

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE )  
COMPANY FOR AUTHORITY TO MODIFY ITS RATES )  
AND CHARGES FOR ELECTRIC UTILITY SERVICE AND )  
FOR APPROVAL OF: (1) CHANGES TO ITS ELECTRIC )  
SERVICE TARIFF INCLUDING A NEW SCHEDULE OF )  
RATES AND CHARGES AND CHANGES TO THE )  
GENERAL RULES AND REGULATIONS AND CERTAIN )  
RIDERS; (2) REVISED DEPRECIATION ACCRUAL )  
RATES; (3) INCLUSION IN ITS BASIC RATES AND )  
CHARGES OF THE COSTS ASSOCIATED WITH )  
CERTAIN PREVIOUSLY APPROVED QUALIFIED )  
POLLUTION CONTROL PROPERTY, CLEAN COAL )  
TECHNOLOGY, CLEAN ENERGY PROJECTS AND )  
FEDERALLY MANDATED COMPLIANCE PROJECTS; )  
AND (4) ACCOUNTING RELIEF TO ALLOW NIPSCO TO )  
DEFER, AS A REGULATORY ASSET OR LIABILITY, )  
CERTAIN COSTS FOR RECOVERY IN A FUTURE )  
PROCEEDING. )

CAUSE NO. 44688

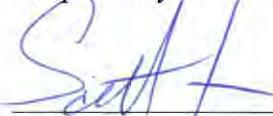
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

LAFAYETTE MORGAN, JR. – PUBLIC'S EXHIBIT NO. 2

JANUARY 22, 2015

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that a copy of the ***OUCC TESTIMONY OF LAFAYETTE MORGAN, JR.*** has been served upon the following parties of record in the captioned proceeding by electronic service on January 22, 2015.

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**BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION**

**NORTHERN INDIANA PUBLIC )  
SERVICE COMPANY ) CAUSE NO. 44688**

**DIRECT TESTIMONY  
OF  
LAFAYETTE K. MORGAN, JR.**

**ON BEHALF OF THE  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**JANUARY 22, 2016**

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**NORTHERN INDIANA PUBLIC SERVICE COMPANY  
TESTIMONY OF LAFAYETTE K. MORGAN, JR.  
CAUSE NO. 44688**

**I. QUALIFICATIONS**

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**Q. Would you please state your name and business address?**

A. My name is Lafayette K. Morgan, Jr. My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland, 21044. I am a Public Utilities Consultant working with Exeter Associates, Inc. ("Exeter"). Exeter is a firm of consulting economists specializing in issues pertaining to public utilities.

**Q. Please describe your educational background.**

A. I received a Master of Business Administration degree from The George Washington University. The major area of concentration for this degree was Finance. I received a Bachelor of Business Administration degree with concentration in Accounting from North Carolina Central University. I was previously a CPA licensed in the state of North Carolina, but elected to place my license in an inactive status as I pursued other business interests.

**Q. Would you please describe your professional experience?**

A. From May 1984 until June 1990, I was employed by the North Carolina Utilities Commission - Public Staff in Raleigh, North Carolina. I was responsible for analyzing testimony, exhibits, and other data presented by parties before the North Carolina Utilities Commission. I had the additional responsibility of performing the examinations of books and records of utilities involved in rate proceedings and summarizing the results into testimony and exhibits for presentation before that commission. I was also involved in numerous special projects, including participating

1 in compliance and prudence audits of a major utility and conducting research on  
2 several issues affecting natural gas and electric utilities.

3 From June 1990 until July 1993, I was employed by Potomac Electric Power  
4 Company ("Pepco") in Washington, D.C. At Pepco, I was involved in the preparation  
5 of the cost of service, rate base, and ratemaking adjustments supporting the  
6 company's requests for revenue increases in the State of Maryland and the District of  
7 Columbia. I also conducted research on several issues affecting the electric utility  
8 industry for presentation to management.

9 From July 1993 through 2010, I was employed by Exeter as a Senior  
10 Regulatory Analyst. During that period, I was involved in the analysis of the  
11 operations of public utilities, with particular emphasis on utility rate regulation. I  
12 reviewed and analyzed utility rate filings, focusing primarily on revenue requirements  
13 determination. This work involved natural gas, water, electric, and telephone  
14 companies.

15 In 2010, I left Exeter to focus on start-up activities for other business interests.  
16 In late 2014, I returned to Exeter to continue to work in a similar capacity to my work  
17 prior to my hiatus.

18 **Q. Have you previously testified in regulatory proceedings on utility rates?**

19 A. Yes. I have previously presented testimony and affidavits on numerous occasions  
20 before: the North Carolina Utilities Commission; the Pennsylvania Public Utility  
21 Commission; the Virginia Corporation Commission; the Louisiana Public Service  
22 Commission; the Georgia Public Service Commission; the Maine Public Utilities  
23 Commission; the Kentucky Public Service Commission; the Public Utilities  
24 Commission of Rhode Island; the Vermont Public Service Board; the Illinois

1 Commerce Commission; the Indiana Utility Regulatory Commission; the West  
2 Virginia Public Service Commission; the Maryland Public Service Commission; the  
3 Corporation Commission of Oklahoma; and the Federal Energy Regulatory  
4 Commission ("FERC").

5 **Q. On whose behalf are you appearing?**

6 A. I am presenting testimony on behalf of the Indiana Office of Utility Consumer  
7 Counselor ("OUCC").

8 **II. PURPOSE AND CONCLUSION**

9 **Q. What is the purpose of your testimony?**

10 A. OUCC asked Exeter to review the reasonableness of the level of revenues that  
11 Northern Indiana Public Service Company ("NIPSCO" or "Petitioner") is proposing  
12 to charge its customers. As part of an Exeter team, our assignment in this proceeding  
13 was to examine and investigate Petitioner's revenue requirements, and to present the  
14 findings regarding NIPSCO's test year rate base and net operating income at present  
15 rates. In developing recommendations with regard to net operating income, I have  
16 incorporated the recommendations of the OUCC's other witnesses regarding certain  
17 adjustments to revenues and expenses. Based on my findings, I determined the  
18 revenues that are required to generate the OUCC's recommendation regarding the  
19 overall rate of return on rate base.

20 **Q. Have you prepared schedules to accompany your testimony?**

21 A. Yes, I have. Schedules LKM-1 through LKM-22 are attached to my testimony.  
22 These schedules present my findings and recommendations regarding Petitioner's test  
23 year revenue requirements.

1 **Q. Please summarize your findings regarding Petitioner's revenue requirement.**

2 A. NIPSCO has requested an increase in base rate revenues of \$126,587,613. As shown  
3 on page 1 of Schedule LKM-1, I have determined that NIPSCO has a base rate  
4 revenue deficiency of \$15,612,682 for the test year ended March 31, 2015. This is  
5 the additional revenue needed to generate the OUCC's recommended overall rate of  
6 return of 5.89 percent after accounting for the OUCC's adjustments to NIPSCO's  
7 claimed rate base and operating income. The return of 5.89 percent represents the  
8 OUCC's recommendation regarding Petitioner's overall rate of return on rate base,  
9 taking into account OUCC witness J. Randall Woolridge's recommended return on  
10 equity ("ROE"). Page 2 of Schedule LKM-1 shows the derivation of the revenue  
11 deficiency I identified and provides a comparison of the OUCC's overall  
12 recommendation with NIPSCO's request.

13 Schedule LKM-2 summarizes my adjustments to NIPSCO's proposed test  
14 year rate base. Schedule LKM-3 provides a summary of my adjustments to test year  
15 revenues and expenses and the resulting net operating income at present rates.  
16 Schedules LKM-4 through LKM-22 present each of the adjustments to NIPSCO's  
17 claimed rate base and net operating income that I incorporated in developing the  
18 OUCC's recommended revenue requirement. Schedule LKM-22 presents the  
19 OUCC's capital structure and overall rate of return.

20 **Q. How is the remainder of your testimony organized?**

21 A. In the remainder of my testimony, I document and explain each of the adjustments to  
22 rate base and net operating income I made to arrive at the test year revenue deficiency  
23 shown on Schedule LKM-1. My discussion of these adjustments is organized into

1 sections corresponding to the issue being addressed. These sections are set forth in  
2 the Table of Contents for this testimony.

3 **III. PREPAID PENSION ASSET**

4 **Q. Please explain the adjustment you made to remove the prepaid pension asset**  
5 **that Petitioner included in rate base.**

6 A. NIPSCO included the balance of its prepaid pension asset in its original cost rate  
7 base. As recommended by OUCC witness Margaret Stull, I removed the prepaid  
8 pension asset from rate base. The elimination of this balance of \$216,303,291 from  
9 rate base is shown on the rate base summary presented on Schedule LKM-2.

10 **IV. NIPSCO PAYROLL EXPENSE**

11 **Q. Please explain how NIPSCO established its payroll expense.**

12 A. Petitioner developed its base salaries and wages expense by annualizing wages for all  
13 test year employees to reflect wages that will be in effect during the rate effective  
14 period. Petitioner then removed the capitalized costs using a capitalization ratio of  
15 22.32 percent. The total annualized payroll costs were multiplied by 22.32 percent  
16 and the product was subtracted from the total payroll cost to derive the payroll  
17 amount charged to Operations and Maintenance ("O&M") expenses. The equivalent  
18 of the 22.32 percent capitalization ratio is 77.68 percent O&M ratio (the inverse of  
19 the 22.32 percent capitalization ratio). In other words, NIPSCO's use of the  
20 22.32 percent capitalization ratio implies that all other payroll costs were charged to  
21 O&M expenses. However, this does not appear to be the case when other data is  
22 analyzed.

1           The actual payroll data<sup>1</sup> for the test year included in NIPSCO's filing show  
2 that 68.64 percent of payroll costs were charged to O&M expenses, not 77.68 percent.  
3 The same information shows that 31.36 percent was charged to plant construction,  
4 plant retirement, deferred debits and other liabilities. A comparative analysis shows  
5 that during the 2014 calendar year the results were similar. During calendar year  
6 2014, salaries and wages charged to O&M were 69.50 percent. Additionally,  
7 Petitioner's response to IG 8-016 shows that the employees group medical insurance  
8 cost was capitalized at an average capitalization rate of 34.55 percent for the months  
9 of April through November of 2015. This implies the amount charged to O&M was  
10 65.45 percent. NIPSCO uses the same capitalization/O&M ratio for employee group  
11 medical insurance as it does for payroll. Therefore, the data suggest that the 22.32  
12 percent used by NIPSCO to derive the payroll O&M percentage is not correct.

13           Therefore, I adjusted payroll expense to reflect a 68.64 percent O&M ratio.  
14 This adjustment is necessary to avoid overstating the level of payroll included in the  
15 operating expenses. On Schedule LKM-4, I present this adjustment, which reduces  
16 operating expenses by \$716,058.

17           **V. NON-RECURRING, LABOR-RELATED EXPENSES**

18 **Q. Please explain what you have referred to as non-recurring, labor-related**  
19 **expenses.**

20 **A.** The non-recurring, labor-related expenses are costs related to a signing bonus that  
21 was paid to bargaining unit employees and costs that NIPSCO has designated as work  
22 continuity expenses. During 2014, \$3.3 million was paid to bargaining unit

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<sup>1</sup> NIPSCO MSFR 1-5-8(a)(10), page 2 of 2.

1 employees pursuant to Article X of the union contract (the Agreement) that became  
2 effective June 1, 2014. According to Article X, the payment was to be as a "...one-  
3 time payment for prompt ratification of the Agreement."<sup>2</sup> A portion of these costs  
4 was capitalized and a portion was charged to gas operations. The remaining \$1.7  
5 million was charged to operating expenses. With regard to the work continuity  
6 expenses, Petitioner explained that these costs were incurred to prepare for a potential  
7 work stoppage if an agreement between Petitioner and the union was not reached  
8 before the then-current union agreement expired. These costs included internal labor  
9 costs for planning and training for the potential work stoppage; equipment and  
10 facilities rental; contractor, consultants, and security services; and materials such as  
11 beddings, signage, meals, safety equipment, etc. According to NIPSCO, these costs  
12 were incurred from December 2013 through July 2014. NIPSCO has made an  
13 adjustment to include one-fifth of both the signing bonus and the work stoppage costs  
14 in operating expenses as a means of amortizing these costs over a five-year period.

15 **Q. What adjustment have you made to the non-recurring labor-related expenses?**

16 A. I am recommending an adjustment that removes both the signing bonus and work  
17 stoppage costs from operating expenses since these costs are not annually recurring.  
18 Moreover, these costs are related to the period in which they were incurred and not a  
19 future period. Specifically, the bonus paid to each employee was not for the provision  
20 of future services. To be eligible for the bonus, one had to be a bargaining unit  
21 employee as of the date the Agreement was ratified. According to the Agreement,  
22 each regular active employee on Petitioner's payroll on the date of the ratification  
23 would be paid \$1,700 as a "...one-time payment for prompt ratification of the

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<sup>2</sup> Petitioner's response to IG Data Request No. 2-006, included as Attachment LKM-1.

1 Agreement.” Clearly, the action causing the payment has occurred and there are no  
2 future services for which compensation was prepaid. Regarding the work continuity  
3 costs, there is no basis for amortizing those costs over the next five years. Those  
4 costs are normal planning costs and, in my opinion, there is no linkage between  
5 incurring those costs and the five-year period of the current labor agreement. In  
6 addition, a portion of the work continuity costs was incurred before the test year.  
7 Including prior-period costs in the test year would be grounds for disallowance.  
8 Moreover, there is no Commission authorization to defer and amortize these costs.  
9 As a result, those costs are not eligible for inclusion in this proceeding. Based upon  
10 the foregoing explanation, I have made an adjustment on Schedule LKM-5 to  
11 decrease operating expenses by \$555,396. Also shown on that schedule is an  
12 adjustment of \$26,559 that removes the payroll taxes associated with the signing  
13 bonus that I have removed.

#### 14 **VI. NCSC LABOR COSTS**

15 **Q. Please explain your adjustment related to NCSC Labor Costs.**

16 A. NIPSCO made a similar adjustment to labor charges from NiSource Corporate  
17 Services Company (“NCSC”) to reflect the annual merit increases granted to NCSC’s  
18 employees. The adjustment, as calculated by Petitioner, is derived by annualizing the  
19 payroll based upon only one month. I disagree with this approach because data from  
20 a single month is insufficient to derive a reasonable level of annualized expenses.  
21 Therefore, I am recommending an adjustment to NCSC labor costs based upon  
22 annualizing the labor costs for the entire test year rather than just one month.



1 costs charged to O&M expense of \$8,499,043. As I explained earlier, I disagree with  
2 the O&M ratio used by NIPSCO to derive the operating expenses for payroll. Since  
3 NIPSCO uses the same rate to derive the O&M portion of pension expense, I have the  
4 same disagreement as I did for payroll. In my adjustment to payroll expenses, I  
5 explain how I derived the O&M ratio applicable to labor costs, which are also  
6 applicable to pension expense.

7 On Schedule LKM-7, I adjusted Petitioner's pension expense to reflect the  
8 O&M ratio of 68.64 percent. This adjustment results in a decrease in O&M expenses  
9 of \$989,075.

10 **VIII. OTHER POST-EMPLOYMENT BENEFITS EXPENSE**

11 **Q. What adjustment did you make to Other Post-Employment Benefits ("OPEB")**  
12 **expense?**

13 A. Similar to pension costs, NIPSCO developed its adjustment to OPEB expense based  
14 upon an actuarial study and a measurement date of July 1, 2015. The OPEB costs,  
15 which totaled \$12,983,882, were decreased to reflect the amounts capitalized,  
16 resulting in OPEB costs charged to O&M expense of \$6,880,587. As I explained  
17 earlier, I disagree with the O&M ratio used by NIPSCO to derive the operating  
18 expenses for payroll. Since NIPSCO uses the same rate to derive the O&M portion of  
19 OPEB expense, I have the same disagreement as I did for payroll. In my adjustment  
20 to payroll expenses, I explain how I derived the O&M ratio applicable to labor costs.  
21 That same O&M ratio is applicable to OPEB expense.



1           Second, I used the most recent 12-month employee medical costs as the base  
2 amount on which the 4.5 percent health inflation rate was applied.<sup>4</sup> Since an inflation  
3 factor is being used to adjust medical expenses, the increase is not tied to any specific  
4 cost element. As such, it is tantamount to using an estimate. The goal of such an  
5 adjustment is to determine a reasonable level of costs. As a result, it is appropriate to  
6 use the most recent costs available. Under normal circumstances, adjustments based  
7 solely on an inflation factor might be opposed because the inflation factor does not  
8 represent a known and measurable change. However, health cost tends to be an  
9 exception.

10           On Schedule LKM-9, I present my adjustment to medical expenses, which  
11 results in a decrease in O&M expenses of \$3,499,490.

12           **X. ENVIRONMENTAL EXPENSE NORMALIZATION**

13 **Q. What adjustment did NIPSCO make related to Environmental Expense**  
14 **Normalization?**

15 A. NIPSCO adjusted its O&M expenses to reflect the normalization of operating  
16 expenses for Schahfer Unit 14 Flue Gas Desulfurization ("FGD") and annualization  
17 of operating expenses associated with Schahfer Unit 15 FGD. The operating  
18 expenses associated with the Activated Carbon Injection ("ACI") systems of Bailly  
19 Units 7 and 8 and Schahfer Unit 15 were also annualized. According to Petitioner,  
20 test year operating expenses for Schahfer Unit 14 were not representative of ongoing  
21 operations because the unit was in economic reserve for a significant portion of the

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<sup>4</sup> Petitioner's responses to OUCC Data Request No. 2-031 and IG Data Request No. 8-016, included as Attachment LKM-3.

1 test year due to market conditions. With regard to Schahfer Unit 15, NIPSCO  
2 indicates that the unit's FGD facility went into service on November 5, 2014, so the  
3 test year ended March 31, 2015 only includes 148 days of operating expenses  
4 associated with that facility. As a result, Petitioner claims that without a *pro forma*  
5 adjustment, NIPSCO's test year generation operating expenses would be understated.

6 A similar situation also exists for the ACI systems at Bailly Units 7 and 8 and  
7 Schahfer Unit 15. Since the ACI facility at Bailly Units 7 and 8 went into service in  
8 January 2015, the test year operating expenses associated with these facilities  
9 reflected less than three months of operation. As for Schahfer Unit 15, the ACI  
10 facility for that facility went into service in May 2015, so there are no operating  
11 expenses associated with this facility in the test year operating expenses.

12 **Q. How did NIPSCO calculate the adjustment for the various units?**

13 A. For Schahfer Unit 14, NIPSCO used the 5-year average kilowatt-hour ("kWh")  
14 production as the basis for determining the normalized production. This normalized  
15 production was multiplied by the actual variable O&M cost per megawatt-hour  
16 ("MWh") of \$2.08 to derive the normalized operating costs from which the test year  
17 amount was subtracted to determine the adjustment.

18 A similar calculation was performed for Schahfer Unit 15 FGD facilities'  
19 costs. NIPSCO has annualized this expense by multiplying the 5-year average kWh  
20 production by Schahfer Unit 14 FGD's actual variable O&M cost per MWh of \$2.08  
21 to calculate annual variable operating costs for Schahfer Unit 15 FGD.<sup>5</sup> Fixed

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<sup>5</sup> The actual variable cost of Schahfer Unit 14 FGD for calendar year 2014 was used to normalize Schahfer Unit 15 FGD operating costs because of the lack of sufficient data representative of Schahfer Unit 15 ongoing operations.

1 maintenance costs were added to derive the annualized costs from which the test year  
2 amount was subtracted to derive the adjustment.

3 With regard to the annualized expenses for the ACI systems at Bailly Units 7  
4 and 8 and Schahfer Unit 15, NIPSCO first calculated the annual costs assuming the  
5 unit runs 100 percent of the time and that the ACI is operated 100 percent of the time.  
6 NIPSCO determined the cost of chemicals to be injected and then reduced this  
7 amount by the anticipated run time for each unit based on the unit's 5-year average  
8 capacity factor.

9 **Q. How have you adjusted operating expense for the FGD systems at Schahfer  
10 Units 14 and 15?**

11 A. With regard to the FGD facilities, I have calculated the annual operating costs using  
12 the most recent 3-year average to normalize Schahfer Units 14 and 15 kWh  
13 production.<sup>6</sup> The 5-year period used by NIPSCO was from 2010 to 2014. In contrast,  
14 I have excluded 2010 and 2011 from my calculation of the 3-year average. The  
15 reason I have used the most recent 3-year average is two-fold. First, when data for  
16 both units are reviewed for all five years, the production level for 2010 and 2011 (the  
17 oldest data) is so disparate that it tends to skew the resulting average higher. Second,  
18 I compared the 5-year data to 2015 data,<sup>7</sup> and it showed that the 2015 production  
19 level was significantly lower than the 5-year data for both units. It is important to  
20 note that the 2015 data include the summer cooling season when production is  
21 generally higher. Therefore, I concluded that the 3-year average was a more  
22 reasonable approach to determining these costs.

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<sup>6</sup> Data supporting my adjustment to Petitioner's environmental system operating expenses were obtained through discovery, included as Attachment LKM-4.

<sup>7</sup> The comparison was based upon the first nine months of each year because only data through September 2015 was available.

