
VERIFIED SETTLEMENT TESTIMONY OF DERRIC J. ISENSEE

1 **Q1. Please state your name, business address and title.**

2 A1. My name is Derric J. Isensee. My business address is 801 E. 86th Avenue,
3 Merrillville, Indiana 46410. I am currently the Executive Director of Rates
4 and Regulatory Finance for Northern Indiana Public Service Company
5 ("NIPSCO").

6 **Q2. Are you the same Derric J. Isensee who prefiled direct and rebuttal**
7 **testimony in this Cause?**

8 A2. Yes.

9 **Q3. What is the purpose of your settlement testimony in this proceeding?**

10 A3. The purpose of my settlement testimony to support the Stipulation and
11 Settlement Agreement (the "Settlement") entered into and filed with the
12 Commission as of the 19th day of February, 2016, by and between
13 NIPSCO, the Indiana Office of Utility Consumer Counselor ("OUCC"),
14 Indiana Municipal Utilities Group ("Municipals"), NIPSCO Industrial
15 Group ("Industrial Group"), NLMK Indiana ("NLMK"), United States

1 Steel Corporation ("U.S. Steel"); and United Steel, Paper and Forestry,
2 Rubber, Manufacturing, Energy, Allied Industrial and Service Workers
3 International Union, AFL-CIO/CLC (collectively the "Settling Parties"). I
4 address each of the revenue requirement settlement changes from
5 NIPSCO's proposal in its filed Case-in-Chief and Rebuttal position.

6 **Q4. Are you sponsoring any attachments to your settlement testimony?**

7 A4. Yes. I am sponsoring Attachments 6-S-A and 6-S-B both of which were
8 prepared by me or under my direction and supervision.

9 **Q5. Please summarize your testimony.**

10 A5. In this settlement filing, NIPSCO has modified its original and rebuttal
11 requests and now proposes to recover the gross revenue amount of
12 \$1,681,746,699, which reflects a revenue increase of \$72,500,000 as
13 compared to test year pro forma results based on current rates. This will
14 provide the opportunity to earn net operating income of \$217,123,565.
15 The settlement revenue requirement of \$1,681,746,699 reflects a reduction
16 of \$54,087,616 from NIPSCO's original request of \$1,735,834,315 in
17 NIPSCO's filed Case-in-Chief. Support for the reduction is presented in
18 Joint Exhibit A and Attachment 6-S-A and Attachment 6-S-B.

1 **Q6. Please describe the attachments which support the Company's**
2 **settlement revenue requirement.**

3 A6. Attachment 6-S-A, pages 1 and 2, include a Statement of Operating
4 Income for the twelve months ended March 31, 2015 shown on an actual
5 basis and with pro forma adjustments at current and proposed settlement
6 rates (reflecting a combination of adjustments made in NIPSCO's Case-in-
7 Chief, Rebuttal position, and in the Settlement). Attachment 6-S-A, page
8 3, shows the calculation of the required net operating income. Attachment
9 6-S-A, page 4, shows the net original cost rate base and the calculation of
10 the resulting net operating income. Attachment 6-S-A, page 5, is the
11 capital structure and overall weighted cost of capital. Attachment 6-S-B
12 consists of a separate page for each of the settlement pro forma income
13 statement adjustments and each is discussed later in my testimony.

14 **Q7. Please explain Attachment 6-S-A, Pages 1 and 2**

15 A7. Attachment 6-S-A, Pages 1 and 2, is the Statement of Operating Income for
16 the twelve months ended March 31, 2015 shown on an actual basis, with
17 pro forma adjustments at current and proposed settlement rates. Column
18 B shows the actual results for the twelve months ended March 31, 2015.

1 Column C shows the Company's proposed pro forma adjustments based
2 on the settlement rates (i.e. a combination of adjustments proposed in
3 NIPSCO's Case-in-Chief, Rebuttal position and the Settlement). Column
4 D shows the reference to each of the detailed adjustments. Column E
5 shows the pro forma results at current rates. Column F reflects the
6 adjustments necessary to produce the required net operating income
7 provided for by the terms of the Settlement. Column G contains
8 additional references to the detailed adjustments. Column H shows the
9 pro forma results at Settlement rates.

10 **Q8. Please briefly describe the settlement adjustments agreed to by the**
11 **Settling Parties.**

12 A8. During the course of the settlement discussions, several expense
13 adjustments were agreed to, which resulted in differences between
14 NIPSCO's Case-In-Chief and Rebuttal position, and the amounts in the
15 Settlement. I will describe each of these adjustments, with respect to the
16 amount of the increase or decrease from test year levels and with respect
17 to the difference from the amounts reflected in the Company's Case-in-
18 Chief and Rebuttal position. Please see my direct and rebuttal testimonies

1 for the descriptions of those adjustments that are not changing. The
2 adjustments that were updated in Settlement are denoted by –S and the
3 adjustments that were updated in NIPSCO's Rebuttal position are
4 denoted by –R. All other adjustments are supported in NIPSCO's Case-
5 In-Chief.

6 **SETTLEMENT ADJUSTMENTS**

7 **Q9. Please explain Settlement Adjustment DA-1-S.**

8 A9. Settlement Adjustment DA-1-S on Attachment 6-S-B is to increase (debit)
9 test year operating expenses in the amount of \$7,457,320 to reflect
10 implementation of new settlement depreciation rates on electric and
11 common property. These depreciation rates include an agreed upon
12 reduction from NIPSCO's Case-In-Chief and Rebuttal position of
13 approximately \$17.3 million related to (1) the change in the expected
14 retirement date of Bailly Unit 8 from 2023 to 2029 (approximately \$11.1
15 million), and (2) the incorporation of adjustments to depreciation rates
16 identified by Industrial Group witness Brian C. Andrews as outlined in
17 his testimony (approximately \$6.2 million). This settlement adjustment is

1 shown in Attachment 6-S-A, Column C, line 44 and results in total
2 depreciation expense at proposed rates of \$212,266,317.

