STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY FOR APPROVAL OF AN UPDATED ENERGY SUPPLY PLAN IN COMPLIANCE WITH THE INDIANA UTILITY REGULATORY COMMISSION'S ORDER DATED JULY 13, 2011 IN CAUSE NO. 43849, INCLUDING RECOVERY OF CERTAIN COSTS ASSOCIATED WITH THAT POLICY PURSUANT TO IND. CODE § 8-1-2-42(d), CONSISTENT WITH THE APPROVALS GRANTED TO PETITIONER IN CAUSE NO. 43849.	)	CAUSE NO. 44205

SUBMISSION OF DIRECT TESTIMONY AND EXHIBITS

Northern Indiana Public Service Company, by counsel, hereby submits the Direct Testimony and Exhibits of Daniel T. Williamson.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by email transmission upon the following:

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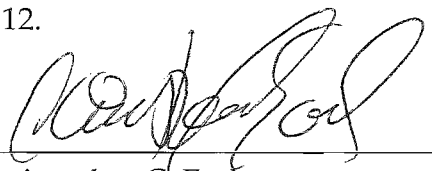
Dated this 31st day of May, 2012.



Christopher C. Earle

VERIFIED DIRECT TESTIMONY OF DANIEL T. WILLIAMSON

Q1. Please state your name, job title, and business address.

A1. My name is Daniel T. Williamson. I am the Executive Director of Energy Supply and Trading for Northern Indiana Public Service Company ("NIPSCO" or "Company"). My business address is 1500 165th Street, Hammond, Indiana 46320.

Q2. Please describe your educational and employment background?

A2. I graduated in 1997 from Purdue University with a Bachelor Degree in Business Management. I began my employment with NiSource in 1997 in an Associate Training Program and during that time began working for NESI Power Marketing. There I worked as a power scheduler and hourly power trader. In 1998, I took a position as an Energy Resource Engineer at NIPSCO optimizing electric generation. I began working for Energy USA/TPC as an Energy Trader in approximately 1999 and spent 5 years in this position. In 2004, I took a position back at NIPSCO as an Energy

Trader. In December 2008, I became Manager of Energy Trading with responsibility over NIPSCO gas and power trading. In November 2010, I assumed my current position.

Q3. What are your responsibilities as Executive Director of Energy Supply and Trading?

A3. As Executive Director of Energy Supply and Trading, I am responsible for various aspects of the electric and gas energy supply responsibilities for NIPSCO. This includes oversight of the following groups: Gas Control, Electric Dispatch, Electric and Gas Resource Planning, Energy Trading, Market Research, MISO Market Settlements Group, and Gas Scheduling/Accounting.

Q4. What is the purpose of your direct testimony in this proceeding?

A4. I am submitting direct testimony to present and support NIPSCO's July 2012 through June 2014 Hedge Plan (hereinafter referred to as the "2012 Hedging Plan") consistent with the framework and process approved by the Indiana Utility Regulatory Commission ("Commission") in its July 13, 2011 Order in Cause No. 43849 ("43849 Order"). NIPSCO requests

Commission approval to implement the 2012 Hedging Plan, a copy of which is attached hereto as Petitioner's Exhibit No. DTW-1.

Q5. Are you sponsoring any exhibits?

A5. Yes. I am sponsoring the following exhibits.

Petitioner's Exhibit No. DTW-1	July 2012 through June 2014 Hedge Plan
Petitioner's Exhibit No. DTW-2	2012 – 2014 Estimated On Peak Resources Without CT and CCGT Off System Sales (MWhs)
Petitioner's Exhibit No. DTW-3	Natural Gas Futures Contracts
Petitioner's Exhibit No. DTW-4	Midwest ISO Indiana Hub Peak Calendar Month/Day Ahead LMP Swap Futures Contracts
Petitioner's Exhibit No. DTW-5	July 2012 – June 2014 Spot Market Exposure with Hedge Offset
Petitioner's Exhibit No. DTW-6	Hedging Plan Framework

Q6. Please provide a brief summary of the results of the 43849 Order.

A6. In its 43849 Order, the Commission approved a process by which NIPSCO would file a revised electric hedging plan by May 31 of each year that would follow the same general methodology that was used in developing its initial hedging plan (the "Initial Hedging Plan"). In Cause No. 43849,

NIPSCO's witness Karl Stanley provided a summary of the proposed framework for future submissions as well as the proposed general hedging plan methodology. In Cause No. 43849, the Indiana Office of Utility Consumer Counselor ("OUCC") and the NIPSCO Industrial Group agreed that NIPSCO's proposal regarding the process to file each subsequent electric hedging plan was workable and appropriate to provide the Commission with updated information and would also provide stakeholders an opportunity to comment on the plan proposed for the prospective two year period. Specifically, the process also called for NIPSCO to reach out to the OUCC and the NIPSCO Industrial Group to discuss the draft electric hedging plan two months prior to its filing at the end of May. NIPSCO did in fact meet with the OUCC and the NIPSCO Industrial Group prior to this filing and the 2012 Hedging Plan incorporates the input and addresses the comments from its stakeholders.

Q7. Please explain the objectives of the 2012 Hedging Plan.

A7. The objectives of the 2012 Hedging Plan are to reduce the relative movement in the Fuel Adjustment Clause ("FAC") factor from one period to the next and to limit upside price exposure.

Q8. Please explain the framework for the Initial Hedging Plan.

