

Article Information

Received date : 26 March, 2024

Published date: 04 April, 2024

*Corresponding author

Tin-Chun Lin, Department of Economics,
School of Business and Economics,
Indiana University, USA

DOI: 10.54026/ARS/1019

Key Words

Social Economic Contribution; NIPSCO;
Northwestern Indiana

Distributed under: Creative Commons
CC-BY 4.0

The Social Economic Contributions of NIPSCO (Northern Indiana Public Service Company) to Northwestern Indiana: A Brief Economic Report Analysis

Tin-Chun Lin*

Department of Economics, School of Business and Economics, Indiana University, USA

Abstract

This brief economic report analysis highlights that NIPSCO is an important economic driver in Northwestern Indiana due to their high investments, including purchases of goods and services, and employing a highly skilled labor force. NIPSCO's significant capital investments develops a modern and reliable energy generation and distribution infrastructure, and hence in turn supports the region's economic development. In addition, both GDP and employment multipliers for NIPSCO demonstrate that due to the energy industry in Northwestern Indiana, NIPSCO creates more additional GDP and jobs in other industries in the region. In short, this brief economic report analysis shows that NIPSCO makes significant social economic contributions to the region's economy in Northwestern Indiana.

Introduction

Northern Indiana Public Service Company (NIPSCO) is the region's electricity and natural gas provider and delivers a critical service. Not only is the availability of reliable energy fundamental to our daily lives, but also it forms an important support of the region's energy-intensive economy. That is, the energy company (NIPSCO) makes an important social economic contribution to the region and brings economic development to the region, including income, employment, tax revenue, etc.

Contribution of Jobs to the Region's Labor Force

NIPSCO is currently Indiana's largest natural gas distribution company and the second largest electric distribution company. It serves nearly 830,000 natural gas and 470,000 electric customers in the Northwestern Indiana. In addition, NIPSCO currently has 2,900 (nearly 3,000) highly trained employees. In other words, NIPSCO creates nearly 3,000 jobs in the region (including seven counties in the Northwestern Indiana) that has the labor force of around 408,090 workers (see Table 1), approximately weighting 0.7% of total labor force in the region.

Table 1: Total Population and Labor Force in Northwestern Indiana (2020). Source: U.S. Census Bureau; STATS Indiana.

| County | Total Population | Total Labor Force | Age: 16-24 | Age: 25-44 | Age: 45-64 | Age: 65+ |
|---------|------------------|-------------------|------------|------------|------------|----------|
| Jasper | 32,918 | 16,430 | 2,560 | 6,420 | 6,330 | 1,120 |
| Lake | 498,700 | 231,950 | 31,900 | 99,110 | 88,280 | 12,660 |
| LaPorte | 112,417 | 51,200 | 6,700 | 19,860 | 21,020 | 3,620 |
| Newton | 13,830 | 6,510 | 740 | 2,560 | 2,730 | 480 |
| Porter | 173,215 | 85,720 | 11,750 | 35,370 | 33,710 | 4,890 |
| Pulaski | 12,514 | 5,970 | 660 | 2,320 | 2,540 | 450 |
| Starke | 23,371 | 10,310 | 1,320 | 4,210 | 4,070 | 710 |
| Total | 866,965 | 408,090 | 55,630 | 169,850 | 158,680 | 23,930 |

Contribution of Capital Investment to the Region's Economic Development

In addition, NIPSCO's investments in electric capital in the past year 2021 was approximately \$122,587,125 (see Table 2). The costs of investment included direct capital of \$105,324,448, indirect capital of \$13,692,179, and AFDUC (Allowance for Funds Used During Construction) of \$3,570,498. Note that the indirect costs were incurred in performing capital projects but were not charged directly to a specific work order. Additionally, the total O&M (Operations & Maintenance) cost was \$83,418. These NIPSCO's investments in electric capital would create job opportunities in other industries and hence would be directly and indirectly contributing to the region's economic development.

Combining NIPSCO's total capital cost (\$122,587,125) and total O&M cost (\$83,418), NIPSCO's social economic contributions of capital investments to the region's economy were nearly \$123 million, which was large comparing with other small businesses in the region.



Table 2: NIPSCO’s Investment in Electric Capital Costs. Source: Northern Indiana Public Service Company LLC.

| Category | Year of 2021 |
|-----------------------------------------------------------|---------------|
| Direct Cost | \$105,324,448 |
| Indirect Cost | \$13,692,179 |
| AFDUC (Allowance for Funds Used During Construction) Cost | \$3,570,498 |
| Total Capital Cost | \$122,587,125 |
| Total O&M (Operations & Maintenance) cost | \$83,418 |

The Region’s GDP, Unemployment Rate, and Employment

Moreover, Table 3 reports GDP in Northwestern Indiana Counties in 2020, which was over \$35 billion (\$35,349,501 thousand), and Table 4 presents annual unemployment rate in Northwestern Indiana Counties in 2020. The annual average unemployment rate in Northwestern Indiana was 8.09%. Additionally, Table 5 shows annual employed persons in Northwestern Indiana Counties in 2020. The total annual employed persons in Northwestern Indiana was nearly 360 thousand (358,389) people.