1 **Q. NIPSCO witness Michael W. Hooper indicates in his Direct Testimony that his**  
2 **use of the higher production amounts is reasonable because Petitioner**  
3 **anticipates an increased dispatch of Schahfer Unit 14. Isn't the premise of your**  
4 **adjustment to the FGD systems contrary to his testimony?**

5 A. Yes, but as I indicated, Petitioner's own data is contrary to Mr. Hooper's testimony.  
6 Additionally, in the response to OUCC 28-010, NIPSCO stated "[a]s of December  
7 2015, Schahfer Unit 14 is generally the last NIPSCO generating unit to be dispatched.  
8 This is primarily due to the unit's higher cost of fuel in relation to NIPSCO's other  
9 generating units." I expect a similar statement to be true for Schahfer Unit 15 since  
10 NIPSCO has used Schahfer Unit 14's production costs for estimating Schahfer Unit  
11 15's production costs because of similar design and operation characteristics.

12 **Q. How have you adjusted operating expense for the ACI systems at Schahfer Unit**  
13 **15 and Bailly Units 7 and 8?**

14 A. I have adjusted the operating expense by using the most recent 3-year average  
15 capacity factors to derive the annual operating costs. NIPSCO used the 5-year period  
16 from 2010 to 2014 to calculate the average capacity factors. Similar to my use of the  
17 3-year average in calculating the FGD operating costs, I excluded 2010 and 2011  
18 from my calculation of the 3-year average. The reason I have used the most recent 3-  
19 year average is that the data for 2010 and 2011 (the oldest data) is significantly  
20 different from the more recent data and does not appear representative of current  
21 operations.

22 **Q. Please summarize your adjustment to normalize the environmental expenses.**

23 A. On Schedule LKM-10, page 1, I made an adjustment to decrease operating expenses  
24 by \$1,537,642.



1 to normalize the liquefaction revenues and fuel expense based on the three most  
2 recent years' activity. In developing this adjustment, I used the injection activity for  
3 injection periods 2013, 2014, and 2015. This more recent data, in my opinion, is  
4 more reflective of the ongoing liquefaction activity. In addition, given that there are  
5 three consecutive years of activity in my 3-year average, it appears to be consistent  
6 with claims by Petitioner that it expects increased usage of the liquefaction facilities  
7 in the coming years.<sup>8</sup> On Schedule LKM-11, I present my adjustment, which  
8 increases operating revenues by \$434,314 and fuel costs by \$153,835.

## 9 **XII. VEGETATION CONTROL EXPENSES**

10 **Q. Please explain your adjustment to vegetation control expenses.**

11 A. NIPSCO adjusted its test year operating expenses to reflect an increase of \$3,179,145  
12 to vegetation management expenses. To derive the adjustment, the test year  
13 vegetation management expenses were compared to the 5-year average vegetation  
14 management expenses. Consistent with the other adjustments I recommend in this  
15 proceeding, I adjusted vegetation management expenses based upon the most recent  
16 3-year average. On Schedule LKM-12, I present this adjustment, which reduces  
17 operating expenses by \$1,015,812.

## 18 **XIII. PLANT OUTAGES EXPENSES**

19 **Q. Please explain your adjustment to plant outage expenses.**

20 A. During the test year, Petitioner experienced an \$8,016,677, or 61 percent, increase in  
21 Account No. 513 (Maintenance of Electric Plant-Steam Generation) over the previous

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<sup>8</sup> Petitioner's response to OUCC Data Request No. 2-016(d), included as Attachment LKM-5.

1 year. NIPSCO explained that the increase in the expenses during the test year was the  
2 result of plant outages. Further analysis showed that \$5,233,242 of the \$8,016,677  
3 was related to planned outages.<sup>9</sup> The nature of planned outages for each individual  
4 unit is such that planned outages are not scheduled to occur every year. Therefore, I  
5 am proposing an adjustment that normalizes the test year outage cost for each unit  
6 that had a planned outage during the test year. I normalized these costs over the  
7 period between the end of the test year outage to the beginning of the next planned  
8 outage.<sup>10</sup> As shown on Schedule LKM-13, I adjusted operating expense to reflect a  
9 decrease of \$1,985,348.

10 **XIV. NON-RECURRING MAINTENANCE EXPENSES**

11 **Q. What adjustments have you made related to non-recurring maintenance**  
12 **expense?**

13 A. During the test year, two accounts, Account Nos. 542 and 543, experienced  
14 significant increases when compared to previous years. In the case of Account No.  
15 542 (Maintenance of Structures-Hydraulic), the increase was 184 percent. The  
16 Company explained the increase is related to the use of non-company labor for  
17 repairs, replacement, and installation of equipment at a Company facility to meet  
18 FERC regulatory requirements. For Account No. 543 (Maintenance of Reservoir  
19 Dams), the increase was 99.6 percent. The Company explained the increase is related  
20 to the use of non-company labor for repairs and inspection of equipment at a  
21 Company facility to meet FERC regulatory requirements. The Company indicated

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<sup>9</sup> Petitioner's response to OUC Data Request No. 21-008, included as Attachment LKM-6.

<sup>10</sup> Dates for Petitioner's next planned outages were provided in response to OUC Data Request No. 21-008(c), included as Confidential Attachment LKM-7.

1 work at both facilities is completed.<sup>11</sup> I am recommending an adjustment to remove  
2 test year costs related to these specific projects because the significant increases  
3 demonstrate that the projects were extraordinary. In addition, the use of contractors  
4 to perform these tasks also means that these are costs that will not recur, as they were  
5 specific to the projects. As shown on Schedule LKM-14, I decreased operating  
6 expenses by \$960,721.

7 **XV. AUTOMATED METER READING PROJECT COST SAVINGS**

8 **Q. Please explain your adjustment to O&M expense to reflect O&M savings related**  
9 **to NIPSCO's Automated Meter Reading ("AMR") project.**

10 A. I adjusted NIPSCO's O&M expense to reflect the recommendation of OUCC witness  
11 Dwight D. Etheridge. Mr. Etheridge recommends that NIPSCO's test year O&M  
12 expense be reduced to capture incremental O&M savings associated with its AMR  
13 project that are expected to be realized within the 12 months that follow the end of the  
14 test year. This recommendation results in a \$1,592,750 decrease to O&M expense.  
15 The O&M expense adjustment related to AMR project cost savings is presented on  
16 Schedule LKM-15.

17 **XVI. UNCOLLECTIBLES EXPENSE**

18 **Q. How did NIPSCO develop its uncollectibles expense?**

19 A. In its filing, NIPSCO adjusted test year uncollectibles expense by applying its  
20 uncollectible expense rate for the 12 months ended March 2015 to the *pro forma* rate  
21 year revenue at present rates. Petitioner used this same uncollectible accounts rate in

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<sup>11</sup> Data to support my adjustment to Petitioner's non-recurring maintenance expenses were obtained in response to OUCC discovery, included as Attachment LKM-8.

1 its revenue conversion factor to account for the increase in uncollectibles expense  
2 associated with its proposed rate increase.

3 **Q. What adjustment are you proposing to NIPSCO's proposed expense?**

4 A. NIPSCO used an uncollectible accounts experience rate of 0.2856 percent in its  
5 calculation of *pro forma* uncollectibles expense. Uncollectibles experience varies  
6 from year to year due to economic conditions and other factors. Therefore, it is  
7 appropriate to utilize a multi-year average rate to normalize uncollectibles expense  
8 for ratemaking purposes. As shown on Schedule LKM-16, I adjusted uncollectibles  
9 expense to reflect the average rate for the three years ended December 31 of 2012,  
10 2013, and 2014. This results in an uncollectibles experience rate of 0.1757 percent.  
11 As shown on that same schedule, this results in a reduction in *pro forma*  
12 uncollectibles expense at present rates of \$1,767,538. I also revised the revenue  
13 conversion factor used to develop the OUCC's recommended rate increase to reflect  
14 the 0.1757 percent uncollectibles rate.

15 **XVII. AMORTIZATION EXPENSES**

16 **Q. Please explain your adjustment to Petitioner's proposed amortization expenses,**  
17 **including the amortization of rate case expense.**

18 A. As discussed in detail in the testimony of OUCC witness Michael D. Eckert, the  
19 OUCC proposes to reduce NIPSCO's stated rate case expenses to exclude certain  
20 costs that he determined were not supported by NIPSCO. Based on his review, Mr.  
21 Eckert recommends an allowance for rate case expense of \$1,655,647, which is  
22 \$420,000 less than NIPSCO's claim. The OUCC further recommends Petitioner  
23 amortize rate case expense and other deferred regulatory assets, as identified by Mr.

1 Eckert, over a 4-year period instead of a 2-year period as proposed by NIPSCO. Mr.  
2 Eckert recommends a decrease in operating expenses for amortization expense of  
3 \$13,927,740. This is a difference of \$6,540,506 when compared to NIPSCO's  
4 proposed decrease of \$7,387,233. Mr. Eckert's recommended \$420,000 rate case  
5 expense adjustment is reflected in the \$6,540,506 amortization expense adjustment.  
6 The amortization expense adjustment is presented on Schedule LKM-17.

7 **XVIII. DEPRECIATION EXPENSE**

8 **Q. Please explain your adjustment to Petitioner's depreciation expense.**

9 A. I adjusted depreciation expense to reflect the recommendation of OUCC witness  
10 Edward T. Rutter. Mr. Rutter recommends the Commission deny NIPSCO's  
11 depreciation adjustment related to the premature retirement of Bailly Unit 8. This  
12 recommendation results in an \$11,100,000 decrease to depreciation expense. The  
13 depreciation expense adjustment is presented on Schedule LKM-17.

14 **XIX. IURC FEE**

15 **Q. Please explain your adjustment to IURC fee.**

16 A. NIPSCO's calculation of the Public Utility Fee applicable to the proposed increase in  
17 revenue requirement is calculated by applying the 7/1/14 to 6/30/15 rate of 0.1217  
18 percent. The rate currently is 0.1078 percent and is for the period 7/1/15 to 6/30/16.<sup>12</sup>  
19 Therefore, I adjusted the IURC fee to reflect the current effective rate. I also revised  
20 the revenue conversion factor used to develop the OUCC's recommended rate

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<sup>12</sup> See Attachment LKM-9.

1 increase to reflect the 0.1078 percent IURC fee rate. The IURC fee adjustment is  
2 presented in Schedule LKM-18.

3 **XX. PAYROLL TAXES**

4 **Q. What adjustment have you made to payroll taxes?**

5 A. The payroll taxes included in NIPSCO's filing were calculated based upon applying  
6 current payroll taxes to the annualized payroll as adjusted by Petitioner. Consistent  
7 with the payroll expense, NIPSCO has used the 77.68 percent payroll O&M ratio to  
8 determine the payroll taxes charged to operating expenses. As I explained earlier, I  
9 disagreed with NIPSCO's O&M ratio to derive the operating expenses for payroll.  
10 Since NIPSCO uses the same rate to derive the operating expense portion of payroll  
11 taxes, I have the same disagreement as I did for payroll. In my adjustment to payroll  
12 expenses, I explain how I derived the O&M ratio applicable to labor costs.

13 On Schedule LKM-19, I adjusted Petitioner's payroll taxes to reflect the  
14 O&M ratio of 68.64 percent. This adjustment results in a decrease in O&M expenses  
15 of \$48,001.

16 **XXI. STATE INCOME TAX RATE**

17 **Q. Please explain your adjustment to the state income tax rate.**

18 A. In its filing, NIPSCO used an effective state income tax rate of 7.125 percent, which  
19 was a blend of the 7.5 percent state income rate that was effective as of July 1, 2013  
20 and the 7.0 percent rate that was effective as of July 1, 2014. I adjusted state income

1 tax expense using a rate of 6.25 percent, because that is the state income tax rate that  
2 will be in effect when the rates approved in this proceeding go into effect.<sup>13</sup>

3 **Q. Have you prepared a schedule showing the effect of your adjustment?**

4 A. Yes. Schedule LKM-20 shows the effect of reducing the state income tax rate from  
5 7.125 percent to 6.25 percent on the state and federal income taxes included in  
6 NIPSCO's filing. As indicated there, the effect of this reduction in the state income  
7 tax rate, based on net income at present rates as reflected in NIPSCO's filing, is a  
8 reduction of \$1,728,023 in state income tax expense. The reduction in state income  
9 taxes results in an increase in federal income taxes of \$497,425, resulting in a net  
10 reduction in income tax expense at present rates of \$1,230,598.

11 **Q. Have you made any additional changes to reflect the effect of the reduction in  
12 the state income tax rate?**

13 A. Yes. In calculating the after-tax net income effect of each of the OUCC's  
14 adjustments to revenue and expenses on Schedule LKM-3, I utilized a state income  
15 tax rate of 6.25 percent. I also included the 6.25 percent income tax rate in the gross-  
16 up factor used to calculate the required rate increase as shown on page 2 of Schedule  
17 LKM-1.

18 **XXII. INTEREST SYNCHRONIZATION**

19 **Q. Please explain your adjustment to synchronize interest expense.**

20 A. To determine the interest deduction for income tax purposes, I multiplied the  
21 OUCC's recommended rate base by the weighted cost of debt included in the  
22 OUCC's recommended capital structure. This procedure synchronizes the interest

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<sup>13</sup> See Attachment LKM-10.

1 deduction for income tax purposes with the interest component of the return on rate  
2 base to be recovered from ratepayers. As shown at the bottom of Schedule LKM-21,  
3 this adjustment decreases the interest deduction by \$4,001,611 compared to the  
4 synchronized interest deduction recognized by NIPSCO. This increases state income  
5 taxes by \$250,101 and federal income taxes by \$1,313,029. I note that I used a state  
6 income tax rate of 6.25 percent in the calculation of this adjustment.

7 **XXIII. CAPITAL STRUCTURE AND RATE OF RETURN**

8 **Q. Have you prepared a schedule that presents the OUCC's recommended capital**  
9 **structure and rate of return?**

10 A. Yes. Schedule LKM-22 presents the OUCC's recommended capital structure and  
11 rate of return. To develop this capital structure, I utilized NIPSCO's proposed capital  
12 structure and cost rates for all components other than the return on equity as the  
13 starting point. I then incorporated Mr. Woolridge's recommended return on equity of  
14 8.70 percent. As shown on Schedule LKM-22, this results in an overall rate of return  
15 of 5.89 percent.

16 In addition to showing the OUCC's overall capital structure, I also show the  
17 calculation of the rate of return assigned to post-1970 Investment Tax Credits ("ITC")  
18 and the rate of return utilized for interest synchronization purposes. The calculation  
19 of the return assigned to the ITC balance differs from NIPSCO's calculation only in  
20 the use of the OUCC's recommended return on equity in place of NIPSCO's  
21 proposal. The synchronized interest rate differs from NIPSCO's due to the  
22 recognition of interest on customer deposits being tax deductible, as discussed  
23 previously.

1 Q. Does this complete your Direct Testimony?

2 A. Yes, it does.

**BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION**

**NORTHERN INDIANA PUBLIC )  
SERVICE COMPANY ) CAUSE NOS. 44688**

**SCHEDULES ACCOMPANYING THE  
DIRECT TESTIMONY  
OF  
LAFAYETTE K. MORGAN, JR.**

**ON BEHALF OF THE  
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**JANUARY 22, 2016**

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Operating Income  
 Test Year Ended March 31, 2015

Line No.	Description	Petitioner Amounts at Present Rates	1/ OUCC Adjustments	Amounts per OUCC at Present Rates	Revenue Increase/ (Decrease)	Amounts After Change in Rates
1	<u>Operating Revenues</u>					
2	Total Operating Revenues	\$ 1,609,246,699	\$ 434,314	\$ 1,609,681,013	\$ 15,612,682	\$ 1,625,293,695
3						
4	<u>Operating Expenses</u>					
5	Fuel & Purchased Power	\$ 556,368,462	\$ 153,835	\$ 556,522,297	\$ -	\$ 556,522,297
6	Operations & Maintenance Expense	506,235,373	(16,846,346)	489,389,027	27,428	489,416,455
7	Depreciation Expense	229,516,541	(11,100,000)	218,416,541	-	218,416,541
8	Amortization Expense	24,575,364	(6,540,506)	18,034,858	-	18,034,858
9	Taxes Other Than Income	66,527,209	(74,560)	66,452,649	235,024	66,687,673
10	Total Operating Expenses	1,383,222,949	(34,407,577)	1,348,815,372	262,452	1,349,077,824
11						
12	Operating Income Before Income Taxes	226,023,750	34,841,891	260,865,641	15,350,230	276,215,871
13						
14	<u>Federal &amp; State Income Taxes</u>					
19	Federal & State Income Taxes	66,522,229	13,942,644	80,464,873	6,005,048	86,469,921
20	Total Federal & State Income Taxes	66,522,229	13,942,644	80,464,873	6,005,048	86,469,921
21						
22	Total Operating Expenses & Income Taxes	\$ 1,449,745,178	\$ (20,464,933)	\$ 1,429,280,245	\$ 6,267,500	\$ 1,435,547,745
23						
24	Utility Operating Income	\$ 159,501,521	\$ 20,899,247	\$ 180,400,768	\$ 9,345,182	\$ 189,745,950
25						
26	Rate Base	\$ 3,437,796,443		\$ 3,221,493,152		\$ 3,221,493,152
27						
28	Rate of Return	4.64%		5.60%		5.89%

Notes:

1/ Per Petitioner's Exhibit No.6, Attachment 6-A.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Determination of Revenue Increase/(Decrease)  
 Test Year Ended March 31, 2015

Line No.	Description	Amount per Petitioner	1/	Amount Per OUCC	
1	Recommended Rate Base	\$ 3,437,796,443		\$ 3,221,493,152	2/
2	Required Rate of Return	6.82%		5.89%	
3					
4	Net Operating Income Required	\$ 234,457,717		\$ 189,745,947	
5	Fair Rate of Return Differential	-		-	
6		\$ 234,457,717		\$ 189,745,947	
7					
8	Net Operating Income at Present Rates	159,501,521		180,400,768	3/
9					
10	Net Income Surplus/(Deficiency)	\$ (74,956,196)		\$ (9,345,179)	
11	Revenue Multiplier	1.6888212	4/	1.670667	4/
12					
13	Base Rate Revenue Increase	\$ 126,587,613	5/	\$ 15,612,682	
14					
15	<b>Verification</b>				
16	Revenue Increase/(Decrease)	\$ 126,587,613		\$ 15,612,682	
17	Less: IURC Fee	0.1217% 154,057		16,830	0.1078%
18	Bad Debt	0.2856% 361,534		27,428	0.1757%
19					
20	State Taxable Income	\$ 126,072,022		\$ 15,568,424	
21					
22	State Income Tax	7.1250% 8,982,632		973,027	6.2500%
23	Indiana Utility Receipts Tax	1.4000% 1,767,165		218,194	1.4000%
24					
25	Federal Taxable Income	\$ 115,322,225		\$ 14,377,203	
26					
27	Federal Income Tax	35.0000% 40,362,779		5,032,021	35.0000%
28					
29	Net Income Surplus/(Deficiency)	\$ (74,959,446)		\$ (9,345,182)	

**Notes:**

1/ Petitioner's Exhibit No. 6, Attachment 6-A, Page 3.

2/ Schedule LKM - 2.

3/ Schedule LKM-1, p.1.

4/ Calculation of Conversion Factor	Per NIPSCO		Per OUCC	
	Tax Rates		Tax Rates	
Revenues		1.000000		1.000000
IURC Fee	0.1217%	0.001217	0.1078% 6/	0.001078
Bad Debt	0.2856%	0.002856	0.1757% 7/	0.001757
Subtotal		0.99592700		0.997165
Indiana Utility Receipts Tax	1.4000%	0.01400000	1.40%	0.013975
Gross Revenue Conversion Factor		0.981927		0.983190
State Taxable Income		0.99592700		0.997165
State Income Tax	7.1250%	0.07096000	6.25% 8/	0.062323
Net Federal Taxable Income		0.91096700		0.920867
Federal Income Tax	35.0000%	0.31883800	35.00%	0.322304
Revenue Conversion Factor		0.59212900		0.5985632
Revenue Multiplier		1.68882120		1.670667

5/ There is a rounding difference of \$3 with the amount presented on Petitioner's Exhibit No. 6, Attachment 6-A, Page 3.

6/ Indiana Utility Regulatory Commission 2015 Annual Report.

7/ Schedule LKM-15.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Rate Base  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	Indiana Jurisdictional Amount per Petitioner	1/	OUCC Adjustments	Adjusted Per OUCC
1	<u>Plant in Service</u>				
2	Utility Plant	\$ 6,861,594,621		\$ -	\$ 6,861,594,621
3	Common Plant	298,071,431		-	298,071,431
4	Total Utility Plant in Service	7,159,666,052		-	7,159,666,052
5					
6	<u>Accumulated Depreciation &amp; Amortization</u>				
7	Accumulated Depreciation & Amortization on Utility Plant	(3,926,694,801)		-	(3,926,694,801)
8	Accumulated Depreciation & Amortization on Common Plant	(181,703,901)		-	(181,703,901)
9	Total Accumulated Depreciation & Amortization	(4,108,398,702)		-	(4,108,398,702)
10					
11	Net Utility Plant	3,051,267,350		-	3,051,267,350
12					
13	Prepaid Pension Asset	216,303,291		(216,303,291) 2/	-
14	Federally Mandated Cost Adjustment Charges	300,213		-	300,213
15	Transmission and Distribution Costs	3,543,604		-	3,543,604
16	Mercury and Air Toxics Standards	343,686		-	343,686
17	Materials and Supplies	69,590,915		-	69,590,915
18	Production Fuels	96,447,384		-	96,447,384
19					
20	Total Rate Base	\$ 3,437,796,443		\$ (216,303,291)	\$ 3,221,493,152

Notes:

1/ Per Petitioner's Exhibit No.6, Attachment 6-C, Column F.