A8. The Initial Hedging Plan assumed that all of the coal-fired generation facilities within the NIPSCO asset portfolio were fixed in price. Since a majority of NIPSCO's coal contracts are between 3 and 5 years in length, and since coal pricing has historically been less volatile than natural gas pricing and the Midwest Independent Transmission System Operator, Inc. ("MISO") market price of power, it was determined that any coal-fired generation used to meet the power supply needs of NIPSCO customers could be classified as a fixed price resource. Any remaining resources that would likely be needed to meet the power supply needs of NIPSCO customers, however, would be classified as floating in price and thus would be considered when developing the hedge plan. As I explain later in my testimony, the 2012 Hedging Plan also addresses NIPSCO's exposure to both natural gas and electricity price volatility associated with supplying electricity to native load customers.

Q9. Please explain how the 2012 Hedging Plan is constructed.

A9. NIPSCO determines the monthly volume of megawatt hours ("MWhs") to be hedged by starting with the total number of on-peak MWhs that would

be needed to serve NIPSCO's internal load. The expected number of on-peak MWhs for each month is determined through NIPSCO's demand forecasting process. This demand forecast is determined based upon historical usage, estimated economic growth rates and normalized weather. Once the expected number of on-peak MWhs for each calendar month is determined, the PROMOD model is run to determine what resources would be used to meet this expected demand. Due to the lower variable cost and cycling limitations associated with NIPSCO's coal-fired generation supply, the PROMOD model ordinarily applies these resources first before dispatching other NIPSCO generation, and in conjunction with spot energy purchases from the MISO energy markets when economic, to meet the supply needs of NIPSCO's customers. If any additional resources would be required, the model would determine how many MWhs should be provided by NIPSCO's natural gas-fired Sugar Creek Generating Station ("Sugar Creek") and how many MWhs should be purchased from the MISO spot energy market. The model would determine this allocation between producing at Sugar Creek and purchasing from the MISO spot energy market based on the estimated

price for each resource at each point in the future. Petitioner's Exhibit No. DTW-2 demonstrates the resource allocation to meet on-peak load.

Q10. Are any modifications made to the PROMOD model to refine the resource allocation process for this purpose?

A10. Yes. The PROMOD model is run with forecasted hourly spot market prices for electric energy in the MISO spot market floored at a price just above the variable cost of NIPSCO's available coal-fired generation. This is done to remove forecasted purchases from the MISO spot energy market that would be made in lieu of producing energy at NIPSCO's available coal-fired generation facilities when it is economical to do so. These economic spot market energy purchases were removed from PROMOD modeling because they are made at a price below the cost of production of NIPSCO's coal-fired fleet. As such, the price exposure for these spot market energy purchases is already capped at the production cost of NIPSCO's coal-fired generation and do not need to be further hedged. NIPSCO's remaining on-peak energy requirements were modeled as being supplied either from Sugar Creek or by purchasing energy from the MISO spot energy market. These are the energy

requirements for which NIPSCO is subject to market price volatility, and these are the energy requirements that NIPSCO addressed in the Initial Hedging Plan.

Q11. How does NIPSCO address the market price volatility associated with energy requirements it anticipates will be met either by power generated at Sugar Creek or with purchases made in the MISO spot energy market?

A11. Consistent with the methodology approved in the 43849 Order, NIPSCO is proposing in the 2012 Hedging Plan to hedge market price volatility associated with 50% of the projected power volumes that would be supplied by either Sugar Creek or by purchases made in the MISO spot energy market. The OUCC, NIPSCO Industrial Group and NIPSCO originally agreed that hedging 50% of NIPSCO's exposure to market price volatility, after accounting for the inherent value of the hedge associated with NIPSCO's coal-fired generation, represented an appropriate figure for NIPSCO's Initial Hedging Plan. As Mr. Stanley testified in Cause No. 43849, the level of hedging that results from hedging 50% of NIPSCO's

expected power volumes associated with Sugar Creek and MISO purchases would be monitored and evaluated in future hedging plans.

Q12. Does NIPSCO still support hedging 50% of its exposure to market price volatility as the appropriate figure for its 2012 Hedging Plan?

A12. Yes. NIPSCO supports hedging 50% of its exposure to market volatility. Because the Initial Hedging Plan has only been in existence since 2011, NIPSCO believes that one year is an insufficient amount of time to evaluate the effectiveness of a long term hedging plan. Further, NIPSCO has not identified any reason that would suggest that 50% is not an appropriate level to hedge. NIPSCO will continue to monitor and evaluate the appropriateness of its hedging strategy.

Q13. What is NIPSCO's proposal for hedging 50% of the power volumes associated with projected Sugar Creek generation and MISO purchases?

A13. The 2012 Hedging Plan is composed of two types of swap/futures contracts. The first type of swap/futures contract will be used to hedge the on-peak MWhs exposure that relates to Sugar Creek, a combined cycle gas turbine plant that uses natural gas to generate power. This contract type was approved by the 43849 Order. The modeled volumes of power from

Sugar Creek are converted to dekatherms by multiplying the number of MWhs for each calendar month by the heat rate of the Sugar Creek plant, which is approximately 7.5 dekatherms per MWh. Once the number of dekatherms per calendar month is determined, this number is divided by 10,000 because there are 10,000 dekatherms in each natural gas futures contract. This provides the number of natural gas futures contracts to be purchased for each calendar month of delivery. These contracts settle financially as opposed to physically so they will not have any impact on the physical purchase and delivery of natural gas that is required to run the Sugar Creek plant. A natural gas futures contract settles financially by comparing the purchase price to the settlement price, netting the difference, and then multiplying this dollar difference by 10,000 to get the dollar amount per contract. Dollars change hands without any physical flow of the commodity itself. *See* Petitioner's Exhibit No. DTW-1, line 7

Q14. What is the second type of swap/futures contract envisioned in the 2012 Hedging Plan?