3 **Q10. Please explain Settlement Adjustment DA-4-S.**

4 A10. Settlement Adjustment DA-4-S on Attachment 6-S-B increases test year
5 operating expenses in the amount of \$320,577 for the amortization of rate
6 case costs related to this Cause. The Company has estimated total costs
7 for the current case of \$2,244,038 for legal, consulting and expert witness
8 testimony and proposed a two-year amortization period in its Case-in-
9 Chief and Rebuttal position. However, per the terms of the Settlement,
10 the rate case expenses of \$2,244,038 will be amortized over a period of
11 seven (7) years. After the completion of the seven (7) year period,
12 NIPSCO agrees to make a tariff filing that will reflect the reduction in
13 amortization expense. This settlement adjustment is shown in
14 Attachment 6-S-A, Column C, line 49 and results in a decrease to
15 amortization expense in the amount of \$801,442 in comparison to
16 NIPSCO's Rebuttal position.

17 **Q11. Please explain Settlement Adjustment DA-6-S.**

1 A11. Settlement Adjustment DA-6-S on Attachment 6-S-B decreases test year
2 operating expenses in the amount of \$13,465,353 to reflect the difference
3 between the test year amortization expenses recorded related to this
4 balance and the amortization expense of the remaining deferred Sugar
5 Creek depreciation and carrying charges amounts. In its Case-in-Chief
6 and rebuttal position, NIPSCO proposed a two (2) year amortization
7 period. However, per the terms of the Settlement, the remaining expenses
8 of \$5,965,662 will be amortized over a period of seven (7) years. After the
9 completion of the seven (7) year period, NIPSCO agrees to make a tariff
10 filing that will reflect the reduction in amortization expense. This
11 settlement adjustment is shown in Attachment 6-S-A, Column C, line 51
12 and results in a decrease to amortization expense in the amount of
13 \$2,130,594 in comparison to NIPSCO's Case-in-Chief and Rebuttal
14 position.

15 **Q12. Please explain Settlement Adjustment DA-7-S.**

16 A12. Settlement Adjustment DA-7-S on Attachment 6-S-B increases test year
17 operating expenses in the amount of \$1,984,232 to include the annual
18 amortization of Sugar Creek depreciation and carrying charges, which

1 were deferred from July 1, 2011 through December 31, 2011 in accordance
2 with the Commission's December 21, 2011 Order in Cause No. 43969 and
3 proposed a two-year amortization period in its Case-in-Chief and rebuttal
4 position. However, per the terms of the Settlement, the expenses of
5 \$13,889,627 will be amortized over a period of seven (7) years. After the
6 completion of the seven (7) year period, NIPSCO agrees to make a tariff
7 filing that will reflect the reduction in amortization expense. This
8 settlement adjustment is shown in Attachment 6-S-A, Column C, line 52
9 and results in a decrease to amortization expense in the amount of
10 \$4,960,582 in comparison to NIPSCO's Case-in-Chief and Rebuttal
11 position.

12 **Q13. Please explain Settlement Adjustment DA-11-S.**

13 A13. Settlement Adjustment DA-11-S on Attachment 6-S-B increases test year
14 operating expenses in the amount of \$42,888 for the amortization of the
15 deferral of 20% of Federally Mandated Costs ("FMC") which had been
16 accumulated in a regulatory asset in accordance with the Commission's
17 January 29, 2014 Order in Cause No. 44340. The amount of FMC deferred
18 to the regulatory asset as of June 30, 2015 amounted to \$300,213 and a two-

1 year amortization period was proposed in its Case-in-Chief and rebuttal
2 position. However, per the terms of the Settlement, the amount of
3 \$300,213 will be amortized over a period of seven (7) years. After the
4 completion of the seven (7) year period, NIPSCO agrees to make a tariff
5 filing that will reflect the reduction in amortization expense. This
6 settlement adjustment is shown in Attachment 6-S-A, Column C, line 56
7 and results in a decrease to amortization expense in the amount of
8 \$107,219 in comparison to NIPSCO's Case-in-Chief and Rebuttal position.

9 **Q14. Please explain Settlement Adjustment DA-12-S.**

10 A14. Settlement Adjustment DA-12-S on Attachment 6-S-B increases test year
11 operating expenses in the amount of \$506,229 for the amortization of
12 Transmission & Distribution ("T&D") costs associated with certain
13 transmission and distribution assets commenced by NIPSCO in 2014 and
14 2015. The amount of T&D costs incurred through June 30, 2015 amounted
15 to \$3,543,604 and a two-year amortization period was proposed in its
16 Case-in-Chief and rebuttal position. However, per the terms of the
17 Settlement, the amount of \$3,543,604 will be amortized over a period of
18 seven (7) years. After the completion of the seven (7) year period,

1 NIPSCO agrees to make a tariff filing that will reflect the reduction in
2 amortization expense. This settlement adjustment is shown in
3 Attachment 6-S-A, Column C, line 57 and results in a decrease to
4 amortization expense in the amount of \$1,265,573 in comparison to
5 NIPSCO's Case-in-Chief and Rebuttal position.

6 **Q15. Please explain Settlement Adjustment DA-13-S.**

7 A15. Settlement Adjustment DA-13-S on Attachment 6-S-B increases test year
8 operating expenses in the amount of \$38,345 for the amortization of the
9 deferral of 20% of approved Mercury and Air Toxics Standards ("MATS")
10 costs which had been accumulated in a regulatory asset in accordance
11 with the Commission's October 10, 2013 Order in Cause No. 44311. The
12 amount of MATS costs deferred to the regulatory asset as of June 30, 2015
13 amounted to \$268,416 and a two-year amortization period was proposed
14 in its Case-in-Chief and rebuttal position. However, per the terms of the
15 Settlement, the amount of \$268,416 will be amortized over a period of
16 seven (7) years. After the completion of the seven (7) year period,
17 NIPSCO agrees to make a tariff filing that will reflect the reduction in
18 amortization expense. This settlement adjustment is shown in

1 Attachment 6-S-A, Column C, line 58 and results in a decrease to
2 amortization expense in the amount of \$95,863 in comparison to
3 NIPSCO's Rebuttal position.

4 **Q16. Please explain Settlement Adjustment ITX-1-S.**

5 A16. Settlement Adjustment ITX-1-S on Attachment 6-S-B decreases test year
6 operating expenses in the amount of \$7,599,503 to reflect the decrease in
7 income taxes. The difference in pro forma income tax at present rates is
8 driven by the other expense adjustments to which the Settling Parties have
9 agreed. This settlement adjustment is shown in Attachment 6-S-A,
10 Column C, line 69.

11 **Q17. Please explain Settlement Adjustment S-1.**

12 A17. Settlement Adjustment S-1 on Attachment 6-S-B represents a decrease to
13 test year net operating income in the amount of \$6,094,203 required to
14 arrive at a total revenue requirement of \$1,681,746,699 as agreed upon by
15 the Settling Parties. This settlement adjustment is shown in Attachment 6-
16 S-A, Column C, line 72.

