

# ***NEWS RELEASE***

## **FOR IMMEDIATE RELEASE**

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## **FOR ADDITIONAL INFORMATION**

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## **NIPSCO AND OUCC SIGN MEMORANDUM OF UNDERSTANDING ON RECOVERY OF PURCHASED POWER COSTS**

**MERRILLVILLE, IN** – Northern Indiana Public Service Company (NIPSCO) and the Indiana Office of Utility Consumer Counselor (OUCC) have signed a Memorandum of Understanding (MOU) that would allow NIPSCO to secure safe, reliable and intermediate dispatchable supplies of power for its electric customers. The MOU – which develops an outline for a potential settlement agreement and will be subject to an independent, third-party review – will also help NIPSCO meet electric reliability criteria imposed by the Midwest Independent Transmission System Operator, Inc. (MISO) and the North American Electric Reliability Council (NERC).

The MOU, filed today with the Indiana Utility Regulatory Commission (IURC), proposes that NIPSCO be allowed to recover, through rates, costs of power purchased from the wholesale market if it is independently confirmed that current resources do not meet the utility's reliability needs. The MOU provides that ratepayers will share in profits from NIPSCO's off-system sales of electricity, which may result in immediate savings. Additionally, the MOU also requires NIPSCO to file a base rate case in 2007. Finally, the MOU states that the OUCC will not oppose the transfer of the Dean H. Mitchell Generating Plant to the City of Gary, provided that NIPSCO customers do not pay any expenses related to the property's transfer, demolition and/or remediation. The MOU leaves in place the current rate moratorium and extends the \$55 million annual rate credit until NIPSCO's rates are established following the 2007 rate case.

**(MORE)**

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“We applaud the OUCC for working with us and believe this is an appropriate solution to meeting customer demand for safe, reliable electric power at competitive prices and allowing NIPSCO to fulfill reliability and power requirements of MISO and NERC,” said NIPSCO President Mark Maassel. “NIPSCO has a unique customer profile, with large and varying power demands, and the ability to purchase this type of highly flexible and reliable supply of power is critical to meeting the needs of all our customers.”

“This memorandum is a major step toward what we hope will be a comprehensive settlement agreement that will bring new benefits to all NIPSCO customers,” said Indiana Utility Consumer Counselor Susan L. Macey. “The base rate case, in particular, is especially timely considering the developments of the last couple of years. It will allow for a comprehensive review that may result in additional savings for NIPSCO customers.”

The independent, third-party study for the MOU will be conducted by Burns & McDonnell, a nationally recognized engineering firm that closely follows the energy industry. Burns & McDonnell will have until June 15, 2005 to review NIPSCO’s need for intermediate dispatchable power, the use of EnergyUSA-TPC Corp. to conduct NIPSCO affiliate transactions, and whether the Dean H. Mitchell Generating Plant could meet new regulatory and reliability requirements. Costs for the study will be paid by NIPSCO.

Based on the outcome of the third-party study, the OUCC may recommend that NIPSCO be permitted to implement a Purchased Power Tracker (PPT). The PPT, which would require IURC approval, would eventually allow NIPSCO to recover its purchased power costs through a charge on customers’ monthly electric bills.

NIPSCO, with headquarters in Merrillville, Ind., is one of the 10 energy distribution companies of NiSource Inc. (NYSE: NI). With nearly 700,000 natural gas customers and 440,000 electric customers across the northern third of Indiana, NIPSCO is the largest natural gas distribution company, and the second largest electric distribution company, in the state. NiSource distribution companies serve 3.7 million natural gas and electric customers primarily in nine states. More information about NIPSCO is available at [www.nipsco.nisource.com](http://www.nipsco.nisource.com).

The Indiana Office of Utility Consumer Counselor (OUCC) is the state agency that represents the interests of all utility consumers and the public in matters related to the provision of utility services. The agency is active in proceedings before regulatory and legal bodies, and committed to giving consumers a voice in the creation of utility service policy. Residential, commercial and industrial consumers with questions or concerns regarding utility service can contact the OUCC toll-free at 1-888-441-2494 or online at [www.IN.gov/OUCC](http://www.IN.gov/OUCC).

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