A14. The Initial Hedging Plan utilized two contracts to establish a hedge against the electricity price volatility – i.e., Midwest ISO Cinergy Hub

Peak Calendar Month/Real Time LMP Swap Future contracts and Midwest ISO Cinergy Hub Peak Calendar Month/Day Ahead LMP Swap Futures contracts. These types of swap contracts allowed NIPSCO to purchase power at a fixed price for all on-peak hours of a given month, and then settle the price against the average on-peak hourly Real Time LMP price and then the Day Ahead LMP price for that same calendar month. While the Midwest ISO Cinergy Hub Peak Calendar Month/Real Time LMP Swap Future was the most liquid and actively traded contract type out into the future, it did not perfectly match up with the type of exposure that NIPSCO was attempting to mitigate. Since NIPSCO purchases its power from MISO on a Day Ahead basis, in order to match this hedge exposure with the most closely linked derivative product, NIPSCO converted Midwest ISO Cinergy Hub Peak Calendar Month/Real Time LMP Swap Futures contracts into Midwest ISO Cinergy Hub Peak Calendar Month/Day Ahead LMP Swap Futures contracts. This converted swap ultimately settled the original fixed price purchase against the Day Ahead MISO prices. This type of swap also settles financially as opposed to physically so there will be no impact to MISO supply including the dispatch of NIPSCO's generation facilities and NIPSCO's wholesale sales

and purchases of electricity. If the fixed price is below the average Day Ahead LMP price, NIPSCO will receive payment. If the fixed price is above the average Day Ahead LMP price, NIPSCO will make a payment. *See* Petitioner's Exhibit No. DTW-1, line 17.

Q15. Have there been any changes to the Initial Hedging Plan?

A15. Yes. Since approval of the Initial Hedging Plan, NIPSCO has gained further experience operating in the LMP swap futures market. First, on January 1, 2012, MISO Indiana Hub became one of the new hub definitions developed by MISO's Trading Hub Task Force which was approved by MISO members to replace MISO Cinergy Hub in late 2011. Second, NIPSCO has found that the MISO Indiana Hub Peak Calendar Month/Day Ahead LMP Swap Futures contracts are much more liquid and readily available. Therefore, NIPSCO is not planning to utilize the Midwest ISO Indiana Hub Peak Calendar Month/Real Time LMP Swap Futures contracts as an intermediate step; rather, NIPSCO will simply execute the number of proposed contracts directly using the Day Ahead type of contracts. This will provide a direct and more efficient mechanism

to hedge the amount of desired contracts and eliminates having to pay additional broker and clearing fees.

Q16. Based upon the changes to the Initial Hedging Plan, are there any changes to the procurement of the contracts?

A16. Yes. Because of the notable change (decline) in natural gas prices since last year, there is an increase in the amount of natural gas futures contracts. However, on the electricity price side of the plan, there are three instances by which the updates suggest a decrease in the amount of contracts, specifically, for July, September and November 2012. Based upon discussions with the OUCC and NIPSCO Industrial Group, NIPSCO proposes to decrease the amount of natural gas futures contract purchases in these same months on a one-to-one basis to account for the corresponding negative amounts noted for electricity price contracts. *See* Petitioner's Exhibit No. DTW-1, line 15. Utilizing a 1:1 ratio of natural gas futures contracts to electricity futures contracts best accomplishes the objective of accounting for the negative amounts in those months.

Q17. Is NIPSCO continuing to propose to pass through all hedging gains and seek recovery of all prudently incurred hedging losses through its FAC filings?

A17. Yes. The hedges under the 2012 Hedging Plan are being solely made to address native load fuel cost price exposure. Furthermore, as noted above, the hedges will not change the economic dispatch of NIPSCO's generation facilities or NIPSCO's wholesale electricity sales and purchases. Therefore, NIPSCO continues to propose to pass all hedging gains and seek recovery of prudently incurred hedging losses through its FAC filings.

Q18. What is NIPSCO's proposal for implementing these hedging transactions?

A18. The natural gas futures contracts and the Midwest ISO Indiana Hub Peak Calendar Month/Day Ahead LMP Swap Futures contracts will be purchased following the schedule set forth in Petitioner's Exhibit No. DTW-3 and Petitioner's Exhibit No. DTW-4, respectively. The natural gas futures contracts will be purchased on a dollar cost averaging basis up to the second to last month before the month of delivery. The reason that

these purchases will conclude on the second to last month before the month of delivery is because monthly natural gas futures contracts settle three business days prior to the month of delivery. If the natural gas futures contracts were purchased immediately prior to the month of delivery, the purchase would effectively be made at the same time that the contract was settling. The Midwest ISO Indiana Hub Peak Calendar Month/Day Ahead LMP Swap Futures contracts will be purchased on a dollar cost averaging basis up through and including the month prior to the delivery month. As shown in Petitioner's Exhibit No. DTW-4, the schedule is broken up into the different types of futures/swaps contracts to demonstrate when and what number of contracts would be purchased.

Q19. Will the schedule be adjusted so that near months will be adequately hedged?

A19. Yes. Under the 2012 Hedging Plan, the intent is to start hedging in advance of delivery in a reasonable manner to take full advantage of dollar cost averaging. Because of the updated number of contracts called for under the 2012 Hedging Plan, hedges have already been executed to

accommodate the schedule shown in Petitioner's Exhibit No. DTW-3 and Petitioner's Exhibit No. DTW-4.

Q20. When during the month will the futures/swaps contracts be purchased for hedges during the remainder of the two-year period?

