

**FOR IMMEDIATE RELEASE**

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**FOR ADDITIONAL INFORMATION**

Tom Cuddy, Manager  
NIPSCO Communications  
219-647-6556

Shaw Friedman  
LaPorte County Attorney  
219-326-1264

**LAPORTE COUNTY AND NIPSCO REACH AGREEMENT TO SETTLE  
WHITING POWER DISPUTE PENDING BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION**

**LaPorte, Ind.** -- LaPorte County Commissioners this morning approved a settlement agreement negotiated with Northern Indiana Public Service Company (NIPSCO) that would resolve a year-old dispute regarding NIPSCO's purchase of intermediate dispatchable power (IDP) produced by its affiliate, Whiting Clean Energy, Inc. (Whiting), which owns and operates a natural gas-fired electric generating station. The settlement agreement must be approved by the Indiana Utility Regulatory Commission (IURC).

NIPSCO initially requested approval of a three-year deal that would permit it to purchase IDP produced by Whiting in order to address reliability issues confronting it. During the course of the proceeding before the IURC, NIPSCO explored other solutions for its reliability problems, and it determined earlier this year that the three-year agreement would not be necessary. In its settlement with LaPorte County, NIPSCO and its affiliates formally acknowledge the termination of the agreements for purchasing power sourced at Whiting effective January 1, 2006. NIPSCO's compliance with the applicable reliability standards (NERC CPS1 performance) has improved in recent months, and NIPSCO's CPS1 performance is now in excess of the minimum requirement.

Pursuant to a July 1, 2005, Interim Order issued by the IURC, NIPSCO purchased limited amounts of IDP produced at Whiting during the last five months of 2005 to address its reliability concerns while it explored other potential solutions to those concerns. Those purchases involved more than \$5 million in demand or capacity charges, which were paid by NIPSCO.

NIPSCO also incurred incremental fuel costs of approximately \$5 million for those IDP purchases because that type of power is more expensive than typical power purchases. Pursuant to its settlement with LaPorte County, NIPSCO has agreed to credit approximately \$2 million of those additional costs to customers, with up to 25% of that amount allocated to cover reasonable attorneys' fees and expenses, including expert expenses, involved in obtaining this credit in Cause No. 42824 and related causes. The request for recovery of reasonable attorneys' fees and expenses will be reviewed by both the Indiana Office of Utility Consumer Counselor and the IURC. NIPSCO has also agreed to forego its request in a separate proceeding to recover approximately \$249,000 in variable operating and maintenance expenses associated with the IDP.

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The settlement agreement also addresses concerns related to NIPSCO's Dean H. Mitchell Generating Station. LaPorte County, from the award of fees and expenses provided in the settlement agreement, will commission and fund an independent study regarding whether Mitchell can and should be re-started.

NIPSCO itself will be commissioning a separate study on Mitchell, in which LaPorte County also intends to participate. The agreement avoids litigation over that issue until the studies can be completed, assuming that occurs no later than December 31, 2006. NIPSCO has agreed to maintain Mitchell in a re-startable condition until December 31, 2007.

LaPorte County Attorney Shaw Friedman said, "The agreement represents a genuine effort by the parties to put an end to protracted litigation and to help the process going forward of prudently planning for NIPSCO's power needs in the future. We are pleased that NIPSCO was able to find a less expensive solution to its reliability concerns, that we are able to recoup LaPorte County taxpayers' investment in this litigation, and that the issue of whether Mitchell can and should be re-started will be addressed in the immediate future."

NIPSCO President Mark Maassel indicated that NIPSCO "is initiating its own study of Mitchell and welcomes LaPorte County's participation in that effort along with other stakeholders. We also are exploring a broad range of options to meet the potential increase in power demand in the coming years, including issuing a request for proposal for purchased power supplies. A full review of Mitchell as part of our power portfolio just makes good business sense."

Maassel added that the settlement brings closure to litigation for all the parties involved, stating, "We are also pleased that NIPSCO's CPS1 performance has improved, and we are committed to keeping reliability at a high and sustainable level."

***About NIPSCO***

NIPSCO, with headquarters in Merrillville, Ind., is one of the 10 energy distribution companies of NiSource Inc. (NYSE: NI). With nearly 712,000 natural gas customers and 445,000 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).