17 **Q18. Please explain Settlement Adjustment S-2.**

1 A18. Settlement Adjustment S-2 on Attachment 6-S-A represents the
2 reclassification of Prepaid Pension Asset balance of \$216,303,291 from a
3 rate base item to a zero-cost capital balance item included in the capital
4 structure.

5 **PROPOSED REVENUE INCREASE**

6 **Q19. Please explain Settlement Adjustment PF-1-S.**

7 A19. Settlement Adjustment PF-1-S on Attachment 6-S-A shows the calculation
8 of the settlement increase in gross revenue from base rates in the amount
9 of \$72,500,000, which is calculated to provide the opportunity to earn a
10 return of 6.74% on net original cost rate base of \$3,221,417,882. The
11 revenue requirement is calculated by first determining the requested
12 increase in operating income. The requested increase in net operating
13 income is \$43,228,812. This is then adjusted for: (a) Federal income taxes,
14 (b) State income taxes, (c) Utility Receipts Tax ("URT"), (d) Public Utility
15 Fees, and (e) uncollectible accounts. This settlement adjustment is shown
16 in Attachment 6-S-A, Column F, line 2.

17 **Q20. Please explain Settlement Adjustment PF-2-S.**

1 A20. Settlement Adjustment PF-2-S on Attachment 6-S-A reflects the additional
2 uncollectible accounts expense on the settlement revenue increase in the
3 amount of \$207,031, which is calculated by multiplying the proposed
4 increase in revenue requirement by the multiplier. This settlement
5 adjustment is shown in Attachment 6-S-A, Column F, line 21.

6 **Q21. Please explain Settlement Adjustment PF-3-S.**

7 A21. Settlement Adjustment PF-3-S on Attachment 6-S-A is the calculation of
8 the URT applicable to the settlement increase in revenue requirement in
9 the amount of \$1,015,000, which is calculated by applying the 1.40% rate
10 to the amount of the increase in revenue requirement. This settlement
11 adjustment is shown in Attachment 6-S-A, Column F, line 64.

12 **Q22. Please explain Settlement Adjustment PF-4-S.**

13 A22. Settlement Adjustment PF-4-S on Attachment 6-S-A is the calculation of
14 the Public Utility Fees applicable to the settlement increase in revenue
15 requirement in the amount of \$78,141, which is calculated by applying the
16 rate to the amount of the increase in revenue requirement. This settlement
17 adjustment is shown in Attachment 6-S-A, Column F, line 65.

18 **Q23. Please explain Settlement Adjustment PF-5-S.**

1 A23. I have already discussed this adjustment in the context of explaining
2 Settlement Adjustment ITX-1-S. Settlement Adjustment PF-5-S on
3 Attachment 6-S-A is to account for income taxes applicable to the increase
4 in net operating income. It is calculated by applying the Federal income
5 tax rate to the pro forma federal taxable income and the Indiana state
6 income tax rate to the pro forma state taxable income, resulting in an
7 increase of \$27,971,016. This settlement adjustment is shown in
8 Attachment 6-S-A, Column F, line 69.

9 **Capital Structure**

10 **Q24. Please explain Attachment 6-S-A, page 5.**

11 A24. Attachment 6-S-A, page 5 shows the computation of the overall weighted
12 cost of capital for NIPSCO. Changes from that filed in NIPSCO's Case-in-
13 Chief and Rebuttal position include (1) the settlement return on equity
14 percentage of 9.975% which is a reduction compared to the return on
15 equity of 10.75% filed in NIPSCO's Case-in-Chief and Rebuttal position,
16 and (2) the inclusion of the Prepaid Asset as a zero-cost balance (as
17 mentioned above). These changes produce an overall weighted average
18 cost of capital of 6.74%. These changes in conjunction with the


1 reclassification of the Prepaid Pension Asset results in a decrease to Net
2 Operating Income in the amount of \$15,953,931 in comparison to
3 NIPSCO's Rebuttal position.

4 **Q25. Does this conclude your prefiled settlement testimony?**

5 A25. Yes.

VERIFICATION

I, Derric J. Isensee, Executive Director of Rates and Regulatory Finance of Northern Indiana Public Service Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Derric J. Isensee

Date: March 4, 2016

Northern Indiana Public Service Company
Statement of Operating Income
Actual, Pro forma and Proposed
For the Twelve Month Period Ending March 31, 2015

Line No.	Description	Actual	Pro forma Adjustments Increases (Decreases)	Ref.	Pro forma Results Based on Current Rates	Pro forma Adjustments Increases (Decreases)	Ref.	Pro forma Results Based on Proposed Rates
	A	B	C	D	E	F	G	H
1	<u>Operating Revenue</u>							
2	Revenue	1,621,539,756			\$ 1,609,246,699	72,500,000	PF - 1 - S	\$ 1,681,746,699
3	Abnormal Weather		13,028,512	REV - 1				
4	Interdepartmental Sales - LNG Liquefaction		(1,258,232)	REV - 2				
5	MISO Transmission Revenue		(6,330,976)	REV - 3				
6	EDR Rates		2,310,105	REV - 4				
7	Metering Billing Adjustment		2,191,471	REV - 5				
8	Large Industrial		(15,621,922)	REV - 6				
9	Customer Migration and Annualization		4,734,007	REV - 7				
10	Traffic and Directive Service Drops		180,106	REV - 8				
11	Multi-Value Project Revenue		(11,526,128)	REV - 9				
12	Total Operating Revenue	1,621,539,756	\$ (12,293,057)		\$ 1,609,246,699	\$ 72,500,000		\$ 1,681,746,699
13	<u>Fuel and Purchased Power</u>	558,959,309			\$ 556,368,462			\$ 556,368,462
14	Abnormal Weather		4,118,517	FP - 1				
15	Interdepartmental Sales - LNG Liquefaction - Fuel		(445,669)	FP - 2				
16	Large Industrial		(8,713,009)	FP - 3				
17	Customer Migration and Annualization		1,944,674	FP - 4				
18	Capacity Purchases and Credits		504,640	FP - 5				
19	Total Fuel and Purchased Power	558,959,309	\$ (2,590,847)		\$ 556,368,462	\$ -		\$ 556,368,462
20	Gross Margin	1,062,580,447	\$ (9,702,210)		\$ 1,052,878,237	\$ 72,500,000		\$ 1,125,378,237
21	<u>Operations and Maintenance Expenses</u>	491,576,710			\$ 503,485,699	207,031	PF - 2 - S	\$ 503,692,730
22	MISO Transmission Revenue & Cost Adjustment		(6,330,976)	OM - 1				
23	Rider Reset - EERM & FMCA		6,408,636	OM - 2				
24	Environmental Normalization and Annualization		9,492,866	OM - 3				
25	Vegetation Management		3,179,145	OM - 4				
26	Line Locates		151,103	OM - 5				
27	Wage Increase		5,852,824	OM - 6 - R				
28	Pension		6,660,123	OM - 7 - R				
29	OPEB		(940,109)	OM - 8 - R				
30	Medical Insurance		677,311	OM - 9 - R				
31	BU Signing Bonus/Work Continuity		(2,221,582)	OM - 10				
32	Incentive Compensation		(2,798,207)	OM - 11				
33	Corporate Service Fees - NCSC		(5,162,189)	OM - 12 - R				
34	Environmental Expense Adjustment		(2,721,118)	OM - 13				