A20. NIPSCO intends to purchase the swaps/futures contracts on or around the third to last business day of the month. This purchase practice takes market timing out of the purchase decision. NIPSCO will, however, take into account market conditions and circumstances known at that time and will use its best judgment in purchasing the swaps/futures contracts.

Q21. Have you prepared an analysis to determine the possible impact the 2012 Hedging Plan would have on overall purchased power costs?

A21. Yes. Petitioner's Exhibit No. DTW-5 is an analysis that shows an example of what additional power supply costs could be incurred if market prices move up by 20% from where market pricing was as of close of business on April 23, 2012. In this example, there could be an additional $20,670,158 of power supply costs (inclusive of CCGT generation and MISO power purchases) if market prices rose by 20% for each month of the planned period. The plan period covers the July 2012 to June 2014 period. The

analysis also includes the effect the 2012 Hedging Plan could have on these additional power supply costs. If these hedges were in place and the market was stressed upward by 20% for each month in the plan period, the additional power supply costs would be roughly 50% ($10,365,000) of what they would be without the hedge plan in place. However, if prices were to move downward by 20%, power supply costs could have been reduced by $20,670,158 through the plan period if no hedge plan had been implemented. With the hedge plan in place, power supply costs would have been reduced by only 50% ($10,365,000) of what they would have been without the hedge plan in place. The analysis demonstrates how a hedge plan can reduce volatility in power supply costs. While possible savings may be forgone when prices fall, the hedge plan reduces additional costs that may have been incurred when prices rise.

Q22. Will the results of this analysis change over time?

A22. Market conditions are dynamic and the analysis provided in Petitioner's Exhibit No. DTW-5 is only intended to show the relative impact of the program assuming that market conditions remain the same that they are

today. Nevertheless, the analysis provides an indication on what sort of impact this program may have in the future.

Q23. Is NIPSCO proposing a change to the process to address the impact of entering into hedges in the early months of the hedging plan?

A23. Yes. NIPSCO is proposing to file its next revised electric hedging plan by March 31 of each year instead of May 31. Furthermore, NIPSCO proposes to reach out to the OUCC and the NIPSCO Industrial Group to discuss its next revised electric hedging plan two months prior to its proposed March filing. This change will assist NIPSCO's efforts to execute hedges that are called for under the updated hedging plan at the front end of the 2 year schedule.

Q24. Will this change impact the stakeholder process for considering NIPSCO's next revised hedging plan?

A24. Yes. Under the proposed framework, stakeholders would have until May 15 to provide feedback on NIPSCO's next revised hedging plan so that purchases under the plan could commence by May 28 of that same year. A summary of NIPSCO's proposed framework for future filings and

proposed general hedging plan methodology are shown in Petitioner's Exhibit No. DTW-6.

Q25. Does this complete your prefiled direct testimony?

A25. Yes.

VERIFICATION

I, Daniel T. Williamson, Executive Director of Energy Supply and Trading for Northern Indiana Public Service Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

_____

Daniel T. Williamson

Dated: May 31, 2012

Petitioner's Exhibit No. DTW-1

July 2012 Through June 2014 HEDGE PLAN

	July 2012 - June 2013	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
1	CCGT Generation (MWh's)	169,381	196,880	156,541	204,275	182,080	181,621	190,783	174,789	189,622	95,782	183,231	171,200
2	50% of Exposure	84,691	98,440	78,271	102,137	91,040	90,810	95,392	87,394	94,811	47,891	91,616	85,600
3	Equivalent Dth @ 7.5 Heat rate	635,179	738,300	587,029	766,031	682,800	681,078	715,437	655,458	711,084	359,184	687,116	642,000
4	Number of NYMEX Contracts	63	74	59	76	69	68	71	66	71	36	69	64
5	Previously Hedged Through April 2012	17	14	2	0	0	0	0	0	0	0	0	0
6	Deduction for Over-Hedge on MISO Purchase Program	1		1		3							
7	Number of Contracts to be hedged beginning May 2012	45	60	56	76	66	68	71	66	71	36	69	64
8	Miso Purchases (MWh's)	0	0	0	32,903	0	0	1,834	0	0	0	0	0
9	50% of Exposure (MWh's)	0	0	0	16,451	0	0	917	0	0	0	0	0
10	Peak Days	21	23	19	23	21	20	22	20	21	22	22	20
11	Contract Size = 80 MWh												
12	Minimum Transaction Size = (80 MWh x Peak Days)	1,680	1,840	1,520	1,840	1,680	1,600	1,760	1,600	1,680	1,760	1,760	1,600
13	Number of Trading Units	0	0	0	9	0	0	1	0	0	0	0	0
14	Previously Hedged Through April 2012	1	0	1	6	3	0	0	0	0	0	0	0
15	Offset by Adjustment to CGT Generation Hedges	-1		-1		-3							
16	Number of Trading Units to be hedged beginning May 2012	0	0	0	3	0	0	1	0	0	0	0	0
17	Total MWh to be hedged beginning May 2012	0	0	0	5,520	0	0	1,760	0	0	0	0	0

