



FOR IMMEDIATE RELEASE

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FOR ADDITIONAL INFORMATION

Nick Meyer, Manager
NIPSCO Communications
219-647-6556

NIPSCO Files Electric Rate Case

First base rate adjustment request in more than 20 years focuses on providing safe, reliable service to customers while addressing industry challenges

MERRILLVILLE, Ind. – Northern Indiana Public Service Company (NIPSCO) today filed a comprehensive electric rate case designed to support the company's mission to provide safe and reliable service to customers at just and reasonable rates, while addressing challenges facing the electric industry.

NIPSCO's filing – its first base rate adjustment request in more than 20 years – proposes a change in rates to reflect the increased cost of operating the utility since its last rate case, as well as the company's need to invest in its generation portfolio to enhance reliability and meet growing customer demand for electricity.

Under the company's proposal, NIPSCO would adjust rates in two steps. Step one includes an overall 2.7 percent base rate increase to recover increased operating and maintenance costs. Step two requests an additional 9 percent overall base rate increase to reflect the addition of the Sugar Creek Generating Station to NIPSCO's rate base when it becomes available to serve NIPSCO customers, no later than June 2010.

If approved, a typical NIPSCO residential electric customer would see an increase of approximately \$7.24 in their monthly electric bill for the first step of the proposal, with an additional \$5.90 month increase at the time of the second step of the increase.

"NIPSCO has aggressively managed its costs for providing electric service over the past 20 plus years while providing a high level of customer service," said Eileen O'Neill Odum, Group CEO for Northern Indiana Energy (NIE). "This request reflects the company's need to invest in improvements in our electric system, meet escalating fuel, transportation, environmental and material costs and provide for our customers' increasing demand for energy."

NIPSCO's key objectives in this filing are to provide reasonable rates to all customer groups, offer simpler and straightforward tariffs for service and promote broader public policy initiatives, such as encouraging energy efficiency.

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“With this filing, NIPSCO has made a concerted effort to balance the interests of our residential, commercial and industrial customers,” said Odum. “We are keenly aware of the challenges facing our residential customers in managing their monthly energy budgets, and we have taken steps to moderate the level of increase they will experience. We also realize that in a competitive global market, the cost of energy to our industrial and commercial customers must be fairly priced.”

Proposals Would Simplify Rates, Promote Efficient Use of Energy

As part of its efforts to make rates easier to understand and administer, NIPSCO is proposing to reduce the number and complexity of rate categories. These redesigned rate structures will promote more efficient use of energy. The company also is proposing more rate incentives for customers to shift their usage from peak to off-peak hours.

Filing Addresses Efforts to Enhance Reliability and Meet Customer Needs

NIPSCO’s rate case filing addresses a number of important steps the company is taking in support of its mission to provide safe and reliable service to meet customers’ needs. The most significant of these recent steps was NIPSCO’s purchase of the Sugar Creek Generating Station in May 2008.

“The purchase of Sugar Creek was a significant step forward in solidifying NIPSCO’s generation capacity position and modernizing our generating fleet,” Odum noted. “The second step of our base rate adjustment will reflect NIPSCO’s investment in the Sugar Creek facility, and is timed to coincide with the availability of that plant to meet our customers’ needs.”

The Sugar Creek plant is under contract to provide power outside of the NIPSCO service territory until June 2010.

In addition to the purchase of Sugar Creek, NIPSCO’s filing details other steps the company is taking to maintain and increase investments in system improvements, maintenance programs and work management systems designed to enhance the company’s ability to serve customers. The filing also outlines the company’s important new electric employee safety program, as well as the company’s strategy for addressing upcoming transitions in its workforce associated with the anticipated retirement of older workers.

This rate proposal also addresses a fundamental change that the electric industry has undergone in transforming from an interconnected network of individual utility systems to an independently managed grid. This new industry structure is intended to support long-haul power transactions, market-based pricing and the economic dispatch of generating units. In this request, NIPSCO proposes updated rate mechanisms that can deal effectively with this new environment.

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Rate Proceeding An Open, Collaborative Process

A rate case is a formal proceeding that all regulated utilities in Indiana must go through in order to make any modifications to their base rates. Included in the process will be participation by interested parties, called intervenors, and the Indiana Office of Utility Consumer Counselor (OUCC), which represents all NIPSCO customers throughout the process.

After an extensive review, which can take 12 to 18 months, the Indiana Utility Regulatory Commission (IURC) will make a determination regarding the amount of revenue NIPSCO should have the opportunity to earn, as well as the company's appropriate rate structure.

Hearings on NIPSCO's case will be held in January 2009. A public field hearing will be held at a time and location to be determined early next year.

For additional information and updates please access the NIPSCO website at www.nipSCO.com.

Attached:

NIPSCO Rate Case Fact Sheet (Including Schedule)

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 3.8 million natural gas and electric customers primarily in nine states. More information about NIPSCO is available at www.nipSCO.com.

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