2/ Per OUCC witness Margaret Stull.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Summary of Adjustments to Net Income  
Test Year Ended March 31, 2015

Line No.	Description	Net Operating Income Amount	Source
1	Net Income per Petitioner	\$ 159,501,521	See Note (1)
2			
3	<u>OUCC Adjustments</u>		
4	Reflect O&M Portion of Annualized NIPSCO Payroll	436,348	Schedule LKM-4
5	Remove One-time Non-recurring Payroll Expenses	354,629	Schedule LKM-5
6	Annualize NCSC Labor Costs	731,506	Schedule LKM-6
7	Reflect O&M Portion of Annualized NIPSCO Pension Costs	602,718	Schedule LKM-7
8	Reflect O&M Portion of Annualized OPEB Costs	487,944	Schedule LKM-8
9	Annualize Employee Medical Expense	2,132,502	Schedule LKM-9
10	Annualize Environmental Expenses	937,001	Schedule LKM-10
11	Normalize LNG Liquefaction	170,917	Schedule LKM-11
12	Normalize Vegetation Control Expenses	619,010	Schedule LKM-12
13	Normalize Planned Plant Maintenance Outage Expenses	1,209,822	Schedule LKM-13
14	Remove Non-Recurring Maintenance Expenses	585,439	Schedule LKM-14
15	Normalize Uncollectibles Expense	1,077,093	Schedule LKM-16
16	Reflect Current Utility Fee Rate	137,334	Schedule LKM-18
17	Reflect O&M Portion of Annualized NIPSCO Payroll Taxes	29,251	Schedule LKM-19
18	Reduction in Indiana Corporate Income Tax Rate to 6.25%	1,230,598	Schedule LKM-20
19	Reflect 4-Year Amortization of Deferred Assets	3,985,621	Schedule LKM-17
20	Remove Early Retirement of Bailly Unit 8	6,764,062	Schedule LKM-17
21	Reflect O&M Savings Related to AMR Project	970,582	Schedule LKM-15
22	Interest Synchronization	(1,563,130)	Schedule LKM-21
23			
24	Total OUCC Adjustments	<u>\$ 20,899,247</u>	
25			
26	Net Income Per OUCC	<u><u>\$ 180,400,768</u></u>	

Note:

1/ Per Petitioner's Exhibit No.6, Attachment 6-A, page 2.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Adjustments to Net Income  
Test Year Ended March 31, 2015

Line No.	Description	Revenues	Fuel & Purchased Power	O&M Expenses	Depreciation Expense	Amortization Expense	Taxes Other Than Income	Income Taxes	Net Operating Income
1	Amounts per Petitioner	\$ 1,609,246,699	\$ 556,368,462	\$ 506,235,373	\$ 229,516,541	\$ 24,575,364	\$ 66,527,209	\$ 66,522,229	\$ 159,501,521
2									
3	<u>OUCC Adjustments</u>								
4	Reflect O&M Portion of Annualized NIPSCO Payroll	-	-	(716,058)	-	-	-	279,710	436,348
5	Remove One-time Non-recurring Payroll Expenses	-	-	(555,396)	-	-	(26,559)	227,326	354,629
6	Annualize NCSC Labor Costs	-	-	(1,200,420)	-	-	-	468,914	731,506
7	Reflect O&M Portion of Annualized NIPSCO Pension Costs	-	-	(989,075)	-	-	-	386,357	602,718
8	Reflect O&M Portion of Annualized OPEB Costs	-	-	(800,728)	-	-	-	312,784	487,944
9	Annualize Employee Medical Expense	-	-	(3,499,490)	-	-	-	1,366,988	2,132,502
10	Annualize Environmental Expenses	-	-	(1,537,642)	-	-	-	600,641	937,001
11	Normalize LNG Liquefaction	434,314	153,835	-	-	-	-	109,562	170,917
12	Normalize Vegetation Control Expenses	-	-	(1,015,812)	-	-	-	396,802	619,010
13	Normalize Planned Plant Maintenance Outage Expenses	-	-	(1,985,348)	-	-	-	775,526	1,209,822
14	Remove Non-Recurring Maintenance Expenses	-	-	(960,721)	-	-	-	375,282	585,439
15	Normalize Uncollectibles Expense	-	-	(1,767,538)	-	-	-	690,445	1,077,093
16	Reflect Current Utility Fee Rate	-	-	(225,368)	-	-	-	88,034	137,334
17	Reflect O&M Portion of Annualized NIPSCO Payroll Taxes	-	-	-	-	-	(48,001)	18,750	29,251
18	Reduction in Indiana Corporate Income Tax Rate to 6.25%	-	-	-	-	-	-	(1,230,598)	1,230,598
19	Reflect 4-Year Amortization of Deferred Assets	-	-	-	-	(6,540,506)	-	2,554,885	3,985,621
20	Remove Early Retirement of Bailly Unit 8	-	-	-	(11,100,000)	-	-	4,335,938	6,764,062
21	Reflect O&M Savings Related to AMR Project	-	-	(1,592,750)	-	-	-	622,168	970,582
22	Interest Synchronization	-	-	-	-	-	-	1,563,130	(1,563,130)
23									
24	Total OUCC Adjustments	\$ 434,314	\$ 153,835	\$ (16,846,346)	\$ (11,100,000)	\$ (6,540,506)	(74,560)	\$ 13,942,644	\$ 20,899,247
25									
26	OUCC Adjusted Net Income	<u>\$ 1,609,681,013</u>	<u>\$ 556,522,297</u>	<u>\$ 489,389,027</u>	<u>\$ 218,416,541</u>	<u>\$ 18,034,858</u>	<u>66,452,649</u>	<u>\$ 80,464,873</u>	<u>\$ 180,400,768</u>

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Reflect O&M Portion of Annualized NIPSCO Payroll  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
1	Electric Portion of Payroll Increase	\$ 7,920,996	1/
2			
3	O&M Ratio	<u>68.64%</u>	2/
4			
5	Payroll Expense per OUCC	5,436,972	
6			
7	Payroll Expense per NIPSCO	<u>6,153,030</u>	1/
8			
9	Adjustment to O&M Expense	<u>\$ (716,058)</u>	

Notes:

1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Page 22.

2/ MSFR 1-5-8(a)(10), Page 2, Line 62 divided Line 94 (\$210,829,587 / \$307,131,990).

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Remove One-time Non-recurring Payroll Expenses  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
	<u>Payroll Costs</u>		
1	Bargaining Unit Signing Bonus net of Capitalization	\$ 1,735,906	1/
2			
3	Work Continuity Expenditures net of Capitalization	<u>1,041,072</u>	1/
4			
5	Adjustment to Remove One-Time Non-recurring Expenses	\$ 2,776,978	
6			
7	Amount Removed by Company	<u>2,221,582</u>	
8			
9	Adjustment to O&M Expenses	<u>\$ (555,396)</u>	
10			
11	<u>Payroll Taxes</u>		
12	Adjustment to OASDI at 6.20%	\$ (21,525)	2/
13			
14	Adjustment to Medicare at 1.45%	<u>(5,034)</u>	2/
15			
16	Adjustment to Payroll Taxes	<u>\$ (26,559)</u>	

Notes:

1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper O&M - 10.

2/ One-fifth of signing bonus x Tax Rates as used by NIPSCO Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OTX - 2.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Annualize NCSC Labor Costs  
 Test Year Ended March 31, 2015

Line No.	Description	Amount
1	<u>Payroll Costs</u>	
2	April & May 2014 Payroll for wage increase	\$ 3,007,810 1/
3	Percent Increase June 1, 2014	2.87% 2/
4		
5	Increase to reflect April & May 2014 at June 2014 Increase	\$ 86,324
6	12 Months Ended 3/31/2015 Payroll	18,622,243 1/
7		
8	Pro forma 12 Months Ended 3/31/2015 Payroll	\$ 18,708,567
9	June 1, 2015 Payroll Increase Factor	102.87% 2/
10		
11	Pro forma 12 Months Ended 3/31/2016 Payroll	\$ 19,245,503
12	O&M Factor	97.61% 3/
13		
14	Pro forma NCSC Payroll Expense Charged to NIPSCO Per OUCC	\$ 18,785,535
15	Pro forma NCSC Payroll Expense Charged to NIPSCO Per Company	19,667,358 4/
16		
17	Adjustment to O&M Expense	\$ (881,823)
18		
19	<u>Payroll Taxes</u>	
20	NCSC Payroll Taxes Charged to NIPSCO Electric for the 12 Mos. ended 3/31/15	\$ 1,775,530 5/
21	NCSC Payroll Charged to NIPSCO Electric for the 12 Months ended 3/31/15	18,622,243 1/
22		
23	Effective Payroll Taxes Rate	9.53%
24	Pro forma NCSC Payroll Expense Charged to NIPSCO Per OUCC	\$ 18,785,535
25		
26	Annual NCSC Payroll Taxes Charged to NIPSCO Electric per OUCC	\$ 1,790,261
27	Total NCSC Payroll Taxes Charged to NIPSCO Electric per Company	1,930,096 4/
28		
29	Adjustment to Payroll Taxes	\$ (139,835)
30		
31	<u>Employee Benefits</u>	
32	NCSC Employee Benefits Charged to NIPSCO Electric for - 12 Mos. ended 3/31/15	\$ 4,500,737 6/
33	NCSC Payroll Charged to NIPSCO Electric for the 12 Months ended 3/31/15	18,622,243 1/
34		
35	Employee Benefits Rate	24.17%
36	Pro forma NCSC Payroll Expense Charged to NIPSCO Per OUCC	\$ 18,785,535
37		
38	Pro forma NCSC Employee Benefits Charged to NIPSCO Per OUCC	\$ 4,540,464
39	Pro forma NCSC Employee Benefits Charged to NIPSCO per Company	4,719,226 4/
40		
41	Adjustment to Employee Benefits	\$ (178,762)
42		
43	Total Adjustment O&M Expenses	\$ (1,200,420)

Notes:

- 1/ Per response to OUCC 11-015, Attachment B.
- 2/ Per Petitioner's Exhibit No. 7, Attachment 7-A, Page 2, Line 6.
- 3/ Per Petitioner's Exhibit No. 7, Attachment 7-A, Page 2, Line 9.
- 4/ Schedule LKM-6, Page 2.
- 5/ Per response to OUCC 11-015, Attachment C.
- 6/ Per response to OUCC 11-015, Attachment D.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Calculation of Test Year NCSC Labor-Related Amounts Included in Cost of Service  
 Test Year Ended March 31, 2015

Line No.	Description	Amount	
1	<u>Payroll</u>		
2	Actual Test Year Labor	\$ 18,622,241	1/
3	Company Labor Increase	973,555	2/
4	Company Merit Increase	553,121	2/
5	Subtotal	\$ 20,148,917	
6	O&M Percentage	97.61%	2/
7	Test Year Pro forma Labor	\$ 19,667,358	
8			
9	<u>Payroll Taxes</u>		
10	NCSC Payroll Charged to NIPSCO Electric for the 12 Mos. ended 3/31/15	\$ 1,775,530	3/
11	Company adjustment to NCSC Payroll Taxes	154,566	2/
12	Test Year Pro forma Payroll Taxes	\$ 1,930,096	
13	<u>Employee Benefits</u>		
14	NCSC Payroll Charged to NIPSCO Electric for the 12 Months ended 3/31/15	\$ 4,500,737	4/
15	Company adjustment to NCSC Employee Benefits	218,489	2/
16	Test Year Pro forma Employee Benefits	\$ 4,719,226	

Notes:

- 1/ Per Petitioner's Revised Exhibit No. 7, Attachment 7-A, provided in response to OUCC -30-001 Attachment A.
- 2/ Per Petitioner's Originally Filed Exhibit No. 7, Attachment 7-A.
- 3/ Per response to OUCC 11-015, Attachment C.
- 4/ Per response to OUCC 11-015, Attachment D.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Reflect O&M Portion of Annualized NIPSCO Pension Costs  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
1	Pro forma Electric Pension Costs	\$ 10,941,095	1/
2	O&M Ratio Per OUCC	68.64%	2/
3			
4	Pro forma Electric Pension Expense per OUCC	\$ 7,509,968	
5			
6	Pro forma Electric Pension Costs	\$ 10,941,095	1/
7	O&M Ratio Per NIPSCO	77.68%	3/
8			
9	Pro forma Electric Pension Expense per NIPSCO	\$ 8,499,043	
10			
11	Adjustment to O&M Expense	\$ (989,075)	

Notes:

- 1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OM-7.
- 2/ MSFR 1-5-8(a)(10), Page 2, Line 62 divided Line 94 (\$210,829,587 / \$307,131,990).
- 3/ 100%-22.32% - as presented on Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OM-7.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Reflect O&M Portion of Annualized OPEB Costs  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
1	Pro forma Electric OPEB Costs	\$ 8,857,604	1/
2	O&M Ratio Per OUCC	68.64%	2/
3			
4	Pro forma Electric OPEB Expense per OUCC	\$ 6,079,859	
5			
6	Pro forma Electric OPEB Costs	\$ 8,857,604	1/
7	O&M Ratio Per NIPSCO	77.68%	3/
8			
9	Pro forma Electric OPEB Expense per NIPSCO	\$ 6,880,587	
10			
11	Adjustment to O&M Expense	\$ (800,728)	

Notes:

- 1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OM-8.
- 2/ MSFR 1-5-8(a)(10), Page 2, Line 62 divided Line 94 (\$210,829,587 / \$307,131,990).
- 3/ 100%-22.32% - as presented on Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OM-8.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Annualize Employee Medical Expense  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	December-14	\$ 1,462,764 1/
2	January-15	2,286,834 1/
3	February-15	2,802,168 1/
4	March-15	1,341,269 1/
5	April-15	1,581,438 2/
6	May-15	915,510 2/
7	June-15	1,517,815 2/
8	July-15	850,040 2/
9	August-15	1,720,393 2/
10	September-15	1,212,750 2/
11	October-15	589,364 3/
12	November-15	<u>1,893,589 3/</u>
13		
14	12 Months ended November 2015	\$ 18,173,934
15	Medical Inflation Factor	<u>104.5% 1/</u>
16		
17	Pro forma Employee Medical Cost	\$ 18,991,761
18	O&M Percentage	<u>68.64% 4/</u>
19		
20	Pro forma Employee Medical O&M Expense per OUCC	<u>\$ 13,035,945</u>
21		
22	Total Test Year Medical Costs	\$ 20,369,958
23	O&M Percentage	<u>77.68% 1/</u>
24	Employee Medical O&M Expense per Company	\$ 15,823,383
25	Company Pro forma Adjustment	<u>712,052 1/</u>
26	Pro forma Employee Medical O&M Expense per Company	<u>\$ 16,535,435</u>
27		
28	Adjustment to O&M Expenses	<u>\$ (3,499,490)</u>

Notes:

1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper O&M - 9.

2/ Per response to OUCC 2-031, Attachment A.

3/ Per response to IG 8-016, Attachment A.

4/ MSFR 1-5-8(a)(10), Page 2, Line 62 divided Line 94 (\$210,829,587 / \$307,131,990).

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Summary Adjustment to Annualize Environmental Expenses  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Adjustment to Annualize Unit 15 FGD O&M Expenses	\$ (506,626) 1/
2		
3	Adjustment to Annualize Unit 14 FGD O&M Expenses	(774,910) 2/
4		
5	Adjustment to Annualize Activated Carbon Injection	<u>(256,106) 3/</u>
6		
7	Total Adjustment to Environmental Expenses	<u>\$ (1,537,642)</u>

Notes:

- 1/ Schedule LKM-10, Page 2.
- 2/ Schedule LKM-10, Page 3.
- 3/ Schedule LKM-10, Page 4.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Annualize Unit 15 FGD O&M Expenses  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	MWh - 3-Year Average	2,168,872 1/
2	Average Cost Per MWh	<u>\$ 2,075,395</u> 2/
3	Commodity Cost (in dollars)	\$ 4,501,267
4	Estimated Fixed Operating Costs	-
5	Estimated Fixed Maintenance Costs	<u>120,651</u> 1/
6		
7	Annualized Unit 15 FGD O&M Expenses per OUCC	\$ 4,621,918
8	Annualized Unit 15 FGD O&M Expenses per Company	<u>5,128,544</u> 1/
9		
10	Adjustment to Annualize Unit 15 FGD O&M Expenses	<u>\$ (506,626)</u>
11		
12		
13		
14	<u>Calculation - Commodity Cost (in dollars)</u> 2/	
15	2014 Commodity Costs	\$ 1,518,535
16	2014 Variable U14 Operating Costs	1,094,260
17	2014 Variable U14 Maintenance Costs	<u>532,554</u>
18	2014 Actual Variable Costs	\$ 3,145,349
19	2014 Actual U14 MWh	<u>1,515,542</u>
20	Average Variable Cost Per MWh	<u>\$ 2,075,395</u>

Notes:

1/ Calculated based upon data provided in the response to OUCC 2-011, Attachment A.

2/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper O&M - 3.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Annualize Unit 14 FGD O&M Expenses  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	MWh - 3-Year Average	1,361,276 1/
2	MWh - 12 ME March 31, 2015	<u>876,578</u> 2/
3		
4	Additional MWh to normalize test year	484,698
5	Average Variable Cost Per MWh	<u>\$ 2.075395</u> 1/
6		
7	Increase in Unit 15 FGD O&M Expenses per OUCC	\$ 1,005,939
8	Increase in Unit 15 FGD O&M Expenses per Company	<u>1,780,849</u> 1/
9		
10	Adjustment to Annualize Unit 14 FGD O&M Expenses	<u>\$ (774,910)</u>
11		
12		
13		
14		
15	<u>Calculation - Commodity Cost (in dollars)</u> 2/	
16	2014 Variable Costs	\$ 3,145,349
17	2014 MWh	<u>1,515,542</u>
18	Average Variable Cost Per MWh	<u>2.075395</u>

Notes:

- 1/ Calculated based upon data provided in the response to OUCC 2-010, Attachment A.
- 2/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper O&M - 3.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Annualize Activated Carbon Injection (ACI) Expenses  
 Test Year Ended March 31, 2015

Line No.	Description	Unit 15	1/	Unit 7	1/	Unit 8	1/	Total
1	Total Hours in a year	8,760		8,760		8,760		
2	ACI lbs./hr.	<u>294</u>		<u>84</u>		<u>168</u>		
3								
4	Total lbs./yr. at 100% Capacity	2,575,440		735,840		1,471,680		
5	ACI Unit Cost/lb.	<u>\$ 1.55</u>		<u>\$ 1.55</u>		<u>\$ 1.55</u>		
6								
7	Annual ACI Cost	\$ 3,991,932		\$ 1,140,552		\$ 2,281,104		
8	3-Year Average Capacity Factor	52.40% 2/		50.20% 2/		48.92% 2/		
9	ACI Requirement % of usage	<u>100%</u>		<u>30%</u>		<u>30%</u>		
10								
11	Annualized ACI Expense per OUCC	\$ 2,091,934		\$ 171,761		\$ 334,773		\$ 2,598,468
12	Annualized ACI Expense per Company	<u>2,328,494</u>		<u>187,678</u>		<u>338,402</u>		<u>2,854,574</u>
13								
14	Adjustment to Annualized ACI Expense	<u>\$ (236,560)</u>		<u>\$ (15,917)</u>		<u>\$ (3,629)</u>		<u>\$ (256,106)</u>

Notes:

1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper O&M - 3.