	July 2013 - June 2014	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
1	CCGT Generation (MWh's)	183,184	183,184	168,823	207,355	171,414	188,445	196,650	171,500	182,206	172,976	119,840	178,797
2	50% of Exposure	91,592	91,592	84,412	103,678	85,707	94,222	98,325	85,750	91,103	86,488	59,920	89,399
3	Equivalent Dth @ 7.5 Heat rate	686,940	686,940	633,087	777,583	642,804	706,668	737,438	643,127	683,271	648,660	449,400	670,489
4	Number of NYMEX Contracts	69	69	63	78	64	70	74	64	68	65	45	67
5	Previously Hedged Through April 2012	0	0	0	0	0	0	0	0	0	0	0	0
6	Deduction for Over-Hedge on MISO Purchase Program												
7	Number of Contracts to be hedged beginning May 2012	69	69	63	78	64	70	74	64	68	65	45	67
8	Miso Purchases (MWh's)	3,921	1,357	8,240	3,434	11,716	18,178	0	10,419	248	14,151	5,938	1,009
9	50% of Exposure (MWh's)	1,961	678	4,120	1,717	5,858	9,089	0	5,209	124	7,076	2,969	504
10	Peak Days	22	22	20	23	20	21	22	20	21	22	21	21
11	Contract Size = 80 MWh												
12	Minimum Transaction Size = (80 MWh x Peak Days)	1,760	1,760	1,600	1,840	1,600	1,680	1,760	1,600	1,680	1,760	1,680	1,680
13	Number of Trading Units	1	0	3	1	3	5	0	4	0	4	2	0
14	Previously Hedged Through April 2012	0	0	0	0	0	0	0	0	0	0	0	0
15	Offset by Adjustment to CGT Generation Hedges												
16	Number of Trading Units to be hedged beginning May 2012	1	0	3	1	3	5	0	4	0	4	2	0
17	Total MWh to be hedged beginning May 2013	1,760	0	4,800	1,840	4,800	8,400	0	6,400	0	7,040	3,360	0

Petitioner's Exhbit No. DTW-2

2012 - 2014 ESTIMATED ON PEAK RESOURCES WITHOUT CT AND CCGT OFF SYSTEM SALES (MWhs)

2012	January	February	March	April	May	June	July	August	September	October	November	December
Estimated Monthly Demand (MWh's)							831,274	884,942	700,587	752,730	691,578	673,553
Steam Generation (MWh's)							749,592	828,468	633,242	543,590	709,026	725,396
Hydro Generation (MWh's)							1,646	1,306	1,110	1,299	1,512	2,541
CT Generation (MWh's)							5,629	3,058	152	184	168	160
CCGT Generation (MWh's)							169,381	196,880	156,541	204,275	182,080	181,621
Purchased Wind Generation (MWh's)							6,855	9,603	9,509	12,192	13,977	9,928
MISO Purchases (MWh's)							-	-	-	32,903	-	-
Total On Peak Resources (MWh's)							933,103	1,039,316	800,554	794,442	906,763	919,645
On Peak Shortfall (MWh's)							(101,829)	(154,374)	(99,967)	(41,712)	(215,185)	(246,092)

2013	January	February	March	April	May	June	July	August	September	October	November	December
Estimated Monthly Demand (MWh's)	732,248	668,254	683,555	688,587	719,810	739,980	884,356	878,882	748,988	787,627	682,973	735,350
Steam Generation (MWh's)	678,660	622,572	655,277	788,987	785,272	711,657	752,242	774,617	620,176	691,614	570,509	643,042
Hydro Generation (MWh's)	2,189	2,669	2,849	2,700	2,837	2,291	1,725	1,250	1,168	1,299	1,440	2,668
CT Generation (MWh's)	176	160	168	176	176	2,555	4,862	3,742	160	184	160	168
CCGT Generation (MWh's)	190,783	174,789	189,622	95,782	183,231	171,200	183,184	183,184	168,823	207,355	171,414	188,445
Purchased Wind Generation (MWh's)	9,749	7,515	9,280	10,237	12,025	7,804	7,181	9,186	10,009	12,192	13,311	10,424
MISO Purchases (MWh's)	1,834	-	-	-	-	-	3,921	1,357	8,240	3,434	11,716	18,178
Total On Peak Resources (MWh's)	883,391	807,705	857,196	897,882	983,541	895,507	953,115	973,335	808,577	916,078	768,550	862,924
On Peak Shortfall (MWh's)	(151,143)	(139,451)	(173,641)	(209,295)	(263,731)	(155,527)	(68,759)	(94,453)	(59,589)	(128,451)	(85,577)	(127,574)

2014	January	February	March	April	May	June	July	August	September	October	November	December
Estimated Monthly Demand (MWh's)	799,896	733,150	740,343	752,729	722,504	829,324						
Steam Generation (MWh's)	806,732	617,240	676,053	673,497	734,534	767,171						
Hydro Generation (MWh's)	2,189	2,669	2,849	3,031	2,708	2,406						
CT Generation (MWh's)	176	160	168	176	168	2,816						
CCGT Generation (MWh's)	196,650	171,500	182,206	172,976	119,840	178,797						
Purchased Wind Generation (MWh's)	9,749	7,515	9,280	10,237	11,479	8,195						
MISO Purchases (MWh's)	-	10,419	248	14,151	5,938	1,009						
Total On Peak Resources (MWh's)	1,015,496	809,504	870,804	874,068	874,667	960,393						
On Peak Shortfall (MWh's)	(215,600)	(76,354)	(130,461)	(121,339)	(152,163)	(131,069)						

