STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED 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**

UNITED STATES STEEL CORPORATION'S SUBMISSION OF VERIFIED PRE-FILED TESTIMONY IN SUPPORT OF SETTLEMENT AGREEMENT

Intervenor, United States Steel Corporation, by counsel, hereby submits the verified, pre-filed testimony of Joseph A. Mancinelli in support of the Settlement Agreement.

Respectfully submitted,

/s/ Nikki G. Shoultz

Nikki G. Shoultz, #16509-41
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
(317) 684-5000 (office)
(317) 223-0242 (facsimile)
nshoultz@boselaw.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing United States Steel Corporation's Verified Pre-Filed Testimony in Support of Settlement Agreement has been served upon the following counsel of record electronically or via regular mail this 4th day of March, 2016:

Claudia J. Earls
NiSource Corporate Services - Legal
150 W. Market St., Ste. 600
Indianapolis, IN 46204
cjearls@nisource.com

Frank A. Shambo
Timothy R. Caister
Northern Indiana Public Service Co.
150 W. Market Street, Suite 600
Indianapolis, IN 46204
fshamb@nisource.com
tcaister@nisource.com

Kay E. Pashos
Michael B. Cracraft
Philip B. McKiernan
Ice Miller, LLP
One American Square, Suite 2900
Indianapolis, IN 46282
Kay.pashos@icemiller.com
Michael.cracraft@icemiller.com
Philip.mckiernan@icemiller.com

A. David Stippler
Scott Franson
Office of Utility Consumer Counselor
115 W. Washington St., Ste. 1500S
Indianapolis, IN 46204
dstippler@oucc.in.gov
sfranson@oucc.in.gov
infomgt@oucc.in.gov

Robert M. Glennon
Robert Glennon & Assoc., P.C.
3697 N. Co. Rd. 400 E.
Danville, IN 46122
glennon@iquest.net

Jennifer W. Terry
Bette J. Dodd
Todd A. Richardson
Tabitha L. Balzer
Anne E. Becker
Timothy L. Stewart
Amanda Tyler
Lewis & Kappes, P.C.
One American Square, Ste. 2500
Indianapolis, IN 46282
jterry@lewis-kappes.com
bdodd@lewis-kappes.com
trichardson@lewis-kappes.com
tbalzer@lewis-kappes.com
abecker@lewis-kappes.com
tstewart@lewis-kappes.com
atyler@lewis-kappes.com

James Brew
Stone, Mattheis, Xenopoulos and Brew
1025 Thomas Jefferson Street, NW
8th Floor, West Tower
Washington, D.C. 20007
jbrew@smxblaw.com

Jennifer Washburn
Citizens Action Coalition of Indiana, Inc.
603 E. Washington Street, Suite 502
Indianapolis, Indiana 46204
jwashburn@citact.org

Antonia Domingo
United Steelworkers
60 Boulevard of the Allies, 8th Floor
Pittsburgh, PA 15208
adomingo@usw.org

Eric E. Kinder
SPILMAN THOMAS & BATTLE, PLLC
300 Kanawha Boulevard, East
P.O. Box 273
Charleston, WV 25321
ekinder@spilmanlaw.com

Carrie M. Harris
SPILMAN THOMAS & BATTLE, PLLC
310 First Street, Suite 1100
P.O. Box 90
Roanoke, VA 24002-0090
charris@spilmanlaw.com

Barry A. Naum
SPILMAN THOMAS & BATTLE, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
bnaum@spilmanlaw.com

Keith Beall
Beall & Beall
13238 Snow Owl Dr., Ste. A
Carmel, IN 46033
kbeall@indy.rr.com

Shaw R. Friedman
FRIEDMAN & ASSOCIATES, P.C.
705 Lincolnway
LaPorte, IN 46350
sfriedman.associates@verizon.net

Bradley Klein
Robert Kelter
ENVIRONMENTAL LAW & POLICY CENTER
35 E. Wacker Drive, Suite 1600
Chicago, IL 60601
bklein@elpc.org
rkelter@elpc.org

/s/ Nikki G. Shoultz
Nikki G. Shoultz, #16509-41

2941709_1

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY ("NIPSCO") FOR AUTHORITY TO MODIFY ITS RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE AND FOR APPROVAL OF: (1)NEW SCHEDULES OF RATES AND 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 (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**

VERIFIED SETTLEMENT TESTIMONY OF JOSEPH A. MANCINELLI

SUBMITTED ON BEHALF OF UNITED STATES STEEL CORPORATION

MARCH 4, 2016

SETTLEMENT TESTIMONY OF
JOSEPH A. MANCINELLI

TABLE OF CONTENTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Joseph A. Mancinelli. I am the General Manager and Energy Practice President of NewGen Strategies and Solutions, LLC ("NewGen"). My business address is 225 Union Blvd, Suite 305, Lakewood, Colorado 80228.

Q. ARE YOU THE SAME JOSEPH A. MANCINELLI WHO PREVIOUSLY FILED SETTLEMENT TESTIMONY IN THIS PROCEEDING ON BEHALF OF UNITED STATES STEEL CORPORATION ("USS")?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to discuss certain elements of the Stipulation and Settlement Agreement ("Settlement Agreement") entered into as of February 19, 2016, as it relates to USS. The Settlement Agreement was entered into by NIPSCO, the Indiana Office of Utility Consumer Counselor ("OUCC"), the Indiana Municipal Utilities Group[1] ("IMUG"), the NIPSCO Industrial Group[2], NLMK Indiana, a division of NLMK USA ("NLMK"), United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union

---

[1] The IMUG includes the following municipal utilities: Dyer, East Chicago, Griffith, Highland, Munster, Schererville, Valparaiso, and Winfield.

