

FOR IMMEDIATE RELEASE

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FOR ADDITIONAL INFORMATION

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**NIPSCO REACHES SETTLEMENT WITH CONSUMER PARTIES
OVER ELECTRIC FUEL COST ALLOCATIONS**

Northern Indiana Public Service Company announced today an agreement with the City of Hammond, LaPorte County, the Indiana Office of Utility Consumer Counselor (OUCC), and certain industrial customers, which resolves questions relating to the fuel costs paid by electric customers over the past 15 months. The Settlement Agreement is subject to approval by the Indiana Utility Regulatory Commission.

As part of the settlement, NIPSCO agreed to an \$8.2 million credit to customers to resolve this dispute and has further agreed to work with the consumer parties on implementing a hedging policy for future purchases of power. If approved by the IURC, customers would receive the credit incrementally over the coming 12 months beginning with November 2009 bills.

The agreement in Cause No. 38706-FAC80-S1 has been filed with the IURC and has involved more than a year of negotiations between NIPSCO and the consumer parties. The agreement resolves this proceeding and five related proceedings.

“We are pleased to reach consensus with the parties involved in this agreement to establish a resolution that is beneficial to both our customers and our company,” said Frank Shambo, Vice President of Regulatory and Legislative Affairs for NIPSCO.

Hammond Mayor Tom McDermott hailed the agreement, which resulted from extensive negotiations after the City of Hammond and other consumer parties intervened in the case. McDermott said he is hopeful that “NIPSCO will adopt and implement a comprehensive hedging policy which will protect ratepayers from the volatility of the electric power market while maintaining a reasonable level of fuel costs.”

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NIPSCO SETTLEMENT AGREEMENT

Barbara Huston, President of the LaPorte County Commission, echoed the Mayor's thoughts, noting "Northern Indiana has been hit exceptionally hard during this recession, and we understand the role that affordable electricity plays in job creation."

"This agreement resolves a number of complex issues while paving the way for future guidelines that, if implemented, will help protect consumers by assuring reasonable fuel cost recovery," Indiana Utility Consumer Counselor David Stippler stated. "The OUCC's ongoing role in reviewing fuel costs of all regulated Indiana electric utilities is especially crucial in these times of higher coal costs and other upward pressures on electric rates."

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