Electric Hedge Plan

Number of Gas Futures Contracts

Execution Month

NYMEX Futures Contract	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total
Jul-12	45																										45
Aug-12	30	30																									60
Sep-12	19	18	19																								56
Oct-12	19	19	19	19																							76
Nov-12	13	14	13	13	13																						66
Dec-12	11	11	12	11	11	12																					68
Jan-13	10	10	10	11	10	10	10																				71
F Feb-13	8	8	9	8	8	9	8	8																			66
L Mar-13	8	8	8	8	7	8	8	8	8																		71
O Apr-13	3	4	3	4	4	3	4	4	3	4																	36
W May-13	7	6	6	6	7	6	6	6	7	6	6																69
Jun-13	5	5	6	5	5	6	5	5	6	5	5	6															64
M Jul-13	5	6	5	5	6	5	5	5	5	6	5	6	5														69
O Aug-13	5	5	5	5	5	4	5	5	5	5	5	5	5	5													69
N Sep-13	4	5	4	4	4	4	4	5	4	4	4	4	5	4	4												63
T Oct-13	5	5	5	5	4	5	5	5	5	5	4	5	5	5	5	5											78
H Nov-13	4	4	3	4	4	3	4	4	4	4	3	4	4	4	4	3	4										64
Dec-13	4	4	4	4	4	3	4	4	4	4	4	4	4	3	4	4	4										70
Jan-14	4	4	4	4	3	4	4	4	4	4	3	4	4	4	4	4	4	4									74
Feb-14	4	3	3	3	3	4	3	3	3	3	4	3	3	3	3	4	3	3	3								64
Mar-14	4	3	3	3	3	4	3	3	3	3	4	3	3	3	3	4	3	3	3	3	4						68
Apr-14	3	3	3	3	3	3	3	3	3	3	3	3	3	2	3	3	3	3	3	3	3	3					65
May-14	2	2	2	2	2	2	2	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2	2				45
Jun-14	2	3	2	3	3	3	3	3	2	3	3	3	3	3	2	3	3	3	3	3	2	3	3	3			67

Volumes Hedged

Execution Month

NYMEX Futures Contract	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total
Jul-12	450,000																										450,000
Aug-12	300,000	300,000																									600,000
Sep-12	190,000	180,000	190,000																								560,000
Oct-12	190,000	190,000	190,000	190,000																							760,000
Nov-12	130,000	140,000	130,000	130,000	130,000																						660,000
Dec-12	110,000	110,000	120,000	110,000	110,000	120,000																					680,000
Jan-13	100,000	100,000	100,000	110,000	100,000	100,000	100,000																				710,000
F Feb-13	80,000	80,000	90,000	80,000	80,000	90,000	80,000	80,000																			660,000
L Mar-13	80,000	80,000	80,000	80,000	70,000	80,000	80,000	80,000	80,000																		710,000
O Apr-13	30,000	40,000	30,000	40,000	40,000	30,000	40,000	40,000	30,000	40,000																	360,000
W May-13	70,000	60,000	60,000	60,000	70,000	60,000	60,000	60,000	70,000	60,000	60,000																690,000
Jun-13	50,000	50,000	60,000	50,000	50,000	60,000	50,000	50,000	60,000	50,000	50,000	60,000															640,000
M Jul-13	50,000	60,000	50,000	50,000	60,000	50,000	50,000	50,000	50,000	60,000	50,000	60,000	50,000														690,000
O Aug-13	50,000	50,000	50,000	50,000	50,000	40,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000													690,000
N Sep-13	40,000	50,000	40,000	40,000	40,000	40,000	40,000	50,000	40,000	40,000	40,000	40,000	50,000	40,000	40,000												630,000
T Oct-13	50,000	50,000	50,000	50,000	40,000	50,000	50,000	50,000	50,000	50,000	40,000	50,000	50,000	50,000	50,000	50,000											780,000
H Nov-13	40,000	40,000	30,000	40,000	40,000	30,000	40,000	40,000	40,000	40,000	30,000	40,000	40,000	40,000	40,000	30,000	40,000										640,000
Dec-13	40,000	40,000	40,000	40,000	40,000	30,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	30,000	40,000	40,000	40,000	40,000								700,000
Jan-14	40,000	40,000	40,000	40,000	30,000	40,000	40,000	40,000	40,000	40,000	30,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000								740,000
Feb-14	40,000	30,000	30,000	30,000	30,000	40,000	30,000	30,000	30,000	30,000	40,000	30,000	30,000	30,000	30,000	40,000	30,000	30,000	30,000	30,000							640,000
Mar-14	40,000	30,000	30,000	30,000	30,000	40,000	30,000	30,000	30,000	30,000	40,000	30,000	30,000	30,000	30,000	40,000	30,000	30,000	30,000	30,000	40,000						680,000
Apr-14	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	20,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000					650,000
May-14	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	10,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000				450,000
Jun-14	20,000	30,000	20,000	30,000	30,000	30,000	30,000	30,000	20,000	30,000	30,000	30,000	30,000	30,000	20,000	30,000	30,000	30,000	30,000	30,000	20,000	30,000	30,000	30,000			670,000

Electric Hedge Plan

Number of MISO Indiana Hub 5 MW Peak Calendar-Month Day-Ahead Swap Futures

Execution Month

	Contract Month	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total	Pk Days
	Jul-12																											0	21
	Aug-12																											0	23
	Sep-12																											0	19
	Oct-12	1		1	1																							3	23
	Nov-12																											0	21
	Dec-12																											0	20
	Jan-13			1																								1	22
F	Feb-13																											0	20
L	Mar-13																											0	21
O	Apr-13																											0	22
W	May-13																											0	22
	Jun-13																											0	20
M	Jul-13							1																				1	22
O	Aug-13																											0	22
N	Sep-13		1				1				1																	3	20
T	Oct-13														1													1	23
H	Nov-13				1				1				1															3	20
	Dec-13	1				1				1				1				1										5	21
	Jan-14																											0	22
	Feb-14									1			1		1					1								4	20
	Mar-14																											0	21
	Apr-14										1					1			1		1							4	22
	May-14											1						1										2	21
	Jun-14																											0	21

