

EICHHORN, EICHHORN & LINK

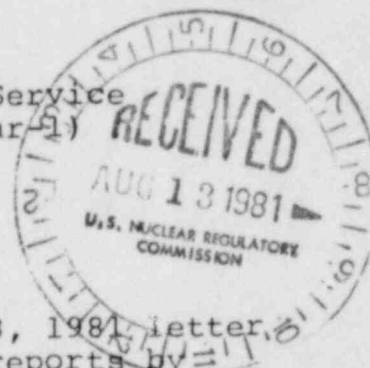
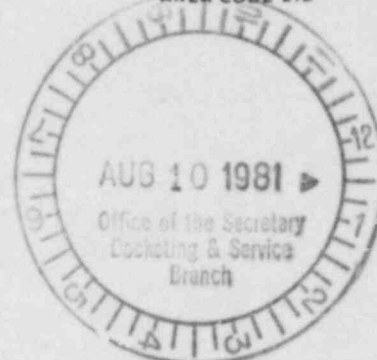
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August 6, 1981

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Mr. Robert J. Vollen
c/o BPI
109 North Dearborn Street
Suite 1300
Chicago, Illinois 60602

Re: In the Matter of Northern Indiana Public Service
Company (Bailly Generating Station, Nuclear) (1)
Docket No. 50-367
(Construction Permit Extension)

Dear Mr. Vollen:

The news reports to which you refer in your August 3, 1981 letter to me were not based upon release of new financial reports by Northern Indiana Public Service Company (NIPSCO) but rather a press release issued on Friday, July 31, 1981. A copy of that press release is enclosed. The qualified audit report referred to in the press release will appear in NIPSCO's 10-Q report to the Securities & Exchange Commission. That report will be submitted to the Securities & Exchange Commission shortly and a copy of it will be made available to you on or before August 31, 1981, when other discovery requests are updated.

Yours very truly,

EICHHORN, EICHHORN & LINK

By:


William H. Eichhorn

WHE/dgg
Enclosure
cc: Service List

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NIPSCO NEWS

NORTHERN INDIANA PUBLIC SERVICE COMPANY / 5265 HOHMAN AVENUE / HAMMOND, INDIANA 46320 / (219) 853-5200

NIPSCO EARNINGS IMPROVE BUT RATE RELIEF NECESSARY

HAMMOND, Ind. -- Edmund A. Schroer, chairman and chief executive officer of Northern Indiana Public Service Company, today (Friday, July 31, 1981) reported that audited figures for the second quarter ended June 30, 1981, indicate that net income totaled \$25.9 million compared to \$19.7 million for the three-month period ended June 30, 1980.

Earnings per average common share outstanding in the second quarter reached 49 cents compared to 43 cents per average common share outstanding during the same quarter of the previous year.

For the first six months of 1981, earnings per average common share totaled \$1.38 compared to \$1.08 per average common share during the corresponding period in 1980.

"These improved second quarter and first half results," Schroer said, "reflect increased gas and electric demand by our major industrial customers, reduced purchased power costs, lower maintenance expense, compared to the first half of 1980, and the positive impact of last year's electric rate increase.

"Despite this improvement," Schroer noted, "recent indicators suggest a moderation in industrial activity during the third quarter, traditionally the weakest production period for our steel and steel-related customers. Furthermore, 1981 figures are being compared to depressed 1980 results which were adversely affected by double-digit inflation and a general economic recession.

"While we are encouraged by these first half figures," Schroer continued, "it should be understood that earnings remain at levels substantially below those needed to attract capital (currently about a 16 percent return on equity) at favorable rates in today's highly competitive national and international money markets. Dividends have not been increased from an annual rate of \$1.50 per share since 1977.

"The necessity of receiving rate relief in accordance with our February 23, 1981, petition to the Public Service Commission of Indiana has been clearly demonstrated," the utility chairman said. "Hearings on the Company's request for a 13.3 percent electric rate increase concluded July 6, 1981.

Earnings per average common share for the 12 month period ended June 30, 1981, increased to \$1.84 from \$1.54 for the same period in 1980, with approximately 6.3 million more average common shares outstanding.

The utility chairman also reported that as a result of a July 1 decision of the U. S. Court of Appeals for the District of Columbia directing the Nuclear Regulatory Commission (NRC) to include the Bailly Nuclear One pile-depth question in the pending construction permit extension proceeding and a July 10 NRC denial of the Company's request to begin hearings on the construction permit extension on September 15, 1981, it is becoming increasingly difficult to plan to achieve commercial operation of Bailly Nuclear One in 1989.

Schroer said, "The Company recognizes that if political and emotional factors, litigation delays, regulatory delays and other hostility result in making the 1989 operation date unachievable, construction of Bailly Nuclear One may have to be terminated. In view of this fact, our outside auditors, Arthur Andersen & Co., have qualified their audit report, covering our June 30, 1981, financial statements, subject to the successful resolution of current outstanding issues," the utility chairman concluded.

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EARNINGS SUMMARY FOR
3 MONTHS, 6 MONTHS, AND 12 MONTHS
ENDED JUNE 30, 1981

<u>3 MONTHS ENDED JUNE 30</u>	<u>1981</u>	<u>1980</u>
Total Operating Revenues	\$365,075,218	\$300,279,373
Net Income	\$ 25,919,432	\$ 19,749,513
Preferred and Preference Stock Dividend Requirements	\$ 4,945,598	\$ 4,316,537
Balance for Common	\$ 20,973,834	\$ 15,432,976
Earnings per Common Share	\$ 0.49	\$ 0.43
Average Common Shares Outstanding	42,797,931	35,891,979
Dividends per Common Share	\$ 0.37-1/2	\$ 0.37-1/2
 <u>6 MONTHS ENDED JUNE 30</u>		
Total Operating Revenues	\$838,665,115	\$721,562,965
Net Income	\$ 67,288,411	\$ 46,913,808
Preferred and Preference Stock Dividend Requirements	\$ 9,215,570	\$ 8,633,072
Balance for Common	\$ 58,072,841	\$ 38,280,736
Earnings per Common Share	\$ 1.38	\$ 1.08
Average Common Shares Outstanding	42,044,633	35,585,637
Dividends per Common Share	\$ 0.75	\$ 0.75

EARNINGS SUMMARY FOR
3 MONTHS, 6 MONTHS, AND 12 MONTHS
ENDED JUNE 30, 1981

<u>12 MONTHS ENDED JUNE 30</u>	<u>1981</u>	<u>1980</u>
Total Operating Revenues	\$1,483,926,551	\$1,299,921,554
Net Income	\$ 92,605,004	\$ 70,155,809
Preferred and Preference Stock Dividend Requirements	\$ 17,786,047	\$ 17,275,968
Balance for Common	\$ 74,818,957	\$ 52,879,841
Earnings per Common Share	\$ 1.84	\$ 1.54
Average Common Shares Outstanding	40,637,560	34,333,452
Dividends per Common Share	\$ 1.50	\$ 1.50

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