2/ Calculated based upon data provided in Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper O&M - 3

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Normalize LNG Liquefaction  
Test Year Ended March 31, 2015

Line No.	Description	Amount	Adjustment Amounts
1	<u>Volume Adjustment:</u>		
2	2013 Injection Season (MCF)	929,776	1/
3	2014 Injection Season (MCF)	2,205,232	1/
4	2015 Injection Season (MCF)	<u>1,040,621</u>	2/
5	3-Year Average Annual Liquefaction Volumes	1,391,876	
6	Less actual liquefaction in test year:	<u>2,205,232</u>	1/
7	Liquefaction volume adjustment:	<u>(813,356)</u>	
8			
9	<u>Revenue Adjustment:</u>		
10	LNG Power Revenue Adjustment		
11	Volume Adjustment (MCF)	(813,356)	
12	Liquefaction kwh/MCF	<u>11.587</u>	1/
13			
14	Liquefaction kwh Usage	(9,424,344)	
15	Average Inter-Company Revenue \$/kwh	<u>\$ 0.08742</u>	1/
16	Revenue Adjustment per OUCC		\$ (823,918)
17	Revenue Adjustment per NIPSCO		<u>(1,258,232)</u> 1/
18	Adjustment to Increase Operating Revenue		\$ 434,314
19			
20	<u>Fuel Adjustment:</u>		
21	LNG Fuel Adjustment		
22	Volume Adjustment (MCF)	(813,356)	
23	Liquefaction kwh/MCF	<u>11.587</u>	1/
24			
25	Liquefaction kwh Usage	(9,424,344)	
26	Average Fuel Cost \$/kwh	<u>\$ 0.03097</u>	1/
27	Fuel Cost Adjustment per OUCC		\$ (291,834)
28	Fuel Cost Adjustment per NIPSCO		<u>(445,669)</u> 1/
29	Adjustment to Increase Fuel Cost		\$ 153,835
30			
31	Net Margin Effect		<u>\$ 280,479</u>

Notes:

- 1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper REV-2, Workpaper FP-2.  
2/ Company's Response to OUCC 16-001.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Normalize Vegetation Control Expenses  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>1/</u>
1	12 Months Ended 3/31/2013	\$ 10,256,384	
2			
3	12 Months Ended 3/31/2014	12,738,266	
4			
5	12 Months Ended 3/31/2015	<u>8,252,326</u>	
6			
7	3-Year Average Vegetation Control Expenses	10,415,659	
8	Average Vegetation Control Expenses per Company	<u>11,431,471</u>	
9			
10	Adjustment to O&M Expense	<u>\$ (1,015,812)</u>	
11			

Notes:

1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OM - 4.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Normalize Planned Plant Maintenance Outage Expenses  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Plant Maintenance Outage Expenses per OUCC	\$ 3,247,894 1/
2		
3	Plant Maintenance Outage Expenses per NIPSCO	<u>5,233,242</u>
4		
5	Adjustment to O&M Expense	<u>\$ (1,985,348)</u>

Notes:

1/ Calculated based upon data Provided in the Response to OUCC 21-008.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Remove Non-Recurring Maintenance Expenses  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>1/</u>
1	Outside Services Expenses Related to FERC Regulatory Requirements Recorded in Account No. 542	\$ 477,403	
2			
3	Outside Services Expenses Related to FERC Regulatory Requirements Recorded in Account No. 543	<u>483,318</u>	
4			
5	Adjustment to O&M Expense	<u>\$ (960,721)</u>	

Notes:

1/ Per NIPSCO's Response to OUCC 2-004.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Reflect O&M Savings Related to AMR Project  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Incremental O&M Savings Related to AMR Project	\$ <u>1,592,750</u> 1/
2		
3	Adjustment to O&M Expense	\$ <u>(1,592,750)</u>

Notes:

1/ Per OUCC Witness Etheridge Schedule DDE-1.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Normalize Uncollectibles Expense  
 Test Year Ended March 31, 2015

Line No.	Description	2012	2013	2014	Average
1	Uncollectible Accounts Expense	\$ 1,604,153 1/	\$ 2,583,938 1/	\$ 3,808,022 1/	\$ 7,996,113
2	Billed Revenue	<u>1,420,535,112 2/</u>	<u>1,503,819,342 2/</u>	<u>1,627,271,422 2/</u>	<u>4,551,625,876</u>
3					
4	Uncollectible Accounts Rate	0.1129%	0.1718%	0.2340%	0.1757%
5					
6	Operating Revenue				<u>\$ 1,609,681,013 3/</u>
7					
8	OUCG Pro forma Uncollectibles Expense				\$ 2,827,823
9	NIPSCO Uncollectibles Expense				<u>4,595,361 4/</u>
10					
11	Adjustment to O&M Expense				<u>\$ (1,767,538)</u>

Notes:

- 1/ Per FERC Form 1 for the corresponding year, page 322, Account 904.
- 2/ Per FERC Form 1 for the corresponding year, page 304, line 41, column (c).
- 3/ Per Schedule LKM-1.
- 4/ Company's Response to OUCG 4-014.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Annualize Depreciation and Amortization Expenses  
Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Remove Depreciation Associated with Early Retirement of Bailly	\$ (11,100,000) 1/
2		
3	Change in Amortization Period of Deferred Costs	<u>(6,540,506) 2/</u>
4		
5	Adjustment to Depreciation and Amortization Expense	<u>\$ (17,640,506)</u>

Notes:

- 1/ As recommended by OUCC Witness Rutter.
- 2/ As recommended by OUCC Witness Eckert.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Reflect Current Utility Fee Rate  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Pro forma Revenue (12 M/E March 31, 2015)	\$ 1,609,681,013 1/
2		
3	Less:	
4	Sales for Resale	14,573,725 2/
5	Interdepartmental Electric Sales Revenue	2,703,822 2/
6	Forfeited Discounts	4,232,809 2/
7	Miscellaneous Service Revenues	815,417 2/
8	Rent from Electric Property	2,318,477 2/
9	Other Electric Revenues	(45,616,971) 2/
10	Bad Debt - Electric	<u>4,595,361 2/</u>
11		
12	Taxable Amount	\$ 1,626,058,373
13		
14	Public Utility Fee Rate	<u>0.1078% 3/</u>
15		
16	Public Utility Fee	\$ 1,752,891
17		
18	Less: Actual Public Utility Fee Expense (12 M/E March 31, 2015)	<u>1,978,259</u>
19		
20	Increase in Pro forma Test Year Taxes Other Than Income	<u>\$ (225,368)</u>

Notes:

1/ Per Schedule LKM-1.

2/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OTX - 3.

3/ Indiana Utility Regulatory Commission 2015 Annual Report, Pg. 61.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Reflect O&M Portion of Annualized NIPSCO Payroll Taxes  
 Test Year Ended March 31, 2015

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
1	<u>OASDI</u>		
2	Pro forma Electric OASDI Tax	\$ 421,267	1/
3	O&M Ratio Per OUCC	68.64%	2/
4			
5	Pro forma Electric OASDI Tax per OUCC	\$ 289,158	
6			
7	Pro forma Electric OASDI Tax	\$ 421,267	1/
8	O&M Ratio Per NIPSCO	77.68%	3/
9			
10	Pro forma Electric OASDI Tax per NIPSCO	\$ 327,240	1/
11			
12	Adjustment to OASDI Tax	\$ (38,083)	
13			
14	<u>Medicare</u>		
15	Pro forma Electric Medicare Tax	\$ 109,720	1/
16	O&M Ratio Per OUCC	68.64%	2/
17			
18	Pro forma Electric Medicare Tax per OUCC	\$ 75,312	
19			
20	Pro forma Electric Medicare Tax	\$ 109,720	1/
21	O&M Ratio Per NIPSCO	77.68%	3/
22			
23	Pro forma Electric Medicare Tax per NIPSCO	\$ 85,230	1/
24			
25	Adjustment to Medicare Tax	\$ (9,919)	
26			
27	Total Adjustment to Taxes Other Than Income	\$ (48,001)	

Notes:

- 1/ Per Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OTX-2.
- 2/ MSFR 1-5-8(a)(10), Page 2, Line 62 divided Line 94 (\$210,829,587 / \$307,131,990).
- 3/ 100%-22.32% - as presented on Petitioner's Exhibit No. 6, Attachment 6-B, Workpaper OTX-2.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Adjustment to Income Taxes to Reflect  
Reduction in Indiana Corporate Income Tax Rate to 6.25 Percent  
Test Year Ended March 31, 2015

Line No.	Description	Amount Per NIPSCO	1/	Amount Per OUCC	1/	Adjustment (c)
		(a)		(b)		
1	Net Operating Income - Elec Segment	\$ 159,501,522		\$ 159,501,522		
2	Plus: Income Taxes Included in Net Operating Income	66,522,229		66,522,229		
3						
4	Net Operating Income Before Taxes	226,023,751		226,023,751		
5	Interest Synchronization Deduction	(63,599,234)		(63,599,234)		
6						
7	Federal Taxable Income Before State Tax Deduction	\$ 162,424,517		\$ 162,424,517		
8	State Income Tax Rate	7.125%		6.250%	2/	
9						
10	State Income Tax	\$ 11,572,747		\$ 10,151,532		\$ (1,421,215)
11						
12	Federal Taxable Income less State Income Tax	150,851,770		152,272,985		
13	Federal Income Tax Rate	35.000%		35.000%		
14						
15	Federal Income Tax	\$ 52,798,120		\$ 53,295,545		\$ 497,425
16						
17	<u>Other Components of Operating Income Tax Expense</u>					
18						
19	<u>Federal Income Taxes</u>					
20	Net Excess for Method, Basis and Life Differences for Tax Rate Changes	\$ (490,355)		\$ (490,355)		\$ -
21	Deficiency for Flow Through of AFUDC Equity	3,366,354		3,366,354		-
22	Permanent Differences: Non-deductibles	115,553		115,553		-
23	Amortization of Investment Tax Credit	(2,116,019)		(2,116,019)		-
24	Parent Company Tax Benefit of Interest Expense	(348,062)		(348,062)		-
25	Federal Benefit of State Adj. and Misc.	(874,403)		(874,403)		-
26	Subtotal	(346,932)		(346,932)		-
27	<u>State Income Taxes</u>					
28	Net Deficiency for Method, Basis and Life Differences for Tax Rate Changes	\$ 163,113		\$ 143,082	3/	\$ (20,031)
29	Deficiency for Flow Through of AFUDC Equity	688,198		603,682	3/	(84,516)
30	Permanent Differences: Non-deductibles	23,523		20,634	3/	(2,889)
31	Permanent Differences: Utility Receipts Tax	1,623,460		1,424,088	3/	(199,372)
32	Subtotal	\$ 2,498,294		\$ 2,191,486		\$ (306,808)
33						
34	<u>Summary:</u>					
35	Federal Income Taxes	\$ 52,451,188		\$ 52,948,613		\$ 497,425
36	State Income Taxes	14,071,041		12,343,018		(1,728,023)
37						
38	Total Income Taxes	\$ 66,522,229		\$ 65,291,631		\$ (1,230,598)

Notes:

- 1/ Per Petitioner Exhibit No. 11, Attachment 11-A, Schedule 1.  
2/ Per NIPSCO's Response to IG Set 7-006, Attachment A, Page 3.  
3/ Column (a) / 7.125% x 6.25%.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

Interest Synchronization Adjustment  
Test Year Ended March 31, 2015

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	
1	Rate Base per OUCC	\$ 3,221,493,152	1/
2			
3	Synchronized Interest Rate	<u>1.85%</u>	2/
4			
5	Tax Deductible Interest per OUCC	\$ 59,597,623	
6			
7	Tax Deductible Interest per NIPSCO	<u>63,599,234</u>	3/
8			
9	Adjustment to Tax Deductible Interest	\$ (4,001,611)	
10			
11	State Income Tax effect at 6.25%	250,101	
12			
13	Federal Income Tax Effect at 35%	<u>1,313,029</u>	
14			
15	Total Tax Savings	<u>\$ 1,563,130</u>	
16			

Notes:

1/ Per Schedule LKM-2.

2/ Per Schedule LKM-18.

3/ Per Petitioner Exhibit No. 11, Attachment 11-A, Schedule 1.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**

OUCC Capital Structure and Rate of Return  
 Test Year Ended March 31, 2015

Line No.	Capital Source	Per OUCC		
		Capitalization Ratio	Cost Rate	Weighted Cost Rate 1/
1	Long-Term Debt	32.36%	5.71%	1.85%
2	Common Equity	45.51%	8.70%	3.96%
3	Cost Free-Capital	20.51%	0.00%	0.00%
4	JDITC	0.09%	7.46%	0.01%
5	Customer Deposits	1.53%	4.58%	0.07%
6	Total	100.00%		5.89%
7				
8	<b><u>Synchronized Interest Rate</u></b>			
9				
10	Long-Term Debt	32.36%	5.71%	1.85%
11				
12		Per NIPSCO		
13		Capitalization Ratio	Cost Rate	Weighted Cost Rate 2/
14	Long-Term Debt	32.36%	5.71%	1.85%
15	Post-1970 ITC	0.09%	8.65%	0.01%
16	Common Equity	45.51%	10.75%	4.89%
17	Retirement Liability	2.87%	0.00%	0.00%
18	ADIT	17.64%	0.00%	0.00%
19	Customer Deposits	1.53%	4.58%	0.07%
20	Total	100.00%		6.82%
21				
22				
23				
24	<b><u>Post-1970 ITC Cost Rate</u></b>			
25				
26	Long-Term Debt	41.56%	5.71%	2.373%
27	Common Equity	58.44%	8.70%	5.084%
28	Total	100.00%		7.457%

Notes:

1/ Per Exhibit JRW-1.

2/ Per Petitioner's Exhibit No. 12, Attachment 12-A, Page 1.

Cause No. 44688  
Northern Indiana Public Service Company's  
Objections and Responses to  
Industrial Group's Data Request Set No. 2

**Industrials Request 2-006:**

Please provide the contractual basis for the bargaining unit signing bonus and work continuity costs contained in Adjustment OM-10.

**Objections:**

**Response:**

Contractual basis for Physical Union 12775 signing (ratification) bonus - Per Article X:  
Wages, Cost of Living Adjustment Job Descriptions and Job Evaluation:

**ARTICLE X  
Wages, Cost-of-Living Adjustment,  
Job Descriptions and Job Evaluation**

**Wages**

1. The hourly rates of pay for the various classifications of work covered by this Agreement are shown in Article XX, Schedule A.

- A. Each regular active employee on the Company's payroll on the date of ratification of the Agreement shall be paid one thousand seven hundred dollars (\$1,700.00) as a one-time payment for prompt ratification of the Agreement. Each regular inactive full-time employee on the Company's payroll on the date of ratification of the Agreement shall be paid a like amount upon return to active status.

This ratification payment will be payable the second payday after ratification.

Contractual basis for Clerical Union 13796 signing (ratification) bonus - Per Article X:  
Wages, Cost of Living Adjustment Job Descriptions and Job Evaluation:

Cause No. 44688  
Northern Indiana Public Service Company's  
Objections and Responses to  
Industrial Group's Data Request Set No. 2

**ARTICLE X**  
**Wages, Job Descriptions and Job Evaluation**

**Wages**

1. The hourly rates of pay for the various classifications of work covered by this Agreement are shown in Article XXIII, Schedule A.

- A. Each regular active employee on the Company's payroll as of May 31, 2014 shall be paid one thousand seven hundred dollars (\$1,700.00) as a one-time payment for prompt ratification of the Agreement. Each regular inactive full-time employee on the Company's payroll as of May 31, 2014 shall be paid a like amount upon return to active status.

This ratification payment will be payable the first payday, thirty (30) days after ratification.

"Work continuity" costs represent costs incurred by NIPSCO in preparation to continue operations in the event of a bargaining unit work stoppage. Though there is not a "contractual basis" for these types of costs, these costs are prudent and necessary in order to ensure that NIPSCO can continue to provide safe and reliable production and delivery of electric energy to NIPSCO's customers.

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Corrected Responses to**  
**Indiana Office of Utility Consumer Counselor's Data Request Set No. 11**

<b><u>OUCC Request 11-015:</u></b>	
With reference to Petitioner's Exhibit No. 7, Attachment 7-A, pages 1 to 15:	
<ul style="list-style-type: none"><li>(a) Please provide pages 2 and 2A in electronic format with the formulae intact;</li><li>(b) Please provide the total monthly actual labor expense for the period April 30, 2014 through October 31, 2015;</li><li>(c) Please provide the date on which NCSC grants its annual merit increase;</li><li>(d) Please provide the total monthly actual payroll taxes for the period April 30, 2014 through October 31, 2015;</li><li>(e) Please provide the total monthly actual employee benefits expense for the period April 30, 2014 through October 31, 2015;</li><li>(f) For the 12-month period ended March 31, 2015, please provide a breakdown of the employee benefits expense similar to the breakdown provided in the response to OUCC 2-034;</li><li>(g) Please provide the actual capital transfer percentage for each month from January 2015 through October 31, 2015.</li></ul>	
<b><u>Objections:</u></b>	
<b><u>Response:</u></b>	
<ul style="list-style-type: none"><li>(a) Please see the file attached hereto as OUCC Set 11-015 Attachment A for the electronic format with formulae intact.</li><li>(b) Please see the file attached hereto as OUCC Set 11-015 Attachment B for the total monthly actual labor expense for the period April 30, 2014 through October 31, 2015.</li><li>(c) The annual merit increase for NCSC employees go into effect on June 1<sup>st</sup>.</li><li>(d) Please see the file attached hereto as OUCC Set 11-015 Attachment C for the total monthly actual payroll taxes for the period April 30, 2014 through October 31, 2015.</li></ul>	

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Corrected Responses to**  
**Indiana Office of Utility Consumer Counselor's Data Request Set No. 11**

- (e) Please see the file attached hereto as OUCC Set 11-015 Attachment D for the total monthly actual employee benefits expense for the period April 30, 2014 through October 31, 2015.
- (f) Please see the file attached hereto as OUCC Set 11-015 Attachment E for the 12-month period ended March 31, 2015 breakdown of the employee benefits expenses.
- (g) Below is the actual electric capital transfer percentage for each month from January 2015 through October 2015. Please note that the capital transfer percentage was calculated by dividing the electric capital transfers by the total Electric NCSC Management Fee for the month. This percentage is not utilized in recording the capital transfers. Each transaction included on the NCSC Management Fee is individually accounted for and appropriately recorded to its respective account.

January	2.38%
February	3.05%
March	2.50%
April	30.49%
May	13.51%
June	16.85%
July	1.96%
August	6.85%
September	8.99%
October	5.32%

**Corrected Response:**

(e) Please see the corrected file attached hereto as OUCC Set 11-015 Corrected Attachment D, revised for the total monthly actual employee benefits expense for the period April 30, 2014 through October 31, 2015. The corrected attachment includes Employee Education Aid expense, which is in the test year cost of service, but not in the Benefit Pro-Forma Adjustment on Petitioner Exhibit No. 7, Attachment 7-A, page 2 for March 2015 Benefits.

Northern Indiana Public Service Company - IURC Cause No.  
 NISource Corporate Services Company (NCSC) Test Year Expenses - Normalized with Pro-forma Adjustments  
 Test Year - Twelve Months Ended 3/31/2015

	NCSC Mngt Fee TME 3/31/15	NCSC Mngt Fee TME 3/31/15	NCSC Mngt Fee TME 3/31/15	Rate-Making ** Adjustments Col. D	NCSC Mngt Fee Normalized Test Year Before Pro-forma Adj Col. E = C+D	Pro-Forma Adjustments				NCSC Mngt Fee Normalized Test Year After Pro-forma Adj Col. J = E+F+G+H+I
	NIPSCO TOTAL Col. A	NIPSCO Gas Col. B	NIPSCO Electric Col. C		Labor and Benefit Pro-forma Adjustment Col. F	Pension Pro-forma Adjustment Col. G	OPES Pro-forma Adjustment Col. H	Rent Pro-forma Adjustment Col. I		
Accounting and Statistical Services	6,600,181.96	(1,444,234.67)	5,155,947.29	(135,872.40)	5,020,074.89	264,058.28	15,592.21	(4,985.71)	10,613.44	5,305,373.12
Auditing Services	1,861,807.23	(662,486.67)	1,499,311.56	(23,321.03)	1,475,990.53	74,076.77	4,374.11	(1,393.04)	2,977.40	1,556,025.77
Budget Services	4,584,901.26	(556,917.63)	3,627,983.63	(68,279.24)	3,559,704.39	184,670.82	10,904.51	(3,472.80)	7,422.67	3,759,229.49
Corporate Services	6,998,465.18	(1,704,716.20)	5,293,748.98	(125,155.18)	5,168,593.80	209,665.89	12,380.45	(3,942.84)	8,427.21	5,385,124.48
Customer Billing, Collection, and Contact Services	1,853,652.32	(939,617.25)	914,235.07	(3,663.11)	910,571.95	24,757.83	1,461.91	(465.58)	955.70	937,321.21
Employee Services	6,899,902.46	(1,940,462.67)	4,759,439.79	(147,724.25)	4,611,715.54	239,353.90	14,074.41	(4,482.33)	9,580.28	4,889,241.80
Facility Services	1,914,991.33	(448,064.52)	1,466,926.81	(13,741.30)	1,453,185.51	42,485.29	2,508.69	(788.95)	1,707.63	1,499,088.17
Information Services	1,119,624.33	(313,330.98)	806,493.35	(67,568.54)	748,924.81	32,375.74	1,911.73	(608.84)	1,301.29	753,305.34
Information Technology Services	45,781,495.88	(13,017,285.84)	32,764,200.04	(89,780.36)	32,674,419.68	99,232.28	5,859.50	(1,866.10)	3,988.49	32,781,633.85
Insurance Services	2,054,959.97	(497,493.79)	1,557,466.19	(1,099.82)	1,476,366.37	29,371.75	1,734.35	(552.35)	1,180.55	1,508,100.88
Interest, Stock and Tax ***	6,589,867.35	(1,460,795.25)	5,129,072.09	(4,814,702.74)	314,369.35	(8,150.16)	(481.25)	153.27	(327.58)	305,563.62
Legal Services	8,713,316.51	(1,727,944.15)	6,985,472.36	(158,993.46)	6,826,478.90	191,153.45	11,287.30	(3,584.71)	7,883.13	7,033,009.07
Operations Support and Planning Services	8,148,806.90	(3,141,258.67)	5,007,448.23	(29,220.13)	4,978,228.70	122,091.53	7,209.30	(2,285.97)	4,907.29	5,110,141.85
Purchasing, Storage and Disposition Services	4,813,420.58	(769,350.72)	3,844,069.86	(37,316.97)	3,806,752.89	207,225.06	12,236.36	(3,896.56)	8,328.14	4,030,505.49
Regulatory Services	201.25	-	201.25	(1.05)	200.20	12.48	0.74	(0.23)	0.50	213.69
Tax Services	1,440,151.60	(313,356.69)	1,126,795.01	(26,294.37)	1,100,500.64	53,021.12	3,130.81	(997.08)	2,131.10	1,157,786.59
Transportation Services	2,318,066.75	(727,132.42)	2,090,934.33	(13,567.65)	2,077,366.64	85,585.55	5,076.12	(1,616.61)	3,455.26	2,170,246.97
Treasury Services	2,071,859.13	(425,160.22)	1,646,698.91	(318,730.89)	1,327,968.02	59,496.31	3,454.11	(1,100.04)	2,351.17	1,391,169.57
Grand Total NCSC Fees Billed to NIPSCO	113,558,064.19	(20,189,657.25)	83,566,406.93	(6,145,034.53)	77,621,372.40	1,908,864.90	112,715.34	(35,896.56)	76,723.97	79,583,779.75
Less: Amt. transferred to Capital*	(2,969,707.01)	873,105.23	(1,996,601.79)	20,146.92	(1,976,454.81)	(45,621.67)	(2,693.90)	857.93	(1,833.70)	(2,025,746.35)
Net Amount Transferred from Management Fee	(2,969,707.01)	873,105.23	(1,996,601.79)	20,146.92	(1,976,454.81)	(45,621.67)	(2,693.90)	857.93	(1,833.70)	(2,025,746.35)
Net Total NIPSCO Management Fee TME 3/31/15	110,588,357.18	(20,216,551.93)	81,569,805.20	(6,124,887.61)	75,544,917.59	1,863,243.03	110,021.44	(35,038.63)	74,890.27	77,558,033.40
										(4,111,771.79)

\* Capital / Balance Sheet percentage of 2.39% obtained by dividing "Amount Transferred to Capital or Other Balance Sheet Accts" by the total Management Fee (\$1,996,602/\$83,668,407)

\*\* Reference Attachment B, Columns J & K, for Rate-Making Adjustment details.