Volumes Hedged (On Peak Mwhs)

Execution Month

		May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total	
	NYMEX Contract Month																											
	Jul-12																										0	21
	Aug-12																										0	23
	Sep-12																										0	19
	Oct-12	1,840		1,840	1,840																						5,520	23
	Nov-12																										0	21
	Dec-12																										0	20
	Jan-13			1,760																							1,760	22
F	Feb-13																										0	20
L	Mar-13																										0	21
O	Apr-13																										0	22
W	May-13																										0	22
	Jun-13																										0	20
M	Jul-13							1,760																			1,760	22
O	Aug-13																										0	22
N	Sep-13		1,600				1,600				1,600																4,800	20
T	Oct-13														1,840												1,840	23
H	Nov-13				1,600				1,600				1,600														4,800	20
	Dec-13	1680				1,680				1,680				1,680				1,680									8,400	21
	Jan-14																										0	22
	Feb-14									1,600			1,600		1,600					1,600							6,400	20
	Mar-14																										0	21
	Apr-14										1,760					1,760			1760		1,760						7,040	22
	May-14											1,680						1,680									3,360	21
	Jun-14																										0	21

July 2012 - June 2014 SPOT MARKET EXPOSURE WITH HEDGE OFFSET (MARKET PRICING STRESSED BY 20%)

July 2012 - June 2014	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Totals
Estimated Sales (MWh's)	1,523,570	1,523,570	1,523,570	1,331,811	1,331,811	1,331,811	1,317,214	1,317,214	1,317,214	1,335,086	1,335,086	1,335,086	1,563,627	1,563,627	1,563,627	1,393,999	1,393,999	1,393,999	1,441,952	1,441,952	1,441,952	1,435,297	1,435,297	1,435,297	34,027,667
CCGT Generation (MWh's)	169,381	196,880	156,541	204,275	182,080	181,621	190,783	174,789	189,622	95,782	183,231	171,200	183,184	183,184	168,823	207,355	171,414	188,445	196,650	171,500	182,206	172,976	119,840	178,797	
Equivalent Dth's @ 7 5 Heat Rate	1,270,358	1,476,600	1,174,058	1,532,061	1,365,600	1,362,156	1,430,874	1,310,916	1,422,168	718,368	1,374,233	1,284,000	1,374,880	1,373,880	1,266,174	1,555,166	1,285,608	1,413,336	1,474,875	1,286,253	1,366,542	1,297,320	898,800	1,340,978	
Total CCGT Dollar Exposure**	$560,228	$670,376	$541,241	$729,261	$716,940	$806,396	$890,004	$819,322	$881,744	$442,515	$858,895	$815,340	$888,900	$894,396	$825,545	$1,026,469	$880,641	$1,030,322	$1,107,831	$962,117	$1,005,775	$923,692	$643,541	$958,186	$19,889,418
Hedged Volumes	620,000	740,000	580,000	760,000	660,000	680,000	710,000	660,000	710,000	360,000	690,000	640,000	690,000	690,000	630,000	780,000	640,000	700,000	740,000	640,000	680,000	650,000	450,000	670,000	
Hedge Offset*	$273,420	$335,960	$267,960	$361,760	$346,500	$402,560	$441,630	$412,900	$440,200	$221,760	$431,250	$406,400	$446,430	$449,190	$410,760	$514,800	$448,400	$510,300	$555,740	$478,720	$500,480	$462,800	$321,200	$483,740	
Total CCGT Dollar Exposure w/ Hedging**	$286,808	$334,416	$273,861	$367,501	$370,440	$403,836	$448,374	$406,422	$441,544	$220,755	$427,645	$408,940	$442,470	$445,206	$414,785	$511,669	$442,241	$520,022	$551,891	$483,397	$505,295	$460,892	$321,341	$484,446	$9,971,548
Upside Price	$2.644	$2.724	$2.764	$2.858	$3.152	$3.551	$3.734	$3.750	$3.722	$3.698	$3.750	$3.812	$3.881	$3.907	$3.912	$3.958	$4.111	$4.372	$4.505	$4.487	$4.417	$4.270	$4.294	$4.334	
Current Price	$2.203	$2.270	$2.303	$2.382	$2.627	$2.959	$3.112	$3.125	$3.102	$3.082	$3.125	$3.177	$3.234	$3.256	$3.260	$3.298	$3.426	$3.643	$3.754	$3.739	$3.681	$3.558	$3.578	$3.612	
Downside Price	$1.762	$1.816	$1.842	$1.906	$2.102	$2.367	$2.490	$2.500	$2.482	$2.466	$2.500	$2.542	$2.587	$2.605	$2.608	$2.638	$2.741	$2.914	$3.003	$2.991	$2.945	$2.846	$2.862	$2.890	
MISO Purchases (MWh's)	0	0	0	32,903	0	0	1,834	0	0	0	0	0	3,921	1,357	8,240	3,434	11,716	18,178	0	10,419	248	14,151	5,938	1,009	
Total MISO Purchase Dollar Exposure**	$0	$0	$0	$204,986	$0	$0	$13,539	$0	$0	$0	$0	$0	$94,113	$11,805	$56,130	$23,750	$81,028	$125,719	$0	$76,913	$1,736	$99,085	$41,388	$7,547	$780,740
Hedged Volumes	0	0	0	16,560	0	0	1,760	0	0	0	0	0	1,760	0	4,800	1,840	4,800	8,400	0	6,400	0	7,040	3,360	0	
Hedge Offset*	$0	$0	$0	$103,169	$0	$0	$12,992	$0	$0	$0	$0	$0	$15,312	$0	$34,445	$12,725	$33,197	$58,094	$0	$47,245	$0	$49,294	$23,419	$0	
Total MISO Purchase Dollar Exposure w/Hedging**	$0	$0	$0	$101,817	$0	$0	$546	$0	$0	$0	$0	$0	$78,801	$11,806	$21,685	$11,024	$47,831	$67,626	$0	$29,668	$1,736	$49,791	$17,969	$7,547	$390,847
Upside Price	$44.772	$44.772	$36.516	$37.380	$37.380	$37.380	$44.292	$44.292	$42.012	$42.012	$41.820	$44.880	$52.200	$52.200	$49.056	$41.496	$41.496	$41.496	$44.292	$44.292	$42.012	$42.012	$41.820	$44.880	
Current Price	$37.31	$37.31	$30.43	$31.15	$31.15	$31.15	$36.91	$36.91	$35.01	$35.01	$34.85	$37.40	$43.50	$43.50	$35.88	$34.58	$34.58	$34.58	$36.91	$36.91	$35.01	$35.01	$34.85	$37.40	
Downside Price	$29.848	$29.848	$24.344	$24.920	$24.920	$24.920	$29.528	$29.528	$28.008	$28.008	$27.880	$29.920	$34.800	$34.800	$23.704	$27.664	$27.664	$27.664	$29.528	$29.528	$28.008	$28.008	$27.880	$29.920	
Total Spot Market Exposure**	$560,228	$670,376	$541,241	$934,247	$716,940	$806,396	$903,542	$819,322	$881,744	$442,515	$858,895	$815,340	$929,013	$908,202	$884,676	$1,050,159	$961,669	$1,156,041	$1,107,831	$1,039,030	$1,007,511	$1,021,777	$684,929	$975,733	$20,670,158
$/MWh Exposure w/o Hedging**	$0.368	$0.440	$0.355	$0.701	$0.538	$0.605	$0.686	$0.622	$0.669	$0.331	$0.643	$0.611	$0.594	$0.581	$0.566	$0.753	$0.690	$0.829	$0.768	$0.721	$0.699	$0.713	$0.477	$0.680	$0.607
Total Spot Market Exposure w/Hedging**	$286,808	$334,416	$273,861	$469,318	$370,440	$403,836	$448,920	$406,422	$441,544	$220,755	$427,645	$408,940	$461,271	$457,013	$439,471	$522,693	$490,073	$587,647	$551,891	$513,066	$507,031	$510,083	$319,309	$491,593	$10,345,195
$/MWh Exposure w/Hedging**	$0.188	$0.219	$0.180	$0.352	$0.278	$0.303	$0.341	$0.309	$0.335	$0.165	$0.320	$0.306	$0.295	$0.292	$0.281	$0.375	$0.352	$0.422	$0.383	$0.356	$0.352	$0.356	$0.236	$0.343	$0.305