Northern Indiana Public Service Company
Statement of Operating Income
Actual, Pro forma and Proposed
For the Twelve Month Period Ending March 31, 2015

Line No.	Description	Actual	Pro forma Adjustments Increases (Decreases)	Ref.	Pro forma Results Based on Current Rates	Pro forma Adjustments Increases (Decreases)	Ref.	Pro forma Results Based on Proposed Rates
35	Advertising		(172,805)	OM - 14				
36	Selected Payments		(430,181)	OM - 15				
37	Institutional Goodwill Advertising		(42,557)	OM - 16				
38	Lobbying / EEI		(271,674)	OM - 17				
39	Prior Period Adjustment		751,966	OM - 18				
40	Critical Infrastructure Protection Expense Annualization		433,604	OM - 19 - R				
41	Misc. One-time Item		(607,191)	OM - 20 - R				
42	Total Operations and Maintenance	491,576,710	\$ 11,908,989		\$ 503,485,699	\$ 207,031		\$ 503,692,730
43	Depreciation Expense	204,808,997			\$ 212,266,317			\$ 212,266,317
44	Depreciation Expense - New Rates		7,457,320	DA - 1 - S				
45	Total Depreciation Expense	204,808,997	\$ 7,457,320		\$ 212,266,317	\$ -		\$ 212,266,317
46	Amortization Expense	31,962,597			\$ 15,362,286			\$ 15,362,286
47	MISO expenses Cause No. 43969 Removal		(9,608,159)	DA - 2				
48	Rate Case expenses Cause No. 43969 Removal		(577,621)	DA - 3				
49	Rate Case expenses		320,577	DA - 4 - S				
50	Unit 18 Def Depr & Carrying Chg Removal		(1,515,862)	DA - 5				
51	Sugar Creek Stub Amortization		(13,465,353)	DA - 6 - S				
52	Sugar Creek Amortization Reset		1,984,232	DA - 7 - S				
53	Sugar Creek Acquisition Adjustment Reclassification		2,538,958	DA - 8				
54	Intangible Assets		2,914,075	DA - 9				
55	Electric Vehicle		221,380	DA - 10 - R				
56	Federally Mandated Charges - Electric		42,888	DA - 11 - S				
57	Transmission & Distribution Costs		506,229	DA - 12 - S				
58	Mercury and Air Toxics Standards		38,345	DA - 13 - S				
59	Total Amortization Expense	31,962,597	\$ (16,600,311)		\$ 15,362,286	\$ -		\$ 15,362,286
60	Taxes							
61	Taxes Other than Income	61,282,300			\$ 66,280,927			\$ 66,280,927
62	Real Estate Taxes		3,394,633	OTX - 1				
63	Payroll Tax		233,876	OTX - 2 - R				
64	Indiana Utility Receipts Tax		1,461,872	OTX - 3		1,015,000	PF - 3 - S	\$ 1,015,000
65	Public Utility Fee		(91,754)	OTX - 4 - R		78,141	PF - 4 - S	\$ 78,141
66	Total Taxes Other Than Income	61,282,300	\$ 4,998,627		\$ 66,280,927	\$ 1,093,141		\$ 67,374,068
67	Operating Income Before Income Taxes	272,949,843	\$ (17,466,835)		255,483,008	\$ 71,199,828		\$ 326,682,836
68	Income Taxes							
69	Federal and State Taxes	83,093,556	\$ (7,599,503)	ITX - 1 - S	\$ 75,494,053	\$ 27,971,016	PF - 5 - S	\$ 103,465,069
70	Total Taxes	144,375,856	\$ (2,600,876)		\$ 141,774,980	\$ 29,064,157		\$ 170,839,137
71	Total Operating Expenses including Income Taxes	872,724,160	\$ 165,122		\$ 872,889,282	\$ 29,271,188		\$ 902,160,470
72	Settlement Adjustment		\$ 6,094,203	S - 1	\$ 6,094,203			\$ 6,094,203
73	Required Net Operating Income	189,856,287	\$ (15,961,535)		\$ 173,894,752	\$ 43,228,812		\$ 217,123,565

Northern Indiana Public Service Company
Calculation of Proposed Revenue Increase
Based on Pro forma Operating Results
Original Cost Rate Base Estimated at March 31, 2015

Line No.	Description	Revenue	Deficiency
1	Net Original Cost Rate Base	\$ 3,221,417,882	
2	Rate of Return		<u>6.74%</u>
3	Net Operating Income	217,123,565	
4	Pro forma Net Operating Income		<u>173,894,753</u>
5	Increase in Net Operating Income (NOI Shortfall)		43,228,812
6	Effective Incremental Revenue / NOI Conversion Factor		<u>59.626%</u>
7	Increase in Revenue Requirement (Based on Net Original Cost Rate Base) (Line 5 / Line 6)		<u>\$ 72,500,000</u>
8	One	1.000000	
9	Less: Public Utility Fee	0.001078	
10	Less: Bad Debt	<u>0.002856</u>	
11	State Taxable Income		0.996066
12	One	1.000000	
13	Less: IN Utilities Receipts Tax	<u>0.014000</u>	
14	Taxable Adjusted Gross Income Tax	0.996066	
15	Adjusted Gross Income Tax Rate	<u>0.065000</u>	
16	Adjusted Gross Income Tax		<u>0.064744</u>
17	Line 11 less line 13 less line 16		0.917322
18	One	1.000000	
19	Less: Federal Income Tax Rate	<u>0.350000</u>	
20	One Less Federal Income Tax Rate		<u>0.650000</u>
21	Effective Incremental Revenue / NOI Conversion Factor		<u>59.626%</u>