\*\*\* Interest, stock compensation and tax expense are tracked separately by NCSC so that these costs can be readily identified and tracked for accounting purposes. Pursuant to Article 2.5 of the Service Agreement with NIPSCO (Attachment E), these charges represent NCSC costs to maintain the service company structure.

**NIPSCO Electric  
 Labor & Benefits Annualized  
 Twelve Months Ended March 31, 2015**

Line No.	Labor	NIPSCO Electric	Total NCSC
1	Actual March 2015 Labor Expense*	\$ 1,806,041.08	\$ 13,333,756.64
2	Annualized (12 months)	12	12
3	Total Annualized Labor Expense (Line 1 x Line 2)	19,272,493.01	160,005,079.68
4	Total Test Year Labor Expense	18,298,938.32	152,065,255.27
5	Labor Increase (Line 3 - Line 4)	973,554.69	7,939,824.41
6	Approved merit increase***	2.87%	2.87%
7	Merit (Line 3 x Line 6)	553,120.55	4,592,745.79
8	Gross Labor Increase (Line 5 + Line 7)	1,526,675.24	12,531,970.20
9	Capital Transfer (2.39%)**	0.9761	1
10	Net Labor Increase (Line 8 x Line 9)	1,490,187.70	12,531,970.20
<b>Payroll Taxes</b>			
11	Actual March 2015 Employer Payroll Taxes*	166,582.64	1,383,010.97
12	Actual March 2015 Labor Expense* (per Line 1)	1,806,041.08	13,333,756.64
13	Payroll Tax to Labor Percentage (Line 11 / Line 12)	10.37%	10.37%
14	Gross Labor Increase (per Line 8)	1,526,675.24	12,531,970.20
15	Gross Payroll Tax Increase (Line 13 x Line 14)	158,350.62	1,299,947.65
16	Capital Transfer (2.39%)**	0.9761	1
17	Net Payroll Tax Increase (Line 15 x Line 16)	154,566.04	1,299,947.65
18	Net Labor and Payroll Tax Increase	\$ 1,644,753.74	\$ 13,831,817.85
<b>Benefits</b>			
19	March Benefits*	235,475.55	1,954,977.21
20	March Labor (Line 1)	1,806,041.08	13,333,756.64
21	Percentage (Line 19/Line 20)	14.66%	14.66%
22	Gross labor increase (Line 8)	1,526,675.24	12,531,970.20
23	Benefit percentage (Line 21)	14.66%	14.66%
24	Gross Increase in Benefits (Line 22 x Line 23)	223,839.04	1,837,420.38
25	Capital Transfer (2.39%)**	0.9761	1
26	Net Benefits Increase (Line 24 x Line 25)	\$ 218,489.29	\$ 1,837,420.38
27	Total NCSC TME net labor and benefits increase - Attachment A, Sheet 1, Col F	\$ 1,965,243.03	\$ 15,669,238.22
28	Total NCSC TME gross labor and benefits increase - Attachment A, Sheet 1, Col F	1,808,864.90	

\* NIPSCO Electric portion of total NISource Labor expense was determined by taking the average of NIPSCO Electric's monthly portion of the total NCSC labor during the test year. See Sheet 2A.

\*\* Historical Test Year Capital allocation of 2.39% used to estimate future test year Capital Transfer.

\*\*\* 2015 Merit increase is scheduled to take effect on June 1st, 2015.

**NIPSCO Electric's Percentage of Total NCSC Labor: TME March 2015**

		Labor Billing by Company shown as a Percentage of Total NCSC												
Line No.	Company Number	30-Apr-14	31-May-14	30-Jun-14	31-Jul-14	31-Aug-14	30-Sep-14	31-Oct-14	30-Nov-14	31-Dec-14	31-Jan-15	28-Feb-15	31-Mar-15	
1	11	0.08%	0.15%	0.13%	0.13%	0.13%	0.14%	0.13%	0.11%	0.12%	0.14%	0.12%	0.16%	
2	14	2.39%	2.42%	2.39%	2.38%	2.32%	2.43%	2.32%	2.17%	2.42%	2.09%	2.21%	2.25%	
3	22	0.04%	0.03%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	
4	24	0.04%	0.00%	0.02%	0.03%	0.03%	0.04%	0.01%	0.02%	0.00%	0.04%	0.02%	0.00%	
5	32	3.54%	3.55%	3.55%	3.62%	3.53%	3.47%	3.37%	3.29%	3.16%	3.36%	3.27%	3.26%	
6	34	26.36%	25.88%	25.57%	26.38%	25.63%	24.70%	25.86%	24.98%	23.43%	25.06%	24.37%	24.31%	
7	35	1.48%	1.59%	1.59%	1.63%	1.54%	1.37%	1.33%	1.40%	1.36%	1.22%	1.20%	1.35%	
8	37	12.44%	12.70%	12.57%	12.93%	12.40%	12.25%	12.72%	12.36%	11.84%	12.44%	12.33%	12.11%	
9	38	7.61%	7.51%	7.37%	7.51%	7.52%	7.85%	7.56%	7.93%	7.95%	6.87%	7.36%	7.30%	
10	44	0.06%	0.06%	0.06%	0.05%	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	
11	51	14.84%	14.75%	15.17%	14.00%	14.74%	15.82%	14.57%	14.67%	16.02%	13.76%	13.74%	13.18%	
12	54	0.02%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.03%	0.01%	0.01%	0.03%	0.01%	
13	57	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%	0.01%	0.01%	0.02%	0.01%	0.02%	0.01%	
14	58	1.81%	2.18%	2.07%	2.22%	2.41%	2.93%	3.55%	5.20%	5.78%	6.07%	6.73%	8.49%	
15	59 - NIPSCO Common	15.04%	15.39%	15.05%	14.63%	15.03%	14.70%	13.77%	13.92%	14.36%	13.38%	13.37%	12.68%	
16	60	0.21%	0.16%	0.20%	0.26%	0.10%	0.16%	0.15%	0.24%	0.13%	0.17%	0.16%	0.19%	
17	62	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
18	68	0.01%	0.01%	0.01%	0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
19	75	0.05%	0.01%	0.07%	0.01%	0.03%	0.03%	0.07%	0.00%	0.04%	0.03%	0.04%	0.03%	
20	78	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	
21	80	10.43%	10.21%	10.28%	10.32%	10.32%	10.34%	10.42%	10.09%	10.15%	10.79%	10.74%	11.08%	
22	82	0.74%	0.68%	0.76%	0.80%	0.77%	0.82%	0.73%	0.72%	1.13%	1.23%	1.39%	0.20%	
23	89 - NIPSCO Electric	1.35%	1.49%	1.38%	1.55%	1.39%	1.35%	1.51%	1.36%	1.29%	1.38%	1.47%	1.52%	
24	90	0.57%	0.60%	0.61%	0.58%	0.57%	0.63%	0.53%	0.51%	0.71%	0.54%	0.58%	0.71%	
25	92	0.22%	0.23%	0.22%	0.20%	0.24%	0.26%	0.20%	0.27%	0.25%	0.24%	0.23%	0.21%	
26	93	0.01%	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	
27	94	0.01%	0.01%	0.02%	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	
28	96	0.61%	0.59%	0.67%	0.71%	0.79%	0.82%	0.69%	0.60%	0.71%	0.57%	0.70%	0.86%	
29	Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
30	Electric % of Total (see Table A)	72.80%	73.16%	73.46%	73.55%	73.83%	74.72%	75.48%	76.39%	74.42%	75.32%	75.73%	74.92%	
31	Common Portion (Line 15 x Line 30)	10.95%	11.19%	11.08%	10.76%	11.10%	10.99%	10.40%	10.63%	10.89%	10.08%	10.13%	9.50%	
32	Electric Direct (Line 23)	1.36%	1.49%	1.38%	1.55%	1.39%	1.35%	1.51%	1.36%	1.29%	1.38%	1.47%	1.52%	
33	Total (Line 31 + Line 32)	12.31%	12.68%	12.46%	12.31%	12.49%	12.33%	11.91%	11.95%	11.58%	11.46%	11.60%	11.01%	

Average 12.04%

Table A

35			
36	201405	2,357,651.10	3,222,458.20 73.16%
37	201406	2,520,411.04	3,430,776.35 73.46%
38	201407	2,370,224.20	3,222,772.59 73.55%
39	201408	2,367,973.40	3,207,184.96 73.83%
40	201409	3,091,694.32	4,137,670.67 74.72%
41	201410	2,448,323.03	3,243,613.86 75.48%
42	201411	2,686,236.51	3,516,585.17 76.39%
43	201412	2,968,646.98	3,988,813.45 74.42%
44	201501	2,488,615.65	3,304,202.08 75.32%
45	201502	2,652,859.54	3,502,925.99 75.73%
46	201503	2,455,671.44	3,277,831.23 74.92%
47	Grand Total	30,770,623.37	41,299,623.30

**NIPSCO Electric  
 Pension Adjustment  
 Twelve Months Ended March 31, 2015**

Line No.	Description	Total NCSC Amount Booked	NIP-Electric Portion of NCSC Labor *	Amount Billed to NIP-Electric
	Apr-14	457,990.00	12.31%	56,394.92
	May-14	457,990.00	12.68%	58,067.81
	Jun-14	457,990.00	12.46%	57,064.87
	Jul-14	457,990.00	12.31%	56,373.88
	Aug-14	457,989.00	12.49%	57,206.50
	Sep-14	457,989.00	12.33%	56,492.49
	Oct-14	457,989.00	11.91%	54,542.91
	Nov-14	457,989.00	11.99%	54,898.95
	Dec-14	457,982.00	11.98%	54,870.61
	Jan-15	504,220.00	11.46%	57,777.49
	Feb-15	504,220.00	11.60%	58,464.95
	Mar-15	504,220.00	11.01%	55,526.70
1	Test Year Pension Expense	\$ 5,634,558.00		\$ 677,722.07
2	2015 Pension Estimate (Controller's letter 2015-46) - Sheet 3a 1/2 year estimate x 2 (3,281,205 multiplied by 2)	\$ 6,562,410.00	12.04%	\$ 790,437.41
3	Pro-forma Adjustment Line 3 - Line 1	\$ 927,852.00		\$ 112,715.34
28	Capital Transfer (2.39%) **			0.9761
29	<b>Additional Amount to be Added to Test Year</b>			<b>\$ 110,021.44</b>

\* NIPSCO Electric Portion of total NiSource Pension expense is same percentage used for the NIPSCO Labor & Benefits Allocation. This percentage was determined by taking the average of NIPSCO Electric's monthly portion of the total NCSC labor during the test year. See Sheet 2A.

\*\* Historical Test Year Capital allocation of 2.39% used to estimate future test year Capital Transfer.

Controller's Letter 2015-46  
NSSource, Inc.  
Second Half of 2015 Expense (July through December)

DR (CR) OTHER EXPENSE (C) OTHER Expense acct #: OFFSET - OTHER LIABILITY OR ASSET (C) OTHER Asset acct #:	6020000 * 3631003 1831016	DR (CR) PENSION EXPENSE (C) Pension Expense acct #: OFFSET - ACCUM OCI OR OCI REG ASSET (C) Accumulated OCI Transfer - PENSION acct #: PAS 158 Pension OCI Regulatory Liability acct #: PAS 158 Pension OCI Regulatory Liability acct #:	6060000 * 7040088 3631018 3631074	DR (CR) OTHER EXPENSE (C) OTHER Expense acct #: OFFSET - ACCUM OCI OR OCI REG ASSET (S) Accumulated OCI Transfer - OTHER acct #: PAS 158 Pension OCI Regulatory Liability acct #: PAS 158 Pension OCI Regulatory Liability acct #:	6020000 * 3631003 1831016	6020000 * 7040088 3631018 3631074
Reference: 44688	Reference: Life Insurance	Reference: 44688	Reference: Life Insurance	Reference: 44688	Reference: Life Insurance	Reference: Life Insurance
		442,491	(1,993)	4,887		22,214
						467,617

DR (CR) PENSION EXPENSE (C) Pension Expense acct #: OFFSET - PENSION LIABILITY OR ASSET (C) Pension Liability - Nonqualified acct #: Pension Asset acct #:	6060000 * 8015629 1831018	DR (CR) PENSION EXPENSE (C) Pension Expense acct #: OFFSET - ACCUM OCI OR OCI REG ASSET (C) Accumulated OCI Transfer - PENSION acct #: PAS 158 Pension OCI Regulatory Liability acct #: PAS 158 Pension OCI Regulatory Liability acct #:	6060000 * 7040088 3631018 3631074
Nonqualified Pension	Nonqualified Pension	Qualified Pension	Nonqualified Pension
		2,980,657	20,685
			2,981,205

NSSource Gen Distribution  
Columbia Gas of Kentucky  
Columbia Gas of Ohio  
Columbia Gas of Maryland  
Columbia Gas of Pennsylvania  
Columbia Gas of Virginia  
Columbia Gas of West Virginia

NERSCO

ComEd  
Constellation  
Duke Energy  
Energy Technology  
NSSource Direct

Grand Total

\*Some companies may be able to offset these charges and therefore will charge the expense to a regulatory asset account.  
(1) If the below amount is positive it will be a debit to expense; if the below amount is negative it will be a credit to expense.  
(2) If the entity's balance sheet contains a pension asset account, the pension asset account will be a credit to expense.  
(3) If the entity's balance sheet contains a pension liability account for the offset, if the entity has a OCI regulatory asset/liability on its balance sheet due to the SFAS 158 criteria, use the PAS 158 Pension OCI Regulatory Asset/Liability account for the offset.  
(4) If the entity's balance sheet contains a OCI balance sheet due to the SFAS 158 criteria, use the PAS 158 Pension OCI Regulatory Asset/Liability account for the offset.  
(5) If the entity's balance sheet contains a OTHER asset account for the offset, if the entity has a OCI regulatory asset/liability on its balance sheet due to the SFAS 158 criteria, use the PAS 158 Pension OCI Regulatory Asset/Liability account for the offset.  
(6) If the entity's balance sheet contains a OTHER liability account for the offset, if the entity has a OCI regulatory asset/liability on its balance sheet due to the SFAS 158 criteria, use the PAS 158 Pension OCI Regulatory Asset/Liability account for the offset.

**NIPSCO Electric  
 OPEB Adjustment  
 Twelve Months Ended March 31, 2015**

Line No.	Description	Total NCSC Amount Booked	NIP-Electric Portion of NCSC Labor *	Amount Billed to NIP-Electric
	Apr-14	89,919.59	12.31%	11,072.31
	May-14	104,600.75	12.68%	13,266.73
	Jun-14	89,259.25	12.46%	11,125.47
	Jul-14	106,394.35	12.31%	13,096.06
	Aug-14	93,919.14	12.49%	11,731.25
	Sep-14	105,763.35	12.33%	13,045.80
	Oct-14	106,694.05	11.91%	12,706.43
	Nov-14	93,746.48	11.99%	11,237.35
	Dec-14	95,039.14	11.98%	11,386.60
	Jan-15	117,458.29	11.46%	13,459.29
	Feb-15	112,440.58	11.60%	13,037.63
	Mar-15	121,501.10	11.01%	13,380.18
1	Test Year Pension Expense	\$ 1,235,736.07		\$ 148,545.10
2	2015 OPEB (Controller's letter 2015-46) -Sheet 3a 1/2 year estimate x 2 (467,617 multiplied by 2)	\$ 935,234.00	12.04%	\$ 112,648.24
3	Pro-forma Adjustment Line 2 - Line 1	\$ (301,502.07)		\$ (35,896.86)
4	Capital Transfer (2.39%) **			0.9761
5	<b>Additional Amount to be Deducted from Test Year</b>			<b>\$ (35,038.92)</b>

\* NIPSCO Electric Portion of total NiSource OPEB expense is same percentage used for the NIPSCO Labor & Benefits Allocation. This percentage was determined by taking the average of NIPSCO Electric's monthly portion of the total NCSC labor during the test year. See Sheet 2A.

\*\* Historical Test Year Capital allocation of 2.39% used to estimate future test year Capital Transfer.

**NiSource Corporate Services Company**  
**Monthly Actual Labor Costs**  
**April 1, 2014 - October 31, 2015**

	<b>NIPSCO Electric</b>
<b>Month Number</b>	<b>Actual Labor</b>
201404	1,484,743
201405	1,523,067
201406	1,534,800
201407	1,622,143
201408	1,604,793
201409	1,555,356
201410	1,610,055
201411	1,544,730
201412	1,555,537
201501	1,520,178
201502	1,528,124
201503	1,538,718
201504	1,497,666
201505	1,474,432
201506	1,449,821
201507	1,643,264
201508	1,731,414
201509	1,948,218
201510	1,917,982
	<hr/>
	\$ 30,285,040

**NiSource Corporate Services Company**  
**Monthly Actual Payroll Taxes**  
**April 1, 2014 - October 31, 2015**

<b>NIPSCO Electric</b>	
<b>Month Number</b>	<b>Actual Payroll Taxes</b>
201404	130,548
201405	115,542
201406	135,410
201407	131,473
201408	132,499
201409	170,315
201410	154,252
201411	124,190
201412	125,673
201501	197,268
201502	169,269
201503	189,090
201504	137,059
201505	131,975
201506	142,512
201507	158,926
201508	143,422
201509	156,017
201510	174,213
	<hr/>
	\$ 2,819,654

**NISource Corporate Services Company**  
**Monthly Actual Employee Benefit Expenses**  
**April 1, 2014 - October 31, 2015**

	<b>NIPSCO Electric</b>
	<b>Actual Employee</b>
<b>Month Number</b>	<b>Benefit Expenses</b>
201404	282,667
201405	325,593
201406	346,468
201407	343,985
201408	353,661
201409	393,136
201410	362,786
201411	424,351
201412	349,142
201501	416,278
201502	558,865
201503	311,628
201504	276,707
201505	282,337
201506	336,735
201507	384,046
201508	400,369
201509	366,790
201510	436,487
	<hr/>
	\$ 6,952,031

NiSource Corporate Services Company  
Monthly Actual Employee Benefit Expenses  
April 1, 2014 - October 31, 2015

Month Number	NIPSCO Electric Actual Employee Benefit Expenses
201404	287,156
201405	328,965
201406	349,394
201407	345,103
201408	357,008
201409	395,597
201410	363,080
201411	425,343
201412	350,465
201501	421,410
201502	561,026
201503	316,191
201504	278,456
201505	293,222
201506	342,360
201507	384,388
201508	402,957
201509	375,248
201510	438,670
	<u>\$ 7,016,038</u>

\* Please note that Employee Education Aid is not included in the Benefit Pro-forma Adjustment on Petitioner Exhibit No. 7, Attachment 7-A, page 2 for March 2015 Benefits.

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Counselor's Data Request Set No. 30**

**OUCS Request 30-001:**

Please explain why the actual labor amount (\$18,622,243) allocated to NIPSCO Electric for the 12 months ended March 2015 on Attachment B of the response to OUCS 11-015 is different from the amount charged to NIPSCO Electric (\$18,298,938) as presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2 for the test year labor. Please identify the correct amount that is included in the cost of service.

