximately 1% annually through 2020.

In addition to the other consumer protections in place, NIPSCO’s plan will receive regular oversight and review by the IURC and other external stakeholders.

- 9. How do NIPSCO electric rates compare with other utilities?** Indiana is fortunate to have some competitive electric rates compared to other states. NIPSCO's electric rates are below the national average and below the average electric rates for neighboring states across the Midwest.
- 10. Aren't costs from investments already part of what customers pay today?** No. While existing rates do include some costs associated with the maintenance of NIPSCO's system, it does not include costs associated with the types of investments and upgrades necessary to modernize its infrastructure.
- 11. Who is providing oversight for these projects? Are there protections for customers?** The process for reviewing and approving NIPSCO's Infrastructure Modernization Plan includes both regulatory oversight from the Indiana Utility Regulatory Commission as well as customer-represented organizations like the Indiana Office of Utility Consumer Counselor and other external stakeholders.

There are caps in place to limit the amount that customer bills can increase and there are also consumer protections if NIPSCO spends more than their originally estimated amounts.

- 12. Are there benefits to NIPSCO?** Nearly all of the benefits are directly associated with the customers and communities NIPSCO serves. In addition to the sample benefits listed above, NIPSCO's plan keeps costs low for customers because future work can be planned out and addressed in broader segments rather than being forced to make more costly replacement work in the future.
- 13. When will the projects begin?** The plan and associated benefits must first be reviewed and approved by the Indiana Utility Regulatory Commission before investments can be made. Depending on these factors, it is possible that investments may begin in mid-2014.
- 14. Who will conduct the work?** The Infrastructure Modernization Plan outlines a number of system improvement projects through the end of the decade, which will require support from a combination of internal NIPSCO workforce and external contracted resources to complete.

As we have done with our recent large-scale projects, we intend to utilize the current expertise of our internal employees whenever possible. And, when contracting external resources is necessary, we will look to hire Indiana-based represented workforce resources whenever possible.

We estimate this plan will support the equivalent of 1,200 direct and indirect jobs associated with the investments outlined through the end of the decade. Much of that work isn't expected to ramp up until 2016, and plans for determining the allocation of internal vs. external resources are being finalized.

- 15. Why didn't NIPSCO make these investments sooner?** NIPSCO is focused on maximizing its existing resources and the types of investments outlined in the plan weren't previously necessary. Much of NIPSCO's energy system is just now beginning to approach the limits of its original design and is in need of replacement to sustain the next 40-50 years. NIPSCO's plan proactively addresses these critical areas before they become problematic.
- 16. How reliable is NIPSCO's electric system?** NIPSCO continues to take a proactive approach to minimizing the time customers are without power, including tree trimming, regular system inspections and maintenance work. In recent years, the amount of time customers spend without power continues to improve each year. This plan will help to ensure reliable service for the future.