Table 3: GDP in Northwestern Indiana Counties in 2020. Source: St. Louis FRED Economic Data.

| County | GDP (Thousands of Chained (2012) Dollars) |
|----------------|-------------------------------------------|
| Jasper County | 1,343,705 |
| Lake County | 21,806,214 |
| LaPorte County | 3,805,458 |
| Newton County | 346,336 |
| Porter County | 6,902,283 |
| Pulaski County | 617,329 |
| Starke County | 528,176 |
| Total | 35,349,501 |

Table 4: Annual Unemployment Rate in Northwestern Indiana Counties in 2020. Source: St. Louis FRED Economic Data

| County | Annual Unemployment Rate (%) |
|----------------|------------------------------|
| Jasper County | 7.1 |
| Lake County | 10.4 |
| LaPorte County | 9.7 |
| Newton County | 7 |
| Porter County | 8.2 |
| Pulaski County | 6.1 |
| Starke County | 8.1 |
| Average | 8.09 |

Table 5: Annual Employed Persons in Northwestern Indiana Counties in 2020. Source: St. Louis FRED Economic Data.

| County | Annual Employed Persons |
|----------------|-------------------------|
| Jasper County | 14,428 |
| Lake County | 202,695 |
| LaPorte County | 42,770 |
| Newton County | 6,100 |
| Porter County | 77,433 |
| Pulaski County | 6,009 |
| Starke County | 8,954 |
| Total | 358,389 |

The year of 2020 was during the COVID-19 pandemic, which deeply hurt the local, national, and global economies, leading to a high unemployment rate and low GDP. Fortunately, NIPSCO was not deeply influenced by the COVID-19 pandemic and was still growing by continued capital investments and more job creations. For that reason, due to NIPSCO’s contributions, the region’s GDP still grew at a not bad level of over \$35 billion and lowered down the unemployment rate at around 8 percent.

Social Economic Contributions of NIPSCO to the Region

Furthermore, according to the study by Indiana Business Research Center in 2018, the GDP multiplier of Indiana’s energy industry contributing to Indiana’s GDP was 1.48. The GDP multiplier of 1.48 means that every dollar of GDP is directly related to the state’s energy providers produces additional \$0.48 in GDP in other industries in Indiana. Since NIPSCO is the largest natural gas distribution company, and the second largest electric distribution company in the state of Indiana, it is reasonable for us to believe that the GDP multiplier of NIPSCO is even larger than 1.48. In other words, every dollar of GDP directly linked to the NIPSCO generates additional more than \$0.48 in GDP in other industries in the region of Northwestern Indiana. It should be noted that the multiplier here means that “the magnitude of the economic response in a particular geographic area associated with a change in the direct effects. The multiplier equals the total effect divided by the direct effect [1].”

Similarly, based on the study by Indiana Business Research Center in 2018, the employment multiplier of Indiana’s energy industry contributing to Indiana’s employment was 2.15. the employment multiplier of 2.15 indicates that every job directly developed by the operations and capital investments of the energy industry support additional 1.15 jobs elsewhere in the Indiana economy (or every 10 energy-related jobs support nearly 12 additional jobs in other industries.) As mentioned above, NIPSCO is the largest natural gas distribution company, and the second largest electric distribution company in the state of Indiana; therefore, it is reasonable for us to believe that the employment multiplier of NIPSCO contributing to Indiana’s employment is even bigger than 2.15. In other words, every job directly generated by the operations and capital investments of NIPSCO support additional more than 1.15 jobs elsewhere in the region’s economy (or every 10 energy-related jobs support nearly more than 12 additional jobs in other industries.)

Conclusion

In this brief economic report analysis, I highlight that NIPSCO is an important economic driver in Northwestern Indiana. This is because of through NIPSCO’s investments, including purchases of goods and services, and employing a highly skilled labor force. That is, NIPSCO’s significant capital investments develops a modern and reliable energy generation and distribution infrastructure, and thus in turn supports the region’s economic development. Moreover, both GDP and employment multipliers for



NIPSCO indicate that due to the energy industry in Northwestern Indiana, NIPSCO creates more additional GDP and jobs in other industries in the region. In conclusion, this brief economic report analysis shows that NIPSCO makes significant social economic contributions to the region's economy in Northwestern Indiana.

Reference

1. The Economic Contributions of Indiana's Energy Industry (2018) Indiana Business Research Center, Kelley School of Business, Indiana University, Indiana.





