



FOR IMMEDIATE RELEASE

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FOR ADDITIONAL INFORMATION

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NIPSCO Focused on Maintaining System Reliability and Providing Customers with a Reliable Supply of Power

Discussions on electric reliability issues continue

MERRILLVILLE, IND. – An independent third-party study, and an interim order issued July 1 by the Indiana Utility Regulatory Commission (IURC), have both indicated that reliability concerns raised by Northern Indiana Public Service Company (NIPSCO) are valid, and that steps need to be taken to address those concerns.

The Indiana Office of Utility Consumer Counselor (OUCC) has filed a notice disavowing the Memorandum of Understanding (MOU) that the consumer counselor and NIPSCO had reached earlier this year. The MOU, filed with the IURC on March 31, 2005, was intended as an outline for a potential settlement agreement on NIPSCO's request for additional power to meet its unique customer load. The settlement agreement was subject to an independent, third-party study.

The study, conducted by the engineering firm Burns and McDonnell, explored the underlying reasons for NIPSCO's decline in reliability indices and suggests several options that could help, including the option proposed by NIPSCO to purchase intermediate dispatchable power from Whiting Clean Energy.

NIPSCO continues to work with the OUCC and some of the utility's industrial customers to explore the various options suggested by the independent study. NIPSCO remains hopeful that the parties can collaborate to reach a mutually acceptable solution that will address electric reliability issues.

NIPSCO also has initiated a review of the feasibility of the remaining options suggested by Burns and McDonnell. However, none of the remaining options are readily available today.

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NIPSCO maintains its urgent need to comply with electric reliability standards. The IURC, in its July 1 order, approved NIPSCO purchases from Whiting Clean Energy, on an interim basis, to ensure that it is meeting the electric needs of its customers in a safe and reliable manner.

“Both the IURC and the independent study confirm steps should be taken to maintain system reliability on a consistent basis,” said NIPSCO President Mark Maassel. “Whiting Clean Energy offers an immediate and dependable solution to the reliability concerns for northern Indiana customers. Its location within our service territory and its environmentally clean operations provide a compelling answer to ensure safe, reliable service to all of our customers.

“We are committed to finding an appropriate solution to our power supply needs,” Maassel added. “We will analyze study data, examine costs associated with each option, as well as assign a timetable for how rapidly each option could be implemented.”

NIPSCO’s current fleet of coal-fired generating units, while extremely reliable, were not designed to respond to volatile load swings, which are unique to NIPSCO’s customer profile, and which have caused NIPSCO to be out of compliance with new electric reliability standards.

“One of the lessons learned after the massive blackout in August 2003 is that every utility plays a vital role in the reliability of the entire electric grid. Electricity moves at the speed of light, and therefore, reliability performance is continuously measured in real time,” Maassel said. “That is why standards set by reliability councils are so critical to the overall well being of the electric grid. NIPSCO must make every effort to consistently comply with those standards.”

NIPSCO, with headquarters in Merrillville, Ind., is one of the 10 energy distribution companies of NiSource Inc. (NYSE: NI). With over 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.com.

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