Northern Indiana Public Service Company
Actual, Pro forma, Jurisdictional, As Updated
Twelve Months Ended June 30, 2015

Line No.	Description	TYE March 31, 2015 Actual	Activity	June 30, 2015 Actual	Pro forma Adjustments	Pro forma June 30, 2015
	A	B	C	D	E	F
1	RATE BASE					
2	Utility Plant	\$ 6,814,355,379	\$ 47,239,242	\$ 6,861,594,621	\$ -	\$ 6,861,594,621
3	Common Allocated	<u>295,722,730</u>	<u>2,348,701</u>	<u>298,071,431</u>	-	<u>298,071,431</u>
4	Total Utility Plant	7,110,078,109	49,587,943	7,159,666,052	-	7,159,666,052
5	Accumulated Depreciation and Amortization	(3,888,431,401)	(38,263,400)	(3,926,694,801)	-	(3,926,694,801)
6	Common Allocated	<u>(172,934,946)</u>	<u>(8,768,955)</u>	<u>(181,703,901)</u>	-	<u>(181,703,901)</u>
7	Total Accumulated Depreciation and Amortization	<u>(4,061,366,347)</u>	<u>(47,032,355)</u>	<u>(4,108,398,702)</u>	-	<u>(4,108,398,702)</u>
8	Net Utility Plant	3,048,711,762	2,555,588	3,051,267,350	-	3,051,267,350
9	Prepaid Pension Asset	217,604,554	(1,301,264)	216,303,291	(216,303,291) S-2	-
10	Federally Mandated Cost Adjustment Charges	207,989	92,224	300,213	-	300,213
11	Transmission & Distribution Costs	-	-	-	3,543,604 RB-1	3,543,604
12	Mercury and Air Toxics Standards	283,663	60,023	343,686	(75,270) RB-2-R	268,416
13	Materials & Supplies	68,684,461	906,454	69,590,915	-	69,590,915
14	Production Fuel	<u>75,495,173</u>	<u>20,952,211</u>	<u>96,447,384</u>	-	<u>96,447,384</u>
15	Total Rate Base	<u>\$ 3,410,987,602</u>	<u>\$ 23,265,236</u>	<u>\$ 3,434,252,839</u>	<u>\$ (212,834,957)</u>	<u>\$ 3,221,417,882</u>
16	REQUIRED NET OPERATING INCOME					
17	Total Rate Base					\$ 3,221,417,882
18	Rate of Return					<u>6.74%</u>
19	Required Net Operating Income					<u>\$ 217,123,565</u>

Northern Indiana Public Service Company
June 30, 2015 As Adjusted
Capital Structure

Line No.	Description	Total Company Capitalization	Percent of Total	Cost	Weighted Average Cost
	A	B	C	D	E
1	Common Equity	2,081,460,565	47.42%	9.9750%	4.73%
2	Long-Term Debt	1,480,040,168	33.72%	5.71%	1.93%
3	Customer Deposits	69,822,763	1.59%	4.58%	0.07%
4	Deferred Income Taxes	838,663,390	19.12%	0.00%	0.00%
5	Post-Retirement Liability	131,331,910	2.99%	0.00%	0.00%
6	Prepaid Pension Asset	(216,303,291) S-2	-4.93%	0.00%	0.00%
7	Post-1970 ITC	<u>4,091,382</u>	<u>0.09%</u>	8.20%	<u>0.01%</u>
8	Totals	<u>4,389,106,887</u>	<u>100.00%</u>		<u>6.74%</u>

Cost of Investor Supplied Capital

	Description	Total Company Capitalization	Percent of Total	Cost	Weighted Average Cost
	A	B	C	D	E
9	Common Equity	\$ 2,081,460,565	58.44%	9.9750%	5.83%
10	Long-Term Debt	<u>\$ 1,480,040,168</u>	<u>41.56%</u>	5.71%	<u>2.37%</u>
11	Totals	<u>\$ 3,561,500,733</u>	<u>100.00%</u>		<u>8.20%</u>

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
For the Twelve Month Period Ending March 31, 2015**

This pro forma adjustment increases twelve months ended March 31, 2015 test year depreciation expense to reflect the amount calculated using new settlement depreciation rates.

Line No.	Description	DA-1-S Amount
	A	B
1	Settlement Depreciation Expense (Electric)	\$ 207,486,712
2	Settlement Depreciation Expense (Common)	<u>4,779,605</u>
3	Total Depreciation - New Settlement Depreciation Rates	\$ 212,266,317
4	Twelve Months Ended March 31, 2015 Actual Depreciation Expense	<u>204,808,997</u>
5	Increase in Pro forma Test Year Depreciation and Amortization Expense	<u>\$ 7,457,320</u>

Northern Indiana Public Service Company

Calculation of Pro Forma Depreciation Expense - Electric Plant
As of June 30, 2015 (excludes Sugar Creek Plant Acquisition and MVP)