**Objections:**

**Response:**

OUCS 11-015 Attachment B does represent the actual labor amount allocated to NIPSCO Electric during the test year and included in the cost of service. With the transformation of the financial reporting system, actual calculated NIPSCO electric "unloaded" labor is available. The amount presented on Petitioner's Exhibit No. 7, Attachment 7-A, page 2, represents a pro-forma adjustment for "unloaded" labor based on monthly calculated NIPSCO Electric labor percentage of total NCSC labor. The pro-forma labor calculation is consistent with the calculation used in Cause No. 43969; however, given that "unloaded" labor can now be readily calculated in the financial reporting system, an updated Petitioner's Exhibit No. 7, Attachment 7-A, page 2 has been attached hereto as OUCS Set 30-001 Attachment A reflecting \$18,622,243 as actual test year NIPSCO Electric labor charged from NCSC. NIPSCO will be filing a correction to Petitioner's Exhibit No. 7, Attachment 7-A, Page 2 to reflect this correction.

**NIPSCO Electric  
Labor & Benefits Annualized  
Twelve Months Ended March 31, 2016**

<u>Line No.</u>	<u>Labor</u>	<u>NIPSCO Electric</u>	<u>Total NCSC</u>
1	Actual March 2015 Labor Expense*	\$ 1,606,041.08	\$ 13,333,766.64
2	Annualized (12 months)	12	12
3	Total Annualized Labor Expense (Line 1 x Line 2)	19,272,493.01	180,005,079.68
4	Total Test Year Labor Expense	18,622,241.00	162,065,255.27
5	Labor Increase (Line 3 - Line 4)	650,252.01	7,939,824.41
6	Approved merit Increase***	2.87%	2.87%
7	Merit (Line 3 x Line 6)	653,120.66	4,592,145.79
8	Gross Labor Increase (Line 5 + Line 7)	1,203,372.66	12,631,970.20
9	Capital Transfer (2.39%)**	0.9761	1
10	Net Labor Increase (Line 8 x Line 9)	1,174,811.96	12,531,970.20
<b>Payroll Taxes</b>			
11	Actual March 2015 Employer Payroll Taxes*	166,582.64	1,303,010.97
12	Actual March 2015 Labor Expense* (per Line 1)	1,606,041.08	13,333,766.64
13	Payroll Tax to Labor Percentage (Line 11 / Line 12)	10.37%	10.37%
14	Gross Labor Increase (per Line 8)	1,203,372.66	12,631,970.20
15	Gross Payroll Tax Increase (Line 13 x Line 14)	124,816.85	1,299,847.65
16	Capital Transfer (2.39%)**	0.9761	1
17	Net Payroll Tax Increase (Line 15 x Line 16)	121,833.72	1,299,847.65
18	<b>Net Labor and Payroll Tax Increase</b>	<b>\$ 1,296,445.68</b>	<b>\$ 13,831,817.85</b>
<b>Benefits</b>			
19	March Benefits*	235,475.55	1,964,977.21
20	March Labor (Line 1)	1,606,041.08	13,333,766.64
21	Percentage (Line 19/Line 20)	14.66%	14.66%
22	Gross labor increase (Line 8)	1,203,372.66	12,631,970.20
23	Benefit percentage (Line 21)	14.66%	14.66%
24	Gross Increase in Benefits (Line 22 x Line 23)	176,436.84	1,837,420.38
25	Capital Transfer (2.39%)**	0.9761	1
26	<b>Net Benefits Increase (Line 24 x Line 25)</b>	<b>\$ 172,220.00</b>	<b>\$ 1,837,420.38</b>
27	<b>Total NCSC TME net labor and benefits increase - Attachment A, Sheet 1, Col F</b>	<b>\$ 1,468,665.68</b>	<b>\$ 15,669,238.22</b>
28	<b>Total NCSC TME gross labor and benefits increase - Attachment A, Sheet 1, Col F</b>	<b>1,504,628.25</b>	

\* NIPSCO Electric portion of total NISource Labor expense was determined by taking the average of NIPSCO Electric's monthly portion of the total NCSC labor during the test year. See Sheet 2A. This pro-forma method is consistent with that used in previous cases.

\*\* Historical Test Year Capital allocation of 2.39% used to estimate future test year Capital Transfer.

\*\*\* 2015 Merit Increase is scheduled to take effect on June 1st, 2015.

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Counselor's Data Request Set No. 30**

**OUCC Request 30-002:**

Please explain why the actual payroll taxes amount (\$189,090) allocated to NIPSCO Electric for the month of March 2015 on Attachment C of the response to OUCC 11-015 is different from the amount charged to NIPSCO Electric (\$166,583) as presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2 for March 2015 payroll taxes. Please identify the correct amount that is included in the cost of service.

**Objections:**

**Response:**

OUCC 11-015 Attachment C represents the actual payroll taxes amount allocated to NIPSCO Electric during the test year and included in the cost of service. The amount presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2 represents the pro-forma adjustment for payroll taxes and is also included in the cost of service. The pro-forma payroll tax calculation is consistent with the calculation used in Cause No. 43969, and represents the annualized payroll tax percentage multiplied by the pro-forma labor adjustment presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2, line 1. Please note the correction to Petitioner Exhibit No. 7, Attachment 7-A, page 2, line 1 included in NIPSCO's response to OUCC Request 30-001 related to actual test year labor expense.

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Counselor's Data Request Set No. 30**

**OUCR Request 30-003:**

Please explain why the actual employee benefits amount (\$311,628) allocated to NIPSCO Electric for the month of March 2015 on Attachment D of the response to OUCR 11-015 is different from the amount charged to NIPSCO Electric (\$235,476) as presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2 for March 2015 employee benefits. Please identify the correct amount that is included in the cost of service.

**Objections:**

**Response:**

OUCR Set 11-015 Attachment D represents the actual benefits amount allocated to NIPSCO Electric during the test year and included in the cost of service. The amount presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2 represents the pro-forma adjustment for employee benefits and is also included in the cost of service. The pro-forma benefit calculation is consistent with the calculation used in Cause No. 43969, and represents the annualized employee benefit percentage multiplied by the pro-forma labor adjustment presented on Petitioner Exhibit No. 7, Attachment 7-A, page 2, line 1. Please note the correction to Petitioner Exhibit No. 7, Attachment 7-A, page 2, line 1 included in OUCR Request 30-001 related to actual test year labor expense.

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Counselor's Data Request Set No. 30**

**OUCS Request 30-004:**

Please explain why the employee benefits costs for the 12 months ended March 2015 (before and after removing the costs for which NIPSCO is not seeking recovery) on Attachment E of the response to OUCS 11-015 differs from the actual employee benefits expenses for the 12 months ended March 2015 as presented on Attachment D of the response to OUCS 11-015. Please identify the correct amount that is included in the cost of service.

**Objections:**

**Response:**

OUCS Set 11-015 Attachment D does not include the benefit expenses in which NiSource Corporate Services has removed as ratemaking adjustments such as Contingent Stock Expense, Profit Sharing, Restricted Stock Expense, and Other Stock Compensation as noted in OUCS Set 11-015 Attachment E. OUCS Set 11-015 Attachment E also includes a line item for Employee Educational Aid, which was not included in the Benefit Expense in OUCS Set 11-15 Attachment D, thus NIPSCO is submitting a correction to OUCS Set 11-015 Attachment D (Corrected) including Employee Education Aid. Please note that Employee Education Aid was not included in the benefit pro-forma adjustment on Petitioner Exhibit No. 7, Attachment 7-A, page 2 for March 2015 benefit expenses; however, it is included in the actual test year cost of service, and thus is properly included in OUCS Set 11-015 Attachment D (Corrected).

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

**OUCS Request 2-031:**

Re: MSFR 1-5-8(a)(2)(A), p. 128.

- a. Please update the employee medical insurance expense to show each month since the test year and through the most recently available month.
- b. Please provide a similar worksheet showing the employee medical insurance expense for the 12 months ended March 2014, 2013 and 2012.

**Objections:**

**Response:**

- a. Please see the file attached hereto as OUCS Set 2-031 Attachment A for employee medical insurance expense for each month since the test year and through the most recently available month.
- b. Please see the file attached hereto as OUCS Set 2-031 Attachment B for employee medical insurance expense for the twelve months ended March 2014, 2013 and 2012.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**  
**Medical Insurance Expense - Account 92600000, Cost Element 9022 Medical - Active**

FERC Account	Description	Cost Element	CE Description	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
92600000	Employee Pensions and Benefits	9022	Medical - Active <sup>1</sup>	\$ 1,581,437.69	\$ 915,510.16	\$ 1,517,814.72	\$ 850,040.40	\$ 1,720,392.63	\$ 1,212,749.89
			Capitalization rate	22.03%	22.03%	22.03%	22.03%	22.03%	22.03%
			<b>Actual Employee Benefit Med Ins. Net of Capitalization</b>	<b>\$ 1,233,046.97</b>	<b>\$ 713,823.27</b>	<b>\$ 1,183,440.14</b>	<b>\$ 662,776.50</b>	<b>\$ 1,341,390.13</b>	<b>\$ 945,581.09</b>

1 The data provided above is Medical Insurance Expense only. This does not include Employee Assistance Plan (EAP) expense. This is consistent with the data used for Adjustment OM - 9.

**NORTHERN INDIANA PUBLIC SERVICE COMPANY**  
**Medical Insurance Expense - Account 92600000, Cost Element 9022 Medical - Active**

FERC Account	Description	Cost Element	CE Description	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
92600000	Employee Pensions and Benefits	9022	Medical - Active <sup>1</sup>	\$ 1,581,437.69	\$ 915,510.16	\$ 1,517,814.72	\$ 850,040.40	\$ 1,720,392.63	\$ 1,212,749.89
			Capitalization rate	22.03%	22.03%	22.03%	22.03%	22.03%	22.03%
			<b>Actual Employee Benefit Med Ins. Net of Capitalization</b>	<b>\$ 1,233,046.97</b>	<b>\$ 713,823.27</b>	<b>\$ 1,183,440.14</b>	<b>\$ 662,776.50</b>	<b>\$ 1,341,390.13</b>	<b>\$ 945,581.09</b>

<sup>1</sup> The data provided above is Medical Insurance Expense only. This does not include Employee Assistance Plan (EAP) expense. This is consistent with the data used for Adjustment OM - 9.

NORTHERN INDIANA PUBLIC SERVICE COMPANY  
Medical Insurance Expense - Account E926.1MED  
Twelve Months Ended March 31, 2014, 2013 and 2012

FERC Account	Description	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Twelve Months Ended March 31, 2014
E926.1MED	EMPLOYEE BENEFIT EXPENSE - MEDICAL INSURANCE	\$ 1,265,013.54	\$ 984,906.75	\$ 1,548,269.29	\$ 972,612.63	\$ 1,471,078.94	\$ 1,790,202.76	\$ 1,210,243.01	\$ 1,798,747.82	\$ 1,896,312.77	\$ 1,799,129.87	\$ 1,163,053.97	\$ 1,409,251.04	\$ 17,288,822.39
		Capitalization rate - December 2013 <u>22.60%</u>												
12 M/E March 31, 2014 Actual Employee Benefit Med Ins. Net of Capitalization \$ <u>13,381,549</u>														
FERC Account	Description	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Twelve Months Ended March 31, 2013
E926.1MED	EMPLOYEE BENEFIT EXPENSE - MEDICAL INSURANCE	\$ 1,165,953.16	\$ 1,641,304.39	\$ 381,176.42	\$ 1,680,277.23	\$ 1,316,803.72	\$ 1,242,575.95	\$ 1,231,406.21	\$ 1,183,095.08	\$ 1,488,356.73	\$ 1,391,205.28	\$ 1,334,303.34	\$ 886,400.04	\$ 14,542,952.60
		Capitalization rate - December 2012 <u>22.12%</u>												
12 M/E March 31, 2013 Actual Employee Benefit Med Ins. Net of Capitalization \$ <u>11,637,578</u>														
FERC Account	Description	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Twelve Months Ended March 31, 2012
E926.1MED	EMPLOYEE BENEFIT EXPENSE - MEDICAL INSURANCE	\$ 504,650.48	\$ 1,282,392.65	\$ 1,372,487.53	\$ 1,242,873.41	\$ 1,348,328.44	\$ 1,223,710.77	\$ 881,934.71	\$ 1,346,227.85	\$ 947,704.86	\$ 1,573,394.97	\$ 622,299.20	\$ 1,025,626.57	\$ 13,531,581.44
		Capitalization rate - December 2011 <u>20.76%</u>												
12 M/E March 31, 2012 Actual Employee Benefit Med Ins. Net of Capitalization \$ <u>10,722,425</u>														

1 The data provided above is Medical Insurance Expense only. This does not include Employee Assistance Plan (EAP) expense. This is consistent with the data used for Adjustment OM - 9.

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**NIPSCO Industrial Group's Data Request Set No. 8**

<b><u>Industrials Request 8-016:</u></b>
Please provide the actual monthly medical insurance expense experienced for April 2015 through the most recent month available, consistent with the workpaper previously supplied in response to Industrial Group Data Request 1-0004.
<b><u>Objections:</u></b>
<b><u>Response:</u></b>
Please see the file attached hereto as IG Set 8-016 Attachment A for Medical Expenses for the months of April through November 2015. Please note that due to the conversion to PeopleSoft General Ledger in April 2015, a specific 926 account just for Employee Medical Insurance Expense no longer exists. Cost Element is now used to identify the various "Employee Pensions and Benefits" expenses. Walker account E926.1MED – Employee Benefit Expense-Medical Insurance is represented by five Cost Elements, which are included in detail in the attachment.

Northern Indiana Public Service Company  
 Medical Expenses - Actuals -

Cost Element / OE Name	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015
9006 Employee Medical Health Ins								384,252.89
9022 Medical - Active	1,581,437.69	915,510.16	1,517,814.72	850,040.40	1,720,392.63	1,212,749.89	589,363.85	1,893,589.41
9023 HMO	9,470.63	9,470.63	9,369.67	10,975.23	10,771.08	10,775.09	10,775.09	10,780.69
9026 Flex Spending Health	12,705.97	12,658.22	12,774.19	12,712.80	12,597.38	12,337.99	12,467.89	12,556.43
9032 Prescriptions	171,316.29	370,406.74	365,729.38	447,685.42	506,301.84	706,378.37	551,838.00	638,439.57
<b>Grand Total</b>	<b>\$ 1,774,936.58</b>	<b>\$ 1,308,045.75</b>	<b>\$ 1,906,687.96</b>	<b>\$ 1,321,413.85</b>	<b>\$ 2,250,662.93</b>	<b>\$ 1,942,241.34</b>	<b>\$ 1,164,444.83</b>	<b>\$ 2,939,618.99</b>
Capitalization Ratio	31.08%	31.82%	34.07%	39.83%	33.93%	34.30%	36.09%	35.24%
Actual Employee Benefit Medical Expense Net of Capitalization	\$ 1,223,269	\$ 891,820	\$ 1,256,481	\$ 795,042	\$ 1,486,597	\$ 1,275,956	\$ 744,236	\$ 1,903,563

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

**OUCS Request 2-010:**

Re: Pro Forma Unit 14 FGD O&M Expenses presented on MSFR 1-5-8(a)(2)(A), p. 85.

- a. Please provide the monthly production figures used to derive the five-year average production of 1,734,655 MWh and through the most recently available month.
- b. What was NIPSCO's rationale for selecting a five-year average for its normalization calculation of Schahfer Unit 14 Flue Gas Desulfurization ("FGD") O&M expenses?
- c. Please indicate when the Unit 14 FGD unit was placed in service.
- d. Please provide a table showing production and net capacity factor for Unit 14 by month for the last five calendar years and through the most recently available month.
- e. Please provide a table showing the calculation of actual variable costs for Unit 14 for the last five calendar years and through the most recently available month in the same format as the calculation shown on MSFR 1-5-8(a)(2)(A), p. 86.

**Objections:**

**Response:**

- a. Please see the file attached hereto as OUCS Set 2-010 Attachment A for the monthly production figures used to derive the five-year average of 1,734,655 and through the most recently available month.
- b. NIPSCO utilized a five year average for MWh to calculate the pro-forma adjustment for the ACI system for Schahfer Unit 15 and Bailly Units 7 and 8. NIPSCO applied the five year average methodology consistently for the Unit 14 FGD adjustment as well. By selecting a five year period, any anomalies in the data set would have a less significant impact on the calculation.
- c. Unit 14 FGD unit was placed in service November 19, 2013.
- d. Please see the file attached hereto as OUCS Set 2-010 Attachment A for Unit 14 production by month for the last five calendar years and through the most

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

recently available month. Please see the file attached hereto as OUCC Set 2-010 Attachment B for Unit 14 net capacity factor by month for the last five calendar years and through the most recently available month.

- e. Please see the file attached hereto as OUCC Set 2-010 Attachment C for a table showing the calculation of actual variable costs for Unit 14 for the most recently available month in the same format as the calculation shown on MSFR 1-5-8(a)(2)(A), p. 86. Note that the Unit 14 FGD was placed in service on November 19, 2013. As a result, there are no FGD Variable costs prior to November 19, 2013.

**Northern Indiana Public Service Company  
 Monthly Production for Unit 14 in kWh  
 Five-Year Average Calculation**

<b>Unit 14</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
January	3,376,833	(1,894,435)	172,509,083	167,266,275	259,537,364	(5,196,188)
February	146,368,043	(1,766,556)	(5,536,316)	12,773,048	132,393,056	44,383,870
March	273,515,027	(5,724,145)	(3,657,268)	(2,378,253)	288,245,096	2,023,150
April	223,779,823	202,282,350	26,380,692	185,142,393	32,650,612	(1,681,072)
May	225,109,622	288,766,480	24,726,652	272,281,128	170,732,919	(3,861,352)
June	274,219,997	244,410,396	183,598,655	238,873,320	184,793,564	44,264,479
July	273,284,702	241,306,065	259,533,875	149,576,039	74,875,714	88,759,177
August	272,959,588	294,284,563	258,404,951	127,415,188	197,473,057	244,867,857
September	219,037,339	89,417,209	50,442,993	(2,070,876)	(4,168,402)	86,884,984
October	261,586,552	292,667,198	(1,503,879)	(1,724,074)	(3,822,907)	
November	241,980,816	259,835,211	68,343,136	114,912,153	102,593,167	
December	188,907,403	81,740,597	(6,664,508)	279,639,970	80,239,045	
	<b>2,604,125,745</b>	<b>1,985,324,933</b>	<b>1,026,578,066</b>	<b>1,541,706,311</b>	<b>1,515,542,285</b>	

<b>Unit 14 Analysis</b>		
	<b>kWh</b>	<b>MWh</b>
5 yr Avg	1,734,655,468	1,734,655
Test Year	876,577,601	876,578
Additional	858,077,867	858,078

**Northern Indiana Public Service Company  
Net Capacity Factor for Unit 14  
Five-Year History by Month**

<b>Unit 14</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
January	1.05	0.00	53.80	52.16	80.94	0.00
February	50.54	0.00	0.00	4.41	45.71	15.58
March	85.30	0.00	0.00	0.00	90.01	0.64
April	72.11	65.19	8.50	59.66	10.52	0.00
May	70.20	90.05	7.71	84.91	53.24	0.00
June	88.37	78.76	59.16	76.98	59.55	14.50
July	85.22	75.25	80.94	46.65	23.35	28.14
August	85.12	91.77	80.58	39.73	61.58	77.62
September	70.58	28.81	16.26	0.00	0.00	28.46
October	81.58	91.27	0.00	0.00	0.00	
November	77.87	83.62	21.99	36.98	33.01	
December	58.91	25.49	0.00	87.21	25.44	

\* Source: MicroGads Performance Summary

**Northern Indiana Public Service Company**  
**Unit 14 FGD O&M Expenses**  
**Calculation - Average Variable Cost per MWh (in dollars)**

	<b>Twelve Months Ended Dec 31, 2014 Unit 14 Actuals</b>	<b>Nine Months Ended Sept 30, 2015 Unit 14 Actuals</b>
Commodity Costs	\$ 1,518,535	\$ 270,971
Operating Costs	\$ 1,094,260	\$ 636,699
Maintenance Costs	\$ 532,554	\$ 1,234,006
Variable Costs	<u>\$ 3,145,349</u>	<u>\$ 2,141,676</u>
MWh	1,515,542	500,445
Average Variable Cost Per MWh	<u>\$ 2.075395</u>	<u>\$ 4.279542</u>

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

**OUCS Request 2-011:**

Re: Pro Forma Unit 15 FGD O&M Expenses presented on MSFR 1-5-8(a)(2)(A), p. 86.

- a. Please provide the monthly production figures used to derive the 5-year average production of 2,412,983 MWh and through the most recently available month.
- b. What was NIPSCO's rationale for selecting a five-year average for its normalization calculation of Schahfer Unit 15 FGD O&M expenses?
- c. Please provide workpapers and other documentation showing the derivation of the estimated fixed maintenance cost of \$120,651.
- d. Please provide annual fixed maintenance cost for calendar years 2012, 2013, and 2014.
- e. Please provide a table showing production in MWh and net capacity factor for Unit 15 by month for the last five calendar years and through the most recently available month: production in MWh and capacity factor.
- f. Please provide a table showing the calculation of actual variable costs for Unit 15 for the last five calendar years and through the most recently available month in the same format as the calculation shown on MSFR 1-5-8(a)(2)(A), p. 86, for Schahfer Unit 14.

