

PRESS RELEASE

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NIPSCO REACHES SETTLEMENT WITH OUCC, LAPORTE
COUNTY AND INDUSTRIAL GROUP OVER PURCHASED POWER
PRACTICES; IURC APPROVAL STILL NEEDED

(Merrillville, IN) -- Northern Indiana Public Service Company (NIPSCO) announced today that it has reached an agreement with the Office of Utility Consumer Counselor (OUCC), LaPorte County and a group of NIPSCO industrial customers to resolve a challenge relating to the costs paid by customers for power purchased by NIPSCO. This Settlement Agreement is subject to approval by the Indiana Utility Regulatory Commission. Effective October 1, 2007, NIPSCO will implement a new "benchmarking standard" that will govern the allocation of costs for purchased power. The new benchmarking standard means that NIPSCO will pay a greater portion of the costs for power it purchases from the market, with customers paying correspondingly less for that power. NIPSCO also agreed to pay a one-time refund to customers of \$33.5 million to resolve a dispute relating to power purchased in 2006 and 2007. If approved, this refund will appear as a line item reduction on consumers' bills during the months of February, March, and April, 2008.

Following the indefinite shutdown of NIPSCO's coal-fired Dean H. Mitchell Generating Station in Gary in late 2001, the utility, which had historically met customers' needs primarily through its own generated power, purchased more power on the open market. Late in 2006, LaPorte County challenged the benchmarking mechanism used by NIPSCO to recover purchased power costs. LaPorte County was joined by the OUCC and industrial customers in this related proceeding. NIPSCO has agreed to implement a new benchmarking mechanism in which NIPSCO will bear a larger portion of the risk and cost associated with purchased power. NIPSCO also agreed to pay the one-time refund in the

amount of \$33.5 million. The Parties expect that the settlement agreement, which is being filed in Cause No. 38706 FAC71s-1, will be ruled upon by the Commission before the end of the year.

“Purchased power will continue to be a part of the capacity mix for NIPSCO, as the energy needs of our customers increase,” said NIPSCO President Mark Maassel. “We are investigating adding additional generation and implementing programs that will provide customers attractive choices to reduce their energy use. Our Integrated Resource Plan, which will be filed in November, will also identify attractive renewable resource options for meeting the energy needs of our customers.”

The state's Utility Consumer Counselor, Susan Macey, hailed the agreement saying that, "It provides protection for NIPSCO customers going forward while acknowledging that NIPSCO does have a need for certain amounts of purchased power."

LaPorte County Attorney Shaw Friedman concurred saying that, "With NIPSCO now purchasing so much power on the open market to serve its customers, it is critical that there be tough standards in place to insure that power is prudently purchased at the lowest possible cost to customers and that NIPSCO bears its fair share of those costs. This agreement does just that and should help cushion against constantly increasing monthly electric bills."

Bette Dodd, attorney for a group of industrial customers echoed that view saying, "My clients provide a significant amount of jobs and economic development for northwest Indiana and are very much affected by the price of energy. This agreement forces NIPSCO to hold the line on the costs of purchased power."

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