Line No.	A/C	Description	Plant In Service A/C 101 & 106	D&A Rates per Study (Feb 2016)	Gross Plant Depreciation Adjustment	Reserve Depreciation Adjustment	Gross Plant Depreciation Adjustment
	A	B	C	D	E =CxD	F	G =E+F
1		INTANGIBLE PLANT					
2	300		-	0.00%	-	-	-
3	301	ORGANIZATION	-	0.00%	-	-	-
4	302	FRANCHISES & CONSENTS	1,389.41	0.00%	-	-	-
5	303	MISC INTANGIBLE PLANT	<u>44,598,123.42</u>	0.00%	-	-	-
6		TOTAL INTANG PLANT	<u>44,599,512.83</u>		-	-	-
7		STEAM PRODUCTION PLANT					
8	310.1	LAND AND LAND RIGHTS	5,269,470.13	0.00%	-	-	-
9	311	STRUCTS & IMPRVMENTS	680,240,519.87	2.61%	17,754,277.57	-	17,754,277.57
10	312.1	BOILER PLANT EQP	1,756,755,216.59	3.86%	67,810,751.36	-	67,810,751.36
11	312.2	MOBILE FUEL HDLG/STRG	25,144,156.87	3.28%	824,728.35	-	824,728.35
12	312.3	UNIT TRAIN COAL CARS	4,052,863.59	4.60%	186,431.73	-	186,431.73
13	312.4	S02 PLANT EQP	372,459,190.58	5.49%	20,448,009.56	-	20,448,009.56
14	312.5	COAL PILE BASE	5,843,929.91	0.66%	38,569.94	-	38,569.94
15	313	ENGS & ENG-DRVN GENS	-	0.00%	-	-	-
16	314	TURBOGENERATOR UNITS	569,603,559.11	2.93%	16,689,384.28	-	16,689,384.28
17	315	ACCESSORY ELECTRIC EQP	331,782,524.57	2.78%	9,223,554.18	-	9,223,554.18
18	316	MISC PWR PLNT EQP	<u>49,247,681.86</u>	2.84%	<u>1,398,634.16</u>	-	<u>1,398,634.16</u>
19		TOTAL STEAM PROD PLANT	<u>3,800,399,113.08</u>		<u>134,374,341.13</u>	-	<u>134,374,341.13</u>
20		NUCLEAR PROD PLANT					
21	321	STRUCTS & IMPRVMENTS	-	0.00%	-	-	-
22		TOTAL NUC PROD PLANT	-		-	-	-
23		HYDRO PROD PLANT					
24	330.1	LAND AND LAND RIGHTS	23,137.24	0.00%	-	-	-
25	331	STRUCTS & IMPRVMENTS	3,656,748.69	3.14%	114,821.91	-	114,821.91
26	332	RESIVRS, DAMS, WTR WAYS	18,145,672.79	4.12%	747,601.72	-	747,601.72
27	333	WTR WHLS, TURBNS, GENS	7,376,808.39	2.89%	213,189.76	-	213,189.76
28	334	ACCESSORY ELECTRIC EQP	2,313,856.71	3.56%	82,373.30	-	82,373.30
29	335	MISC PWR PLNT EQP	766,968.77	5.04%	38,655.23	-	38,655.23
30	336	ROADS, RRS, AND BRIDGES	-	0.00%	-	-	-
31		TOTAL HYDRO PROD PLNT	<u>32,283,192.59</u>		<u>1,196,641.92</u>	-	<u>1,196,641.92</u>
32		OTH PROD PLANT					
33	340.2	LAND AND LAND RIGHTS	995,407.97	0.00%	-	-	-
34	341	STRUCTS & IMPRVMENTS	16,998,971.83	2.15%	365,477.89	-	365,477.89
35	342	FL HLDRS, PRDCTS, & ACS	13,702,252.00	0.45%	61,660.13	-	61,660.13
36	343	PRIME MOVERS	84,671,630.87	2.33%	1,972,849.00	-	1,972,849.00
37	344	GENERATORS	50,413,176.00	3.15%	1,588,015.04	-	1,588,015.04
38	345	ACCSRY ELECT EQP	43,709,996.45	3.26%	1,424,945.88	-	1,424,945.88
39	346	MISC PWR PLNT EQP	<u>6,485,025.82</u>	2.82%	<u>182,877.73</u>	-	<u>182,877.73</u>
40		TOT OTH PROD PLANT	<u>216,976,460.94</u>		<u>5,595,825.68</u>	-	<u>5,595,825.68</u>
41		TOTAL PROD PLANT	<u>4,049,658,766.61</u>		<u>141,166,808.73</u>	-	<u>141,166,808.73</u>
42		TRANSMISSION PLANT					
43	350.1	LAND	17,526,542.59	0.00%	-	-	-
44	350.2	LAND RIGHTS	12,603,509.63	0.88%	110,910.88	-	110,910.88
45	352	STRUCTS & IMPRVMENTS	17,597,447.11	2.23%	392,423.07	-	392,423.07
46	353	STATION EQP	473,594,951.91	2.59%	12,266,109.25	-	12,266,109.25
47	354	TOWERS AND FIXTURES	87,902,794.59	0.52%	457,094.53	-	457,094.53
48	355	POLES AND FIXTURES	152,388,627.39	2.81%	4,282,120.43	-	4,282,120.43
49	356	OVHD CNDCTRS AND DEV	145,625,670.27	1.56%	2,271,760.46	-	2,271,760.46
50	357	UDGRND CONDUIT	403,606.47	2.27%	9,161.87	-	9,161.87
51	358	UDGRND CNDCTRS & DEV	2,514,361.60	3.20%	80,459.57	-	80,459.57
52	359	ROADS AND TRAILS	<u>70,027.38</u>	0.65%	<u>455.18</u>	-	<u>455.18</u>
53		TOTAL TRANSM PLANT	<u>910,227,538.94</u>		<u>19,870,495.24</u>	-	<u>19,870,495.24</u>

Northern Indiana Public Service Company
Calculation of Pro Forma Depreciation Expense - Electric Plant
As of June 30, 2015 (excludes Sugar Creek Plant Acquisition and MVP)