**Objections:**

**Response:**

- a. Please see the file attached hereto as OUCS Set 2-011 Attachment A for the monthly production figures used to derive the five-year average of 2,412,983 and through the most recently available month.
- b. NIPSCO utilized a five year average for MWh to calculate the pro-forma adjustment for the ACI system for Schahfer Unit 15 and Bailly Units 7 and 8. NIPSCO applied the five year average methodology consistently for the Unit 15 FGD adjustment as well. By selecting a five year period, any anomalies in the data set would have a less significant impact on the

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

- calculation.
- c. As Unit 15 FGD was placed in service on November 5, 2014, NIPSCO did not incur a full year of maintenance expenses for that FGD in the test year ended March 31, 2015. In order to estimate the annual fixed maintenance expenses for the Unit 15 FGD, NIPSCO used the annual fixed maintenance expenses for the Unit 14 FGD, which has the same design and specifications as the Unit 15 FGD. Please see the file attached hereto as OUCC Set 2-011 Attachment B for the workpapers detailing the estimated fixed maintenance cost of \$120,651.
  - d. There were no annual fixed maintenance costs for calendar years 2012, 2013, and 2014 related to Schahfer Unit 15 FGD because the Unit 15 FGD was placed in service on November 5, 2014.
  - e. Please see the file attached hereto as OUCC Set 2-011 Attachment A for Unit 15 production by month for the last five calendar years and through the most recently available month. Please see the file attached hereto as OUCC Set 2-011 Attachment C for Unit 15 net capacity factor by month for the last five calendar years and through the most recently available month.
  - f. Please see the file attached hereto as OUCC Set 2-011 Attachment D for a table showing the calculation of actual variable costs for the Unit 15 FGD for the most recently available month in the same format as the calculation shown on MSFR 1-5-8(a)(2)(A), p. 86. Note that the Unit 15 FGD was placed in service on November 5, 2014. As a result, there are no Unit 15 FGD Variable costs prior to November 5, 2014.

**Northern Indiana Public Service Company  
 Monthly Production for Unit 15 in kWh  
 Five-Year Average Calculation**

<b>Unit 15</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
January	271,065,451	266,041,109	269,439,178	205,567,491	120,098,659	191,295,966
February	261,561,108	175,365,467	256,265,972	(697,316)	193,484,692	107,725,048
March	275,350,380	150,440,325	232,650,667	177,913,544	55,458,820	203,437,075
April	263,929,189	(1,100,512)	(1,873,835)	287,593,198	229,379,035	(4,906,304)
May	277,189,946	231,388,318	211,522,174	168,379,030	199,744,004	143,059,961
June	225,647,091	195,792,667	256,381,037	248,390,540	248,698,168	226,302,379
July	217,379,400	215,372,902	265,654,024	258,679,877	275,537,987	125,709,507
August	281,831,650	240,869,202	221,507,307	169,713,315	217,104,998	174,594,083
September	252,961,984	268,928,943	149,321,128	216,018,444	81,892,462	230,951,602
October	244,951,707	270,609,672	99,572,288	241,890,381	(1,737,241)	
November	251,016,772	174,667,719	140,391,862	166,874,731	207,583,780	
December	279,087,343	267,949,801	217,563,550	93,159,698	127,493,557	
	<b>3,101,972,021</b>	<b>2,456,325,613</b>	<b>2,318,395,352</b>	<b>2,233,482,933</b>	<b>1,954,738,921</b>	

	<b>kWh</b>	<b>MWh</b>
5 yr Avg	2,412,982,968	2,412,983

Northern Indiana Public Service Company  
 Unit 15 Estimated Fixed Maintenance Expense Based on Unit 14 Actuals

														Year Ended
Activity		1-Jan	2-Feb	3-Mar	4-Apr	5-May	6-Jun	7-Jul	8-Aug	9-Sep	10-Oct	11-Nov	12-Dec	31-Dec-14
14 - Schahfer Station - Unit 14	7500 - Maintenance - Planned	\$ 2,888	\$ 1,517	\$ 2,994	\$ 10,365	\$ 5,337	\$ 13,411	\$ 1,288	\$ 9,773	\$ 18,147	\$ 30,829	\$ 11,510	\$ 12,591	\$ 106,354
	7800 - Outage - Generating Station						\$ 13,376						\$ 2,944	\$ 14,320
14 - Schahfer Station - Unit 14 Total		\$ 2,888	\$ 1,517	\$ 2,994	\$ 10,365	\$ 5,337	\$ 13,411	\$ 1,288	\$ 9,773	\$ 18,147	\$ 30,829	\$ 11,510	\$ 12,591	\$ 120,651

**Northern Indiana Public Service Company  
Net Capacity Factor for Unit 15  
Five-Year History by Month**

<b>Unit 15</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
January	77.19	75.76	76.73	58.54	34.20	54.47
February	82.46	55.29	78.01	0.00	61.00	33.96
March	78.41	42.90	66.34	50.73	15.81	58.01
April	77.66	0.00	0.00	84.63	67.50	0.00
May	78.93	65.89	60.23	47.95	56.88	40.74
June	66.40	57.61	75.44	73.09	73.18	66.59
July	61.90	61.33	75.65	73.66	78.46	35.80
August	80.26	68.59	63.08	48.33	61.82	49.72
September	74.44	79.13	43.94	63.56	24.10	67.96
October	69.75	77.06	28.35	68.88	0.00	
November	73.76	51.33	41.25	49.04	61.00	
December	79.47	76.30	61.95	26.53	36.31	

\* Source: MicroGads Performance Summary

**Northern Indiana Public Service Company**

**Unit 15 FGD O&M Expenses**

Calculation - Average Variable Cost per MWh (in dollars)

	<b>Twelve Months Ended Dec 31, 2014</b>	<b>Nine Months Ended Sept 30, 2015</b>
	<b>Estimate Based on Unit 14 2014 O&amp;M and MWh</b>	<b>Unit 15 Actual O&amp;M and MWh</b>
Commodity Costs	\$ 1,518,535	\$ 288,735
Operating Costs	\$ 1,094,260	\$ 1,766,286
Maintenance Costs	\$ 532,554	\$ 1,588,373
Variable Costs	<u>\$ 3,145,349</u>	<u>\$ 3,643,394</u>
MWh	<u>1,515,542</u>	<u>1,398,169</u>
Average Variable Cost Per MWh	<u>\$ 2.075395</u>	<u>\$ 2.605833</u>

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

**OUCR Request 2-012:**

Re: Direct Testimony of Michael Hooper at 22:17-23:1 and 24:9-25:7. According to Mr. Hooper, Schahfer Unit 14 was more expensive than any other NIPSCO generating unit during the test year. Please explain why it would be reasonable to use Unit 14's actual variable costs to determine the average variable cost per MWh for Unit 15 instead of another NIPSCO generation unit.

**Objections:**

**Response:**

The part of pro-forma adjustment OM-3 that annualizes operating expenses associated with Unit 15 FGD is specific to the FGD operating costs and does not make any adjustment to any other variable operating costs. Because the FGD at Units 14 and 15 were constructed at the same time utilizing the same Original Equipment Manufacturer and technology and share a common stack, the operating cost per MWh for the Unit 14 FGD is the best proxy for the Unit 15 FGD. While there are FGDs at Bailly (Units 7 and 8) as well as Schahfer (Units 17 and 18), the units were designed and constructed in the 1980s and have very different operating characteristics. Due to age/condition of the units and subsequent advances in technology and design, utilizing the variable cost per MWh for Units 7, 8, 17 or 18 does not provide the best proxy for Unit 15.

**Cause No. 44688**

**Northern Indiana Public Service Company's  
Objections and Responses to  
Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

**OUCS Request 2-015:**

Re: MSFR 1-5-8(a)(2)(A), p. 83. Please explain why the ACI requirement percentage of usage is 100 percent for Schahfer Unit 15 and 30 percent for Bailly Units 7 and 8.

**Objections:**

**Response:**

NIPSCO estimated the percentage of time ACI will be required to achieve MATs compliance standards for each unit based on historical emissions data. NIPSCO based its assumption that the ACI will be required to run 100% of the time at Schahfer Unit 15 to achieve MATs compliance standards on the fact that in four of the last five years, the emissions levels at Unit 15 would have required the ACI to run 100% of the time. Emission rates have historically been higher at Schahfer Unit 15 due to the PRB coal used for combustion. Unit 15 does not operate an SCR which would react with the chlorides in the coal that would inherently lower the emission of oxidized mercury. Conversely, emission rates at Bailly Units 7 and 8 have historically been lower because the Eastern Bituminous coal used for combustion. Units 7 & 8 both operate SCR's, which allows the mercury to oxidize and lowers the mercury emission.

Please see the file attached hereto as OUCS Set 2-015 Attachment A for a calculation for Bailly Unit 7 and 8 and Schahfer Unit 15 for the percentage of time ACI would have been required to achieve MATs compliance standards.

**Northern Indiana Public Service Company  
 ACI Systems: Schahfer Unit 15  
 Calculation of Run Time ACI Required**

**Injection Criteria:**

The mercury limit is 1.2 per our regulatory requirement. In order to ensure compliance, injections take place at reading of 1.0 and above. Boxes highlighted yellow indicate the month that would have required the operation of the ACI system. The % of Run Time ACI is required is equal to the number of months with readings that exceed 1.0 divided by the total months in the year.

Date	Average Mercury Emission HGT ug/m	% time Run Time ACI Needed
Jan-10	4.54	
Feb-10	5.31	
Mar-10	4.95	
Apr-10	5.58	
May-10	5.57	
Jun-10	3.15	
Jul-10	4.05	
Aug-10	5.11	
Sep-10	5.19	
Oct-10	5.29	
Nov-10	6.01	
Dec-10	6.23	
<b>2010 AVG</b>		<b>100%</b>
Jan-11	6.83	
Feb-11	4.86	
Mar-11	3.52	
Apr-11	0.08	
May-11	12.65	
Jun-11	5.8	
Jul-11	4.28	
Aug-11	5.62	
Sep-11	11.91	
Oct-11	6.73	
Nov-11	4.22	
Dec-11	4.89	
<b>2011 AVG</b>		<b>100%</b>
Jan-12	6.14	
Feb-12	7.63	
Mar-12	7.09	
Apr-12	1.44	
May-12	4.93	
Jun-12	5.78	
Jul-12	6.25	

Aug-12	5.95	
Sep-12	11.69	
Oct-12	2.81	
Nov-12	2.36	
Dec-12	3.82	
<b>2012 Avg</b>		<b>100%</b>
Jan-13	7.45	
Feb-13	0.66	
Mar-13	3.64	
Apr-13	6.26	
May-13	1.6	
Jun-13	0	
Jul-13	0	
Aug-13	12.83	
Sep-13	5.75	
Oct-13	3.33	
Nov-13	3.77	
Dec-13	1.99	
<b>2013 Avg</b>		<b>75%</b>
Jan-14	2.44	
Feb-14	4.77	
Mar-14	1.33	
Apr-14	5.28	
May-14	5.17	
Jun-14	6.06	
Jul-14	4.99	
Aug-14	4.28	
Sep-14	3.93	
Oct-14	1.42	
Nov-14	2.06	
Dec-14	1.41	
<b>2014 Avg</b>		<b>100%</b>
<b>5 Year Average</b>		<b>95%</b>

**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Discovery Set No. 2**

**OUCS Request 2-016:**

Re: Direct Testimony of Daniel T. Williamson at 22:4-9. Please respond to the following:

- a. Please explain why NIPSCO liquefied 2,205,232 MCF of natural gas during the test year.
- b. Please explain why NIPSCO did not liquefy natural gas for the 12 months ended March 31, 2013 and 2012.
- c. Please explain the annual liquefaction volumes and reasons for the variation in volumes listed in Attachment 5-A, p. 2.
- d. Please explain why NIPSCO believes that a five-year average of 963,130 MCF is an accurate estimate of test year natural gas liquefaction.
- e. Please provide the monthly annual liquefaction volumes for the 12 months ended March 31, 2008 through the 12 months ended March 31, 2014 in the same format shown on Attachment 5-A, p. 4.
- f. Please provide all available information on liquefaction since the end of the test year in the same format shown on Attachment 5-A, p. 4.
- g. Please provide documentation that shows the derivation of the LNG Monthly Electric rates shown on Attachment 5-A, p. 3.

**Objections:**

**Response:**

- a. NIPSCO liquefied 2,205,232 MCF of natural gas during the test year ending March 31, 2015 to replace natural gas that was vaporized for use during the previous winter season and to replace normally occurring LNG boil-off.
- b. NIPSCO, may elect not to liquefy natural gas in a given year due to market / operational conditions, maintenance, or because the operational balances of LNG available are sufficient to support winter natural gas system needs. In addition, there are fixed costs associated with the liquefaction process that can be spread over a greater volume of natural gas if liquefaction does not occur in a given

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year. This effectively serves to reduce the per dekatherm cost of liquefaction for NIPSCO's gas customers. At times, this can result in an inconsistent pattern of liquefaction year-to-year. For the 12 months ending March 31, 2012 and March 31, 2013 operational balances were sufficient to support expected winter natural gas system needs, so NIPSCO chose not to liquefy.

- c. The primary drivers for liquefying are replacement of boil-off and to replace vaporization for use on NIPSCO's gas system. There are a variety of reasons for variation in the volume of natural gas that is liquefied as noted above in part b. above. In addition, the typical "injection season" for the LNG facility is between April and November; however, this can vary due to natural gas system conditions, maintenance, and weather.
- d. NIPSCO believes the five-year average of 963,130 MCF of natural gas liquefaction is appropriate for a number of reasons. For example, this pro-forma volume of liquefaction replaces normal LNG boil-off and this volume allows for LNG vaporization for economic and operational reasons. In recent years NIPSCO has utilized its LNG facility on behalf of NIPSCO's natural gas customers more often and would expect this increased usage to be reflective of future use with most of the 963,130 MCF representing the roughly 600,000 MCF to 700,000 MCF of annual LNG boil-off. Referring to subpart f. of this data request, please see the file attached hereto as OUCC Set 2-016 Attachment B for bills rendered from April through September 2015 for NIPSCO liquefied 1,040,621 MCF of natural gas. This volume of liquefaction is reasonably aligned with the volume associated with the 5-year average (963,130 MCF).
- e. Please see the file attached hereto as OUCC Set 2-016 Attachment A for a table that shows calendar month liquefaction volumes for the period April 1, 2008 through March 31, 2014.
- f. Please see the file attached hereto as OUCC Set 2-016 Attachment B for a table that shows liquefaction volumes for bills rendered from April 2015 through September 2015 and the associated electric usage.
- g. Please see the file attached hereto as OUCC Set 2-016 Attachment C for a table that shows the derivation of the LNG Monthly Electric rates.

**Northern Indiana Public Service Company**  
**Historical Liquefaction Activity April 1, 2008 - March 31, 2014**  
**(Volumes based on calendar month estimates)**

	Gross Prod. Liquefaction MCF
Apr-08	0
May-08	0
Jun-08	0
Jul-08	0
Aug-08	0
Sep-08	0
Oct-08	0
Nov-08	0
Dec-08	0
Jan-09	0
Feb-09	0
Mar-09	0
Apr-09	0
May-09	0
Jun-09	0
Jul-09	0
Aug-09	0
Sep-09	43,341
Oct-09	0
Nov-09	0
Dec-09	0
Jan-10	0
Feb-10	0
Mar-10	0
Apr-10	0
May-10	85,632
Jun-10	24,580
Jul-10	175,542
Aug-10	427,034
Sep-10	429,167
Oct-10	332,014
Nov-10	206,673
Dec-10	0
Jan-11	0
Feb-11	0
Mar-11	0
Apr-11	0
May-11	0
Jun-11	0
Jul-11	0

Aug-11	0
Sep-11	0
Oct-11	0
Nov-11	0
Dec-11	0
Jan-12	0
Feb-12	0
Mar-12	0
Apr-12	0
May-12	0
Jun-12	0
Jul-12	0
Aug-12	0
Sep-12	0
Oct-12	0
Nov-12	0
Dec-12	0
Jan-13	0
Feb-13	0
Mar-13	0
Apr-13	0
May-13	35,986
Jun-13	222,092
Jul-13	0
Aug-13	0
Sep-13	0
Oct-13	195,506
Nov-13	378,615
Dec-13	97,577
Jan-14	0
Feb-14	0
Mar-14	0

**Northern Indiana Public Service Company**  
**Post Test Year Liquefaction Power Consumption**  
*(Based on measurements at meter reading date)*

Electric Metering Beg.	End	Gross Prod. Liquefaction	Billed Kwh	Base Power * Kwh	Liquefaction Kwh	Liquefaction Kwh/MCF
18-Mar-15	20-Apr-15	44,432	496,000	508,000	(12,000)	(0.27)
20-Apr-15	18-May-15	286,184	2,480,000	508,000	1,972,000	6.89
18-May-15	17-Jun-14	218,301	5,728,000	508,000	5,220,000	23.91
17-Jun-14	21-Jul-15	258,480	3,232,000	508,000	2,724,000	10.54
21-Jul-15	18-Aug-15	233,224	4,336,000	508,000	3,828,000	16.41
18-Aug-15	16-Sep-15	-	1,312,000	508,000	804,000	
<b>Totals</b>		<b>1,040,621</b>	<b>17,584,000</b>	<b>3,048,000</b>	<b>14,536,000</b>	<b>13.969</b>

\* Base Power reflects the average power usage to power the plant absent liquefaction

**Northern Indiana Public Service Company  
Interdepartmental Rate  
Summary**

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Base Fuel	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893	0.028893
Margin	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>	<u>0.046754</u>
Subtotal - Interdept Rate	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647	0.075647
Tracker Adjustments														
RTO	0.001035	0.001035	0.001035	0.000316	0.000316	0.000316	0.000316	0.000316	0.000316	0.002256	0.002256	0.002256	0.002256	0.002256
ECRM	0.003675	0.003675	0.003675	0.00297	0.00297	0.00297	0.00297	0.00297	0.00297	0.005666	0.005666	0.005666	0.005666	0.005666
EERM	-0.00021	-0.00021	-0.00021	0.001785	0.001785	0.001785	0.001785	0.001785	0.001785	0.001785	0.001785	0.001785	0.001785	0.001785
RA	0.003675	0.003675	0.003675	0.001855	0.001855	0.001855	0.001855	0.001855	0.001855	0.002725	0.002725	0.002725	0.002725	0.002725
FMC								0.000225	0.000225	0.000225	0.000225	0.000225	0.000106	0.000106
TDSIC												0.000299	0.000299	0.000299
Actual Fuel	0.035164	0.037834	0.033398	0.035551	0.033714	0.029655	0.032375	0.030629	0.032842	0.031478	0.028582	0.027708	0.028799	0.027126
LESS : Base Fuel	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>	<u>-0.02889</u>
<b>Total Interdepartmental Rate</b>	<u><b>0.09009</b></u>	<u><b>0.09275</b></u>	<u><b>0.088324</b></u>	<u><b>0.089331</b></u>	<u><b>0.087394</b></u>	<u><b>0.083535</b></u>	<u><b>0.086055</b></u>	<u><b>0.084534</b></u>	<u><b>0.085747</b></u>	<u><b>0.090689</b></u>	<u><b>0.087933</b></u>	<u><b>0.087418</b></u>	<u><b>0.08839</b></u>	<u><b>0.085717</b></u>
True-up for month over month rate differential		0.00267	-0.00444	0.001007	-0.00194	-0.00386	0.00252	-0.00152	0.002213	0.004142	-0.0029	-0.00058	0.000972	-0.00167

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**Cause No. 44688**

**Northern Indiana Public Service Company's  
Objections and Responses to  
Indiana Office of Utility Consumer Counselor's Data Request Set No. 21**

**OUCC Request 21-008:**

With reference to OUCC 11-002(d), please respond to the following:

- a. Please provide a breakdown of the test year outages by date, type (forced or planned), plant, unit, and the related amounts;
- b. For each plant and unit included above in subpart (a) please provide the dates, amounts, and all planned outages during the 12 months ended March 31, 2014 and 2013;
- c. For each plant and unit included above in subpart (a) please provide the dates for the next planned outages; and
- d. For each plant and unit included above in subpart (a) please provide the dates, amounts, and all forced outages during the 12 months ended March 31, 2014 and 2013.

**Objections:**

NIPSCO objects to this Request on the grounds and to the extent that this Request seeks information that is confidential, proprietary and/or trade secret information.

**Response:**

Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response:

- a. Please see the file attached hereto as OUCC Set 21-008 Attachment A for the breakdown of the test year outages.
- b. Please see the file attached hereto as OUCC Set 21-008 Attachment B for all planned outages during the 12 months ended March 31, 2014 and 2013.
- c. Please see the file attached hereto as OUCC Set 21-008 Confidential Attachment C for the dates for the next planned outages.
- d. Please see the file attached hereto as OUCC Set 21-008 Attachment D for all the forced outages during the 12 months ended March 31, 2014 and 2013.

