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**NIPSCO, OUCC, other parties reach agreement
on natural gas rate case settlement**

*Holds the line on costs, with rate decreases across all customer classes
Continues strong support for customer assistance, energy efficiency programs*

INDIANAPOLIS, Aug. 24, 2010 – Northern Indiana Public Service Company (NIPSCO), the Indiana Office of Utility Consumer Counselor (OUCC) and other key customer stakeholders have reached a settlement agreement in NIPSCO’s pending natural gas rate case. The settlement was filed with the Indiana Utility Regulatory Commission (IURC) on Tuesday, Aug. 24, 2010, and is subject to commission review and approval.

The settlement, also signed and agreed upon by the NIPSCO Industrial Group, the NIPSCO Marketer Group and Citizens Action Coalition of Indiana, will result in a rate decrease for all NIPSCO natural gas customer classes. The settlement also calls for continued strong support for low-income customer assistance, energy efficiency and conservation programs.

Among the settlement’s key provisions:

- NIPSCO will reduce its overall natural gas rates by \$14.8 million, based on a \$5 million reduction for residential customers and a \$9.8 million reduction for commercial and industrial customers. For NIPSCO’s 660,000 residential natural gas customers, the reduction equates to a savings of approximately \$7.50 per year per customer. Rates for commercial and industrial classes will also be lower.
- NIPSCO will adjust its rate design for the residential class to reduce seasonal volatility in customer bills and support energy conservation. This change helps separate fixed monthly service costs from variable, usage-driven costs, allowing customers to better track and manage energy consumption. This design will include increasing the utility’s monthly gas service charge from \$6.36 to \$11.00, instead of the \$20.00 charge originally proposed. Reductions to the base rate’s volumetric charges will offset the service charge increase, especially in winter months.
- NIPSCO will revise its low-income customer assistance program to make it similar in design to the Universal Service Program currently in place for Citizens Gas and Vectren Energy Delivery, and at the same funding level it contributes to the current Winter Warmth program. NIPSCO will contribute 25 percent of the program’s costs, which under current usage levels total approximately \$1.5 million. The first \$500,000 of NIPSCO’s funding will be used to continue a hardship program for non-eligible Low-Income Home Energy Assistance Program customers.

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- NIPSCO will continue to offer a variety of natural gas energy efficiency and conservation programs. NIPSCO currently provides \$1 million in annual funding for these programs, and will provide an additional \$1 million in funding for future extensions or enhancements to the programs within 30 days following the issuance of an order approving the settlement.
- The settlement addresses a number of additional natural gas rate related matters, including revision to NIPSCO's depreciation and amortization expense levels, regulatory treatment of Alternative Regulatory Plan (ARP) revenues and other items.

"We commend all the parties involved for taking a constructive and customer-focused approach in developing this settlement," NIPSCO CEO Jimmy Staton said. "We believe this represents a fair and reasonable outcome which serves the interests of NIPSCO's customers and the public at large. This settlement is consistent with our expectations for the outcome of this case, and provides a strong platform for continued enhancements to customer service, reliability and our ongoing investment in Indiana's energy infrastructure."

"The OUCC negotiated aggressively for an overall rate decrease for consumers, while preserving funding for low-income assistance during these difficult economic times," said Indiana Utility Consumer Counselor David Stippler. "Our staff listened to consumers' comments and kept those comments in mind throughout these negotiations. We are very pleased with the outcome of the negotiations that led to this agreement."

"The settlement agreement provides much needed rate relief and improvements to payment assistance CAC has supported for some time," said Citizens Action Coalition of Indiana Executive Director Grant Smith. "It also offers a reasonable solution to reducing seasonal volatility and a process for continuing gas efficiency programs. It shows what can be achieved when ratepayers and utilities work collaboratively."

NIPSCO, with headquarters in Merrillville, Ind., is one of the nine energy distribution companies of NiSource Inc. (NYSE: NI). With more than 712,000 natural gas customers and 457,000 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 seven states. More information about NIPSCO is available at www.nipsco.com.

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC's mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving. To learn more, visit www.IN.gov/OUCC.

Citizens Action Coalition of Indiana is a statewide nonprofit, nonpartisan, member-based organization that was founded in 1974 and represents residential consumers before the Indiana Utility Regulatory Commission and Indiana General Assembly on utility, energy, environmental and health care policy issues. CAC is located at: 603 E. Washington St., Suite 502; Indianapolis, IN 46204; 317-205-3535. (www.cictact.org)

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