Line No.	A/C	Description	Plant In Service A/C 101 & 106	D&A Rates per Study (Feb 2016)	Gross Plant Depreciation Adjustment	Reserve Depreciation Adjustment	Gross Plant Depreciation Adjustment
	A	B	C	D	E =CxD	F	G =E+F
54		DISTRIBUTION PLANT					
55	360.1	LAND	3,059,273.71	0.00%	-	-	-
56	360.2	LAND RIGHTS	704,723.73	1.17%	8,245.27	-	8,245.27
57	361	STRUCTS & IMPRVMENTS	12,586,552.19	1.86%	234,109.87	-	234,109.87
58	362	STATION EQP	248,388,076.50	2.41%	5,986,152.64	-	5,986,152.64
59	363	STORAGE BATTERY EQP	-	0.00%	-	-	-
60	364.1	CUSTOMER TRANSFORMERS STATIO	43,234,654.47	3.64%	1,573,741.42	-	1,573,741.42
	364.2	POLES, TWRS, AND FXTRS	308,648,275.76	4.29%	13,241,011.03	-	13,241,011.03
61	365	OVHD CNDCTRS AND DEV	211,539,567.95	2.35%	4,971,179.85	-	4,971,179.85
62	366	UGRND CONDUIT	4,163,660.98	1.36%	56,625.79	-	56,625.79
63	367	UGRND CNDCTRS & DEV	281,849,618.62	2.51%	7,074,425.43	-	7,074,425.43
64	368	LINE TRANSFORMERS	247,645,182.81	1.70%	4,209,968.11	-	4,209,968.11
65	369.1	OVHD SERVICES	40,404,305.53	0.26%	105,051.19	-	105,051.19
	369.2	UGRND SERVICES	165,575,840.39	0.77%	1,274,933.97	-	1,274,933.97
66	370.1	CUSTOMER METERING STATIONS	16,779,582.47	2.20%	369,150.81	-	369,150.81
	370.2	METERS	64,294,034.71	8.62%	5,542,145.79	-	5,542,145.79
67	371	INSTLTLS ON CUST PREM	7,801,210.97	5.18%	404,102.73	-	404,102.73
68	372	LSD PROP ON CUST PREM	-	0.00%	-	-	-
69	373	STRT LGHTS & SGNL SYS	42,077,601.67	3.55%	1,493,754.86	-	1,493,754.86
70		TOTAL DISTRIB PLANT	1,698,752,162.46		46,544,598.77	-	46,544,598.77
71		GENERAL PLANT					
72	389.1	LAND	95,890.51	0.00%	-	-	-
	389.2	LAND RIGHTS	106,838.36	0.00%	-	-	-
73	390	STRUCTS & IMPRVMENTS	16,659,402.18	2.05%	341,517.74	-	341,517.74
	39020	LAND RIGHTS ELECTRIC	90,581.00	0.00%	-	-	-
74	391.1	OFC FURN & EQP	7,892,793.30	4.31%	340,179.39	-	340,179.39
	391.2	CMPTERS AND PERIPHRAL EQP	51,247,276.88	1.30%	666,214.60	(3,600,000.00)	(2,933,785.40)
75	392.1	AUTOS	23,005.19	0.00%	-	-	-
	392.2	TRAILERS	1,763,598.96	0.00%	-	-	-
	392.3	TRUCKS	1,970,014.46	0.00%	-	-	-
	392.4	TRUCKS	756,375.42	0.00%	-	-	-
76	393	STORES EQUIPMENT	2,131,031.57	2.91%	62,013.02	-	62,013.02
77	394	TOOLS, SHP, & GRG EQP	22,689,228.13	2.94%	667,063.31	-	667,063.31
78	395	LAB EQUIPMENT	18,505,237.69	2.02%	373,805.80	-	373,805.80
79	396	PWR OPERATED EQP	13,047,594.36	0.00%	-	-	-
80	397	COMMUNICATION EQUIP	18,748,521.54	4.88%	914,927.85	-	914,927.85
81	398	MISC EQP	2,629,250.20	5.29%	139,087.34	-	139,087.34
82		TOTAL GENERAL PLANT	158,356,639.75		3,504,809.05	(3,600,000.00)	(95,190.95)
		OTHER					
	403.22	OTHER	-		-	-	-
	403DEF-8SC	DEFERRED-SUGAR CREEK	-		-	-	-
	403.EERM	EERM	-		-	-	-
	403FMCA	FMCA	-		-	-	-
	403.2006ADJ	2006 ADJUSTMENT	-		-	-	-
83	143		-	0.00%	-	-	-
84	SUSP	SUSPENSE	-	0.00%	-	-	-
85	ADJ	ADJUSTMENT	-	0.00%	-	-	-
86		TOTAL PLANT IN SERVICE	6,861,594,620.59		211,086,711.79	(3,600,000.00)	207,486,711.79

Northern Indiana Public Service Company
Calculation of Pro Forma Depreciation and Amortization Expense - Common Plant
As of June 30, 2015

Line No.	A/C	Description	Plant In Service A/C 101 & 106	D&A Rates per Study (July 2015)	Pro Forma D&A Expense
	A	B	C	D	E =CxD
1		INTANGIBLE PLANT			
2	301	ORGANIZATION	\$ 101,376	0.00%	\$ -
3	303	MISC INTANGIBLE PLANT	137,495,528	0.00%	-
4		TOT INTANGIBLE PLANT	\$ 137,596,904		\$ -
5		GENERAL PLANT			
6	389	LAND AND LAND RGHTS	\$ 6,694,738	0.00%	\$ -
7	390	STRUCTURES & IMPROV	66,830,805	0	2,111,853
8	391	OFFICE FURNITURE & EQP	31,346,755	2.73%	855,766
9	392	AUTOS	3,564,926	0.00%	-
10	393	STORES EQUIPMENT	3,482,013	4.28%	149,030
11	394	TOOLS / GARAGE EQUIP	8,964,239	0	207,970
12	395	LABORATORY EQUIPMENT	2,188,271	6.71%	146,833
13	396	POWER OPERATED EQUIP	2,321,633	0.00%	-
14	397	COMMUNICATION EQUIP	33,444,020	3.70%	1,237,429
15	398	MISC. EQUIPMENT	1,637,129	4.32%	70,724
16		TOTAL GENERAL PLANT	\$ 160,474,529		\$ 4,779,605
17	ADJ	Adjustment	\$ -	0.00%	\$ -
18		TOTAL PLANT IN SERVICE	\$ 298,071,433		\$ 4,779,605

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
Twelve Months Ended March, 31 2015**

This pro forma adjustment increases the twelve months ended March 31, 2015 test year amortization expense for current electric rate case costs amortized over a seven year period.

Line No.	Description	DA-4-S Amount
	A	B
1	Pro forma 2015 electric rate case expenses	\$ 2,244,038
2	Electric rate case expenses pro forma amortization period (years)	<u>7</u>
3	Increase in Pro forma Test Year Depreciation and Amortization Expense	<u>\$ 320,577</u>

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
Twelve Months Ended March 31, 2015**

This pro forma adjustment decreases twelve months ended March 31, 2015 test year amortization expense to amortize the remaining August 1, 2016 Sugar Creek deferred depreciation and carrying charges over a seven year period.

Line No.	Description	DA-6-S Amount
	A	B
1	Twelve months ended March 31, 2015 Sugar Creek amortization expense	\$ 14,317,590
2	Pro forma Sugar Creek Amortization	
3	Sugar Creek amortization account balance at August 1, 2016	\$ 5,965,662
4	Sugar Creek pro forma amortization period (years)	<u>7</u>
5	Pro forma Sugar Creek Amortization	\$ 852,237
6	Decrease in Pro forma Test Year Depreciation and Amortization Expense	<u>\$ (13,465,353)</u>

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
For the Twelve Month Period Ending March 31, 2015**

This pro forma adjustment increases twelve months ended March 31, 2015 test year amortization expense to include the annual amortization of Sugar Creek depreciation and carrying costs that were deferred from July 1, 2011 through December 31, 2011 per Order 43969.