*In this example, purchases were assumed to be made at one static point in time. Because the structure of the hedge plan will show purchases through time, the overall impact may be muted depending on market movement into the future.
**In this example, spot prices are assumed to have moved up by 20%. If the opposite had occurred and prices had moved down by 20%, the hedge effect would have been the mirror image of what was presented.

NIPSCO 2012 Electric Hedging Plan

Proposed Hedging Plan Methodology

Each March, NIPSCO will develop an energy supply plan that will cover the succeeding two years starting in July of that same year and extending out to June two years hence.

The energy supply plan will contain each of the following elements:

1) Estimated Monthly Demand (On-Peak MWhs)
2) Coal-Fired Generation (On-Peak MWhs)
3) Hydro Generation (On-Peak MWhs)
4) Combustion Turbine (CT) Generation (On-Peak MWhs) without Off-System Sales
5) Combined Cycle Gas Turbine (CCGT) Generation (On-Peak MWhs) without Off-System Sales
6) Purchased Wind Generation (On-Peak MWhs)
7) MISO Purchases (On Peak MWhs)

The Coal-Fired Generation, Hydro Generation, Combustion Turbine Generation, Combined Cycle Gas Turbine Generation, Purchased Wind Generation and MISO Purchases will all be determined by using the PROMOD model. The PROMOD model will be run with forecasted hourly spot market prices for electric energy in the MISO spot market floored at a price just above the variable cost of NIPSCO's available coal-fired generation.

From this energy supply plan, the net amount of modeled power that will come from the CCGT will be converted into Dekatherms by multiplying the on-peak MWhs per month by 7.5 Dekatherms per MWh. This number of Dekatherms will be multiplied by 50% to get the net amount of Dekatherms to be hedged. These Dekatherms can then be converted to natural gas futures contracts by dividing the number of Dekatherms by 10,000.

The net amount of modeled power coming from MISO purchases will be multiplied by 50% to get the net amount of MISO purchases to be hedged. This number of MWhs will be converted to an acceptable number of MISO Indiana Hub Calendar Month/Day Ahead LMP Swap Futures.

Proposed Timeline for Submission of Hedging Plans

Pre-March Stakeholder Collaborative	Each year, at least two months before its annual March 31 filing of its updated energy supply plan, NIPSCO will meet with the OUCC and NIPSCO's interested retail customer stakeholders to discuss whether the specifics of the hedging plan methodology warrant adjustment.
March 31	NIPSCO files its updated energy supply plan with the Indiana Utility Regulatory Commission, along with testimony explaining why or why not any changes to the methodology or hedging plan are warranted.
May 15	Stakeholder feedback on the proposed hedging plan due to NIPSCO.
Last week in May	Hedging plan purchases begin.