**Northern Indiana Public Service Company**

**Dates, Amounts all forced outages during the 12 months ended March 31, 2014 and 2013**

Station	Unit	Planned/Forced	Start Date	End Date	Amount
<b>April 1, 2012 - March 31, 2013</b>					
BGS	U8	Forced	4/5/2012	4/7/2012	\$ 19,278
BGS	U8	Forced	4/26/2012	4/26/2012	\$ 21,775
BGS	U7	Forced	5/24/2012	5/24/2012	\$ 32,598
BGS	U8	Forced	6/8/2012	6/9/2012	\$ 22,567
BGS	U8	Forced	7/18/2012	7/19/2012	\$ 31,317
BGS	U7	Forced	7/30/2012	7/31/2012	\$ 6,993
BGS	U8	Forced	8/17/2012	8/17/2012	\$ 13,805
BGS	U8	Forced	9/1/2012	9/1/2012	\$ 51,430
BGS	U8	Forced	9/14/2012	11/2/2012	\$ 377,095
BGS	U7	Forced	9/15/2012	11/12/2012	\$ 204,381
BGS	U7	Forced	12/25/2012	12/26/2012	\$ 147,158
BGS	U8	Forced	12/25/2012	12/29/2012	\$ 419,106
BGS	NA	Forced			\$ 1,511
MCGS	U12	Forced	4/4/2012	4/15/2012	\$ 82,791
MCGS	U12	Forced	5/14/2012	5/14/2012	\$ 110,809
MCGS	U12	Forced	8/9/2012	8/11/2012	\$ 55,990
RMSGs	U14	Forced	4/1/2012	4/2/2012	\$ 5,247
RMSGs	U15	Forced	4/13/2012	4/29/2012	\$ 150,124
RMSGs	U14	Forced	4/20/2012	4/29/2012	\$ 13,098
RMSGs	U15	Forced	5/7/2012	5/7/2012	\$ 28,340
RMSGs	U14	Forced	5/24/2012	5/24/2012	\$ 6,199
RMSGs	U18	Forced	5/27/2012	5/27/2012	\$ 4,684
RMSGs	U17	Forced	7/11/2012	7/15/2012	\$ 25,915
RMSGs	U14	Forced	7/19/2012	7/19/2012	\$ 9,198
RMSGs	U14	Forced	7/22/2012	7/22/2012	\$ 1,099
RMSGs	U17	Forced	7/24/2012	7/25/2012	\$ 723,620
RMSGs	U15	Forced	8/27/2012	8/28/2012	\$ 1,262
RMSGs	U14	Forced	9/4/2012	9/4/2012	\$ 3,190
RMSGs	U18	Forced	9/17/2012	9/19/2012	\$ 6,485
RMSGs	U17	Forced	9/18/2012	9/18/2012	\$ 417,368
RMSGs	U15	Forced	9/19/2012	9/22/2012	\$ 15,560
RMSGs	U14	Forced	9/27/2012	11/24/2012	\$ 204,392
RMSGs	U18	Forced	10/5/2012	10/6/2012	\$ 8,842
RMSGs	U17	Forced	10/15/2012	10/20/2012	\$ 124,860
RMSGs	U15	Forced	10/21/2012	11/14/2012	\$ 12,190
RMSGs	U15	Forced	12/1/2012	12/3/2012	\$ 14,149
RMSGs	U18	Forced	12/3/2012	12/3/2012	\$ 2,934
RMSGs	U14	Forced	12/10/2012	12/12/2012	\$ 13,306
RMSGs	U17	Forced	12/12/2012	12/14/2012	\$ 31,188
RMSGs	NA	Forced			\$ 49,929
<b>Total</b>					<b>\$ 3,471,783</b>

April 1, 2013 - March 31, 2014

BGS	7	Forced	2/22/2014	2/22/14	\$	53,040
BGS	7	Forced	4/27/2013	4/28/13	\$	617
BGS	7	Forced	7/17/2013	7/24/13	\$	12,092
BGS	8	Forced	10/12/2013	10/12 /13	\$	47,563
BGS	8	Forced	11/3/2013	11/4/13	\$	7,779
			2/8/14	2/19/14		
BGS	8	Forced	2/22/14	2/26/14	\$	1,445
BGS	8	Forced	5/28/2013	5/30/13	\$	29,574
BGS	8	Forced	6/13/2013	6/13/13	\$	110,840
			7/10/13	7/12/13		
BGS	8	Forced	7/24/13	7/24/13	\$	20,058
BGS	8	Forced	9/11/2013	9/12/13	\$	30,384
			12/19/13	12/21/13		
MCGS	12	Forced	11/22/13	11/24/13	\$	38,510
MCGS	12	Forced	4/3/2013	4/8/2013	\$	6,025
MCGS	12	Forced	5/30/2013	5/31/2013	\$	38,403
MCGS	12	Forced	6/26/2013	6/27/13	\$	3,908
MCGS	12	Forced	6/3/2013	6/6/13	\$	23,523
MCGS	12	Forced	8/2/2013	8/4/13	\$	8,579
			2/11/14	2/12/14		
RMSGs	14	Forced	2/12/14	2/21/14	\$	8,957
RMSGs	14	Forced	7/8/2013	7/11/13	\$	6,393
			8/11/13	8/11/13		
RMSGs	14	Forced	8/20/13	8/21/13	\$	10,862
			9/28/13	11/11/13		
RMSGs	14	Planned/Forced	11/13/13	11/16/13	\$	52,537
RMSGs	15	Forced	1/16/14	1/26/14	\$	63,803
RMSGs	15	Forced	3/31/14	4/1/14	\$	149,897
RMSGs	15	Forced	5/14/13	5/16/13	\$	240,734
RMSGs	17	Forced	12/6/13	12/6/13	\$	619
RMSGs	17	Forced	6/11/13	6/14/13	\$	53,967
RMSGs	17	Forced	9/29/13	9/30/13	\$	14,438
RMSGs	18	Forced	2/3/14	2/5/14	\$	544
RMSGs	18	Forced	5/25/13	5/25/13	\$	12,356
					\$	<b>1,047,448</b>

**Northern Indiana Public Service Company**

**Dates, amounts all planned ouages during the 12 months ended March 31, 2014 and 2013**

Station	Unit	Planned/Forced	Start Date	End Date	Amount
<b>April 1, 2012 - March 31, 2013</b>					
BGS	U7	Planned	9/15/2012	11/8/2012	\$ 351,539
BGS	U8	Planned	9/14/2012	11/10/2012	\$ 847,631
RMSGs	U15	Planned	4/13/2012	4/29/2012	\$ 150,124
RMSGs	U18	Planned	4/20/2012	4/29/2012	\$ 23,564
Sugar Creek	8SC	Planned	2/8/2013	3/9/2013	\$ 1,108,019
					<u>\$ 2,480,877</u>
<b>April 1, 2013 - March 31, 2014</b>					
BGS	U 7	Planned	3/7/2014	4/28/14	\$ 243,808
BGS	U 8	Planned	3/14/2014	5/3/14	\$ 25,310
MCGS	U 12	Planned	9/20/2013	11/18/13	\$ 154,635
RMSGs	U 14	Planned	9/28/2013	11/11/2013	\$ 65,187
RMSGs	U 18	Planned	3/21/2014	5/11/2014	\$ 4,427
					<u>\$ 493,367</u>

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 Attachment LKM-6  
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**Northern Indiana Public Service Company**  
**Test Year Outages by date, type, plant, unit and amount**

Station	Unit	Planned/Forced	Start Date	End Date	Amount
<b>April 1, 2014 - March 31, 2015</b>					
BGS	U7	Planned	4/1/2014	5/1/2014	\$ 1,749,647
BGS	U8	Planned	4/1/2014	5/8/2014	\$ 1,457,226
BGS	U7	Forced	5/12/2014	5/13/2014	\$ 6,978
BGS	U8	Forced	5/24/2014	5/26/2014	\$ 13,957
BGS	U8	Forced	7/6/2014	7/8/2014	\$ 4,509
BGS	U8	Forced	7/7/2014	7/8/2014	\$ 10,795
BGS	U7	Forced	7/14/2014	7/15/2014	\$ 3,562
BGS	U8	Forced	8/21/2014	8/22/2014	\$ 42,924
BGS	U8	Forced	9/8/2014	9/11/2014	\$ 131,490
BGS	U7	Forced	9/9/2014	9/10/2014	\$ 8,250
BGS	U8	Forced	9/13/2014	9/13/2014	\$ 31,040
BGS	U7	Forced	11/12/2014	11/13/2014	\$ 3,564
BGS	U8	Forced	11/14/2014	11/14/2014	\$ 44,538
BGS	U7	Forced	12/20/2014	12/21/2014	\$ 255
BGS	U8	Forced	1/6/2015	1/10/2015	\$ 63,394
BGS	U8	Forced	2/2/2015	2/2/2015	\$ 8,692
BGS	U7	Forced	2/26/2015	2/26/2015	\$ 980
BGS	U7	Forced	3/1/2015	3/4/2015	\$ 7,703
BGS	U8	Forced	3/1/2015	3/10/2015	\$ 282
BGS	NA	Forced			\$ 14,208
MCGS	U12	Planned	5/9/2014	5/26/2014	\$ 86,165
MCGS	U12	Forced	6/11/2014	6/11/2014	\$ 1,725
MCGS	U12	Forced	6/20/2014	6/20/2014	\$ 9,541
MCGS	U12	Forced	7/22/2014	7/22/2014	\$ 38,571
MCGS	U12	Forced	10/19/2014	11/12/2014	\$ 204,945
MCGS	U12	Forced	11/22/2014	11/24/2013	\$ 11,569
RMSGs	U17	Forced	7/7/2014	7/13/2014	\$ 435,838
RMSGs	U15	Forced	8/23/2014	8/25/2014	\$ 34,513
RMSGs	U17	Forced	8/30/2014	9/4/2014	\$ 424,152
RMSGs	U15	Planned	9/24/2014	11/6/2014	\$ 1,717,115
RMSGs	U17	Forced	9/26/2014	9/26/2014	\$ 200,711
RMSGs	U18	Forced	11/20/2014	11/26/2014	\$ 7,720
RMSGs	U15	Forced	1/4/2015	1/6/2015	\$ 69,460
RMSGs	U15	Forced	2/24/2015	2/24/2015	\$ 29,001
RMSGs	U14	Planned	3/1/2015	5/13/2015	\$ 223,089
RMSGs	U18	Forced	3/26/2015	3/26/2015	\$ 180,199
<b>Total</b>					<b>\$ 7,278,308</b>

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**LAFAYETTE MORGAN, JR. – PUBLIC'S EXHIBIT NO. 2**

**CONFIDENTIAL ATTACHMENT LKM-7**

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**Cause No. 44688**  
**Northern Indiana Public Service Company's**  
**Objections and Responses to**  
**Indiana Office of Utility Consumer Counselor's Data Request Set No. 11**

**OUCS Request 11-002:**

With reference to the response to OUCS 2-004, Attachment A:

- (a) Please explain the net annual increases in Account No. 56180000 (Reb Network Upgrade Charges) that occurred between March 31, 2012 and March 31, 2015. In your response, please explain the meaning of "Reb Network", the nature of the costs recorded in this account, and the reason for the reimbursements;
- (b) Please explain the 51.13% increase in Account No. 56600000 (Misc. Transmission Expense) that occurred between March 31, 2014 and March 31, 2015;
- (c) Please explain the annual fluctuations in Account No. 93020000 (Misc. General Expense) that occurred between March 31, 2012 and March 31, 2015. In addition to your explanation of the annual fluctuations, please fully explain the 116% increase that occurred between 2014 and 2015;
- (d) Please explain the increase in Account No. 51300000 (Maint. Electric Plant-Steam Gen) that occurred between March 31, 2014 and March 31, 2015;
- (e) Please explain the increases in Account No. 54200000 (Maint. of Structures-Hydrau Gen) that occurred between March 31, 2013 and March 31, 2015;
- (f) Please explain the 99.6% increase in Account No. 54300000 (Maint. of Reservoir Dams-Wtrwy) that occurred between March 31, 2014 and March 31, 2015;
- (g) Please explain the 39.99% increase in Account No. 55400000 (Maint. of Misc. Other Pwr Gen Plt) that occurred between March 31, 2014 and March 31, 2015;
- (h) Please explain the 465% increase in Maintenance of General Plant (presented under the caption "Maintenance Gen & Admin") that occurred between March 31, 2014 and March 31, 2015.

**Objections:**

**Response:**

- (a) The account description at the time of creation referred to Regional Expansion

Cause No. 44688

**Northern Indiana Public Service Company's  
Objections and Responses to  
Indiana Office of Utility Consumer Counselor's Data Request Set No. 11**

Cost Benefit (RECB) Network Upgrade Charges. This account now also incorporates charges from MISO for Multi-Value Projects (MVP). Together they represent the allocated costs from the MISO footprint associated with both upgrades to the current transmission system (RECB) and the building of new transmission systems (MVP). The primary driver of this cost increase reflects the allocated costs for building the various new transmission systems (MVP). The MISO FERC Electric Tariff Schedule 26-A allows the owners of these transmission projects to be reimbursed by the market. These amounts represent "non-fuel MISO costs" which are currently recoverable through NIPSCO's Rider 671.

- (b) Account 56600000 – Misc Transmission Expense had an increase of \$507,000 for the twelve months ended March 31, 2015 over March 31, 2014 mainly driven by an allocation of the costs to run the LaPorte Training Center. The LaPorte Training Center is used to train NIPSCO employees. The period from October 2014 to March 2015 experienced an increase in overall costs of operating the facility and employee costs attending training. The allocation of the trainer and trainee costs is based on the type of employee (e.g. production, distribution, transmission, etc.) attending training in the period and where the trainee's productive time would have been charged if not attending training.
- (c) Account 93020000 – Misc. General Expenses is the expense account used to record any adjustments to the environmental reserve. In December 2012 and February 2015 an adjustment of \$3,045,200 and \$2,721,118, respectively, was recorded by NIPSCO to increase the environmental reserve liability. Adjustment OM-13 decreases test year O&M expense to remove certain environmental expenses that NIPSCO is not seeking to recover in base rates; therefore, the O&M expense that NIPSCO is seeking to recover in base rates for account 93020000 is \$3,030,510.83 and the increase that occurred between 2014 and 2015 is 14%.
- (d) Account 51300000 – Maint. Electric Plant-Steam Gen had an increase of \$8,016,677 for the twelve months ended March 31, 2015 over March 31, 2014 mainly due to an increase in forced outages and forced outage costs, and two additional planned outages within that twelve month period.
- (e) Account 54200000 – Maint. Of Structures-Hydrau Gen had an increase of \$634,914 for the twenty-four months ended March 31, 2015 over March 31, 2013 mainly due to an increase in outside services expense related to FERC regulatory

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**Northern Indiana Public Service Company's  
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requirements for security camera repairs, conduit receptacle replacement, electric panels identification and labeling, and electric feed installation.

- (f) Account 54300000 – Maint. Of Reservoir Dams-Wtrwy had an increase of \$483,318 for the twelve months ended March 31, 2015 over March 31, 2014 mainly due to an increase in outside services expense related to FERC regulatory requirements for floodgate 1 & 2 NDE inspections and the necessary scaffolding, and floodgate lifting crane repair.
- (g) Account 55400000 – Maint. Of Misc. Other Pwr Gen Plt had an increase of \$117,502 mainly due to an increase in outside services expense related to a 15 day planned outage at Sugar Creek related to their long-term service agreements.
- (h) The increase in Maintenance of General Plant (Account E935) that occurred between March 31, 2014 and March 31, 2015 is primarily related to a change in presentation as a result of a FERC audit of NiSource Corporate Services Company ("NCSC"), Docket No. FA 11-5-000. As a result of the audit, NIPSCO changed the presentation of NCSC contract billing charges on the FERC income statement. Prior to 2014, charges billed to NIPSCO from NCSC were recorded primarily to FERC account 923 – Outside Services Employed. In 2014, NIPSCO began charging individual FERC accounts to mirror the original charges on NCSC books.

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**Indiana Office of Utility Consumer Counselor's Data Request Set No. 21**

**OUCS Request 21-009:**

With reference to the response to OUCS 11-002(e), please respond to the following:

- a. Please provide the budgeted amount to perform the work as described in the response; and
- b. Please indicate whether all the work described in the response has been completed. If so, please provide the amount at completion.

**Objections:**

**Response:**

- a. There were no amounts budgeted to perform the work as described in OUCS 11-002(e).
- b. All work described in OUCS 11-002(e) has been completed. Actual costs were \$634,898.

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Indiana Office of Utility Consumer Counselor's Data Request Set No. 21

**OUCC Request 21-010:**

With reference to the response to OUCC 11-002(f), please respond to the following:

- a. Please provide the budgeted amount to perform the work as described in the response; and
- b. Please indicate whether all the work described in the response has been completed. If so, please provide the amount at completion.

**Objections:**

**Response:**

- a. OUCC Set 11-002 identified an increase in outside services expense related to FERC regulatory requirements for floodgate 1 & 2 NDE inspections and the necessary scaffolding, and floodgate lifting crane repair as the driver for the \$483,318 increase in Account 54300000 – Maint. Of Reservoir Dams-Wtrwy. There were no amounts budgeted for this work.
- b. All the work described above has been completed. Actual costs were \$483,000.



# Indiana Utility Regulatory Commission

**2015** ANNUAL REPORT



# APPENDIX A

## Budget 2015-2016 Public Utility Fee Calculation

### BILLABLE PORTION OF THE BUDGET

#### 2015-2016 Budget As Passed

Utility Regulatory Commission	\$	9,104,489.00
Utility Consumer Counselor	\$	6,157,465.00
Expert Witness Fund	\$	826,440.00
Contingency Fund	\$	250,000.00

Total 2015-2016 Budget \$ 16,338,394.00

#### 2014-2015 Budget Augmentations

Utility Regulatory Commission	\$	-
Utility Consumer Counselor	\$	-

#### 2013-2014 Reversions

Utility Regulatory Commission	\$	581,169.60
Utility Consumer Counselor	\$	354,757.46
Expert Witness Fund	\$	-
Contingency Fund	\$	250,000.00
Bond Fee Collections	\$	72,000.00
Municipal Fee Collections	\$	591,468.23
Other Revenue	\$	23.79

Total 2013-2014 Reversions \$ 1,849,419.08

#### Prior Year Adjustments

Expert Witness Fund Reversion (FY2014 Fee)	\$	(126,157.00)
Pipeline Safety Grant Revenue (FY2011)	\$	499,725.00

Total Adjustments \$ 373,568.00

Billable Portion of the 2015-2016 Budget \$ 14,115,406.92

#### 2014 Utility Intra-State Revenues

Electric Utilities (45)	\$	8,785,607,816.00
Gas Utilities (19)	\$	1,725,218,628.00
Sewer Utilities (26)	\$	40,708,613.00
Telecommunication Utilities (200)	\$	2,320,912,486.00
Water Utilities (36)	\$	224,028,669.00

Total Utility Intra-State Revenues \$ 13,096,476,212.00

#### 2015-2016 Public Utility Fee Billing Rate

Billable Portion of the 2015-2016 Budget	\$	14,115,406.92
Divide by: Total 2014 Utility Intra-State Revenues	\$	<u>13,096,476,212.00</u>

2015-2016 Public Utility Fee Billing Rate 0.001077802

business of a financial institution. The business of a financial institution is defined as activities authorized by the Federal Reserve Board; the making, acquiring, selling, or servicing of loans or extensions of credit; or operating a credit, debit card, or charge card business. Entities subject to this tax must file Form FIT-20. (For more information, see Commissioner's Directive #14.)

#### **V. UTILITY RECEIPTS TAX**

The utility receipts tax is an income tax imposed on the gross receipts from the retail sale of utility services. The tax rate is 1.4%. Utility services include electrical energy, natural gas, water, steam, sewage, and telecommunication services. Entities subject to the utility receipts tax also are subject to the corporate adjusted gross income tax unless the entity is exempt from the adjusted gross income tax under IC 6-3. (For further information concerning the utility receipts tax, see Commissioner's Directive #18.)

#### **VI. CORPORATE ADJUSTED GROSS INCOME TAX**

##### **A. Decrease in Tax Rate**

Beginning July 1, 2012, the adjusted gross income tax rate is being reduced. More specifically, the following rates apply during the periods listed below:

Before July 1, 2012	8.5%
After June 30, 2012, and before July 1, 2013	8.0%
After June 30, 2013, and before July 1, 2014	7.5%
After June 30, 2014, and before July 1, 2015	7.0%
After June 30, 2015, and before July 1, 2016	6.5%
After June 30, 2016, and before July 1, 2017	6.25%
After June 30, 2017, and before July 1, 2018	6.0%
After June 30, 2018, and before July 1, 2019	5.75%
After June 30, 2019, and before July 1, 2020	5.5%
After June 30, 2020, and before July 1, 2021	5.25%
After June 30, 2021	4.9%

##### **B. How to Determine the Tax Rate for Calendar-Year Filers and Fiscal-Year Filers Whose Tax Year Endings Are Not June 30**

Pursuant to IC 6-3-2-1(c), the following steps must be used to determine the tax rate if a taxpayer is subject to different tax rates for a taxable period:

**STEP ONE:** Multiply the rate in effect before the rate change by the number of months in the taxpayer's taxable year that precede the month the rate changed.

**STEP TWO:** Multiply the rate in effect after the rate change by the number of months in the taxpayer's taxable year that follow the month before the rate changed.

**STEP THREE:** Add the amounts in STEP ONE and STEP TWO, and then divide the sum by 12.

**STEP FOUR:** Round the rate determined under STEP THREE to the nearest 0.01%.

**AFFIRMATION**

I affirm, under the penalties for perjury, that the foregoing representations are true.

*Lafayette Morgan Jr.*

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Lafayette Morgan, Jr.  
Consultant for  
Indiana Office of Utility Consumer Counselor

January 22, 2016

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Date

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NIPSCO