Line No.	Description	DA-7-S Amount
	A	B
1	Deferred Sugar Creek depreciation and carrying costs per Order 43969	\$ 13,889,627
2	Sugar Creek deferred cost amortization period (years)	<u>7</u>
3	Increase in Pro forma Test Year Depreciation and Amortization Expense	<u><u>\$ 1,984,232</u></u>

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
For the Twelve Month Period Ending March 31, 2015**

This pro forma adjustment increases twelve months ended March 31, 2015 test year amortization expense to include the annual amortization of the Federally Mandated Cost Adjustment (FMCA) that were deferred in account 182 as of June 30, 2015.

Line No.	Description	DA-11-S Amount
	A	B
1	Deferred Federally Mandated Cost Adjustment as of June 30, 2015 per Order 44340	\$ 300,213
2	FMCA deferred costs amortization period (years)	<u>7</u>
3	Increase in Pro forma Test Year Depreciation and Amortization Expense	<u>\$ 42,888</u>

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
For the Twelve Month Period Ending March 31, 2015**

This pro forma adjustment increases twelve months ended March 31, 2015 test year amortization expense to include the annual amortization of the transmission and distribution costs (T&D Costs) pro forma regulatory asset which is included in the proposed rate base as of June 30, 2015.

Line No.	Description	DA-12-S Amount
	A	B
1	T&D Costs incurred through June 30, 2015	\$ 3,543,604
2	T&D Costs amortization period (years)	<u>7</u>
3	Increase in Pro forma Test Year Depreciation and Amortization Expense	<u>\$ 506,229</u>

**Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
For the Twelve Month Period Ending March 31, 2015**

This pro forma adjustment increases twelve months ended March 31, 2015 test year amortization expense to include the annual amortization of the Mercury and Air Toxics Standards (MATS) costs that were deferred in account 182 as of June 30, 2015.

Line No.	Description A	DA-13-S Amount B
1	Deferred MATS costs as of June 30, 2015 per Order 44311	\$ 268,416
2	MATS deferred cost amortization period (years)	<u>7</u>
3	Increase in Pro forma Test Year Depreciation and Amortization Expense	<u><u>\$ 38,345</u></u>

Northern Indiana Public Service Company
Pro forma Adjustment to Income Taxes
For the Twelve Month Period Ending March 31, 2015

This pro forma adjustment decreases twelve months ended March 31, 2015 test year income taxes to adjust for the pro forma level of pre-tax income.

<u>Line No.</u>	<u>Description</u>	<u>ITX-1-S Amount</u>
	A	B
1	Decrease in Pro forma Test Year Income Taxes	<u>\$ (7,599,503)</u>

Northern Indiana Public Service Company
Pro forma Adjustment to Depreciation and Amortization Expense
For the Twelve Month Period Ending March 31, 2015

This pro forma adjustment decreases twelve months ended March 31, 2015 test year net operating income to arrive at a total revenue requirement of \$1,681,746,699 as agreed upon by the Settling Parties.

<u>Line No.</u>	<u>Description</u>	<u>S-1 Amount</u>
	A	B
1	Settlement Adjustment	<u>\$ 6,094,203</u>

Northern Indiana Public Service Company
Pro forma Adjustment Based on Proposed Rates
For the Twelve Month Period Ending March 31, 2015

This proposed rates adjustment increases twelve months ended March 31, 2015 test year revenue requirement based on a rate of return on the net original cost rate base.

Line No.	Description	PF-1-S Amount
	A	B
1	Actual Net Operating Income	\$ 173,894,753
2	Required Net Operating Income	\$ <u>217,123,565</u>
3	Surplus (Deficit)	\$ (43,228,812)
4	Tax Gross-Up Rate	<u>1.677122191</u>
5	Increase in Pro forma Test Year Revenue Requirement Based on Proposed Rates	<u>\$ 72,500,000</u>

Northern Indiana Public Service Company
Pro forma Adjustment Based on Proposed Rates
For the Twelve Month Period Ending March 31, 2015

This proposed rates adjustment increases twelve months ended March 31, 2015 test year O&M expense to reflect the level of uncollectible accounts based on the proposed revenue requirement.

Line No.	Description A	PF-2-S Amount B
1	Revenue Requirement Deficiency	\$ 72,500,000
2	Uncollectible Accounts Rate	<u>0.285560%</u>
3	Increase in Pro forma Test Year O&M Expense Based on Proposed Rates	<u>\$ 207,031</u>

**Northern Indiana Public Service Company
Pro forma Adjustment Based on Proposed Rates
For the Twelve Month Period Ending March 31, 2015**

This proposed rates adjustment increases twelve months ended March 31, 2015 test year taxes other than income to reflect the Indiana utility receipts tax associated with the proposed revenue requirement.

Line No.	Description A	PF-3-S Amount B
1	Revenue Requirement Deficiency	\$ 72,500,000
2	IURT Rate	<u>1.40%</u>
3	Increase in Pro forma Test Year Taxes Other Than Income Based on Proposed Rates	<u><u>\$ 1,015,000</u></u>

**Northern Indiana Public Service Company
Pro forma Adjustment Based on Proposed Rates
For the Twelve Month Period Ending March 31, 2015**

This proposed rates adjustment increases twelve months ended March 31, 2015 test year taxes other than income to reflect the public utility fees associated with the proposed revenue requirement.

Line No.	Description	PF-4-S Amount
	A	B
1	Revenue Requirement Deficiency	\$ 72,500,000
2	Public Utility Fee Rate	<u>0.1077802%</u>
3	Increase in Pro forma Test Year Taxes Other Than Income Based on Proposed Rates	<u>\$ 78,141</u>

**Northern Indiana Public Service Company
Pro forma Adjustment Based on Proposed Rates
For the Twelve Month Period Ending March 31, 2015**

This proposed rates adjustment increases twelve months ended March 31, 2015 test year income taxes to reflect the federal and state income taxes applied to the proposed revenue requirement.

Line No.	Description	PF-5-S Amount
	A	B
1	Revenue Requirement Deficiency	\$ 72,500,000
2	Effective Federal Tax Rate	32.10627951%
3	Effective State Tax Rate	<u>6.4744329%</u>
4	Increase in Pro forma Test Year Income Taxes Based on Proposed Rates	<u>\$ 27,971,016</u>