[2] The NIPSCO Industrial Group includes Accurate Castings Inc, Arcelor Mittal USA, BP Products North America Inc, Cargill Inc, Praxair Inc, and USG Corporation.

("United Steelworkers" or "USW"), American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO") / Canadian Labour Congress ("CLC"), and USS ("Settling Parties").

It is my opinion that the settlement terms represent an equitable compromise among the parties in this proceeding. Further, the settlement terms are necessary for USS to remain a customer on the Northern Indiana Public Service Company ("NIPSCO" or "Company") system.

I will discuss the settlement process and key settlement terms pertaining to the total system revenue requirement, revenue requirement by class, rate design and the Transmission, Distribution and Storage System Improvement Charge ("TDSIC"). Finally, I will discuss the importance of the proposed rate implementation schedule to USS.

Q. WHICH NIPSCO RATE CLASSES SERVE USS?

A. USS is one of the largest customers on the NIPSCO system. USS is currently served under Rate Class 632 Industrial Power Service and Rate Class 633 High Load Factor Industrial Power Service. Approximately 86% of NIPSCO's USS load is under Rate Class 633.

Q. PLEASE EXPLAIN USS'S POSITION OR CONCERNS GOING INTO THIS CAUSE.

A. As stated in my direct testimony, the steel industry is struggling due to an oversupply of steel in the market, increasing environmental restrictions, and global competition. USS is very sensitive to NIPSCO's electricity prices and must lower its electricity costs in order to keep key manufacturing facilities operating. Previous attempts by USS to control and reduce electricity costs by agreeing to interrupt load under the terms of Interruptible Industrial Service Rider 675 were not successful, as USS was only allocated a very small portion of the available interruptible capacity at one of its plants. Lack of available interruptible capacity sufficient to meet USS's needs, combined with NIPSCO's filed rate increases in this Cause, have further aggravated a precarious economic situation for USS which would result in a significant portion of USS's load leaving the NIPSCO system.

Q. HOW DID YOUR DIRECT TESTIMONY ADDRESS THESE CONCERNS?

A. To understand the basis for NIPSCO's rate proposal as it related to Class 632/732 and Class 633/733, I examined cost of service and rate design assumptions and calculations performed by NIPSCO in support of the Company's original proposal. In my direct testimony, I identified cost of service and rate design issues that were important to USS and reflected sound cost allocation and rate design practice and principles. My recommendations represented cost-based solutions that would lower USS' overall electricity costs and retain them as a NIPSCO customer. One important recommendation was the expansion of available interruptible capacity in Interruptible Industrial Service Rider 675/775 by removing the current $38 million cap and increasing the capacity limit up to 600 megawatts ("MW"). I suggested that the additional capacity should be prioritized under a new Option E, so that large industrial loads demonstrating economic hardship may have access to this interruptible demand credit. From a resource planning perspective, the benefits of additional interruptible load is clearly stated in NIPSCO's most recently completed Integrated Resource Plan ("IRP"), the 2014 IRP. Compared to other peaking capacity options, interruptible capacity has a very high benefit to cost ratio, as calculated by NIPSCO in the IRP.

The Interruptible Industrial Service Rider enables large industrial customers to lower their electricity costs in exchange for interrupting their manufacturing processes and/or exposing themselves to market price risk. Expanding the Interruptible Industrial Service Rider lowers the system power supply costs and improves NIPSCO's ability to retain large, high load factor customers. As stated in my testimony, if USS left the NIPSCO system, a significant amount of fixed costs would have to be recovered by the remaining customers; so retaining large industrial loads keeps rates lower for all customers. Lower power supply costs and retention of large industrial loads represent a win-win for NIPSCO and all customers.

III. SETTLEMENT PROCESS

Q. PLEASE DESCRIBE THE SETTLEMENT PROCESS.

A. For USS, the settlement process included negotiations among the various Settling Parties, with both one-on-one and group discussions. The Settling Parties participated in face-to-face meetings, conference calls, and shared analyses. The Settling Parties recognized the uncertainty associated with litigation and understood that a well-reasoned compromise between the various positions would result in an acceptable outcome that avoided the uncertainty and expense of a fully litigated case. As a result, the Settling Parties successfully addressed and navigated very difficult issues and varying opinions. To satisfy the Settling Parties, multiple revenue requirement, cost of service, and rate design scenarios were developed and reviewed, with a great deal of information exchanged.

The Settling Parties agreed on a lower total revenue requirement, an associated revenue requirement per class, rate designs for each class and a proposed implementation schedule.

IV. SYSTEM REVENUE REQUIREMENT

Q. PLEASE DESCRIBE THE SETTLEMENT REVENUE REQUIREMENT.

A. NIPSCO requested more than a $126 million increase in the system revenue requirement in its October 2015 direct testimony. The settlement total system revenue requirement reflects an approximate $54.1 million reduction in the Company's request. The Settling Parties agreed to a revenue requirement increase of exactly $72.5 million, or 4.51%. Therefore, the total revenue requirement agreed to, prior to the application of surviving riders, is $1,681,746,698.

Q. WHAT WAS THE NATURE OF THE ADJUSTMENTS MADE TO THE REVENUE REQUIREMENT?

A. Specific revenue requirement adjustments reflect the direct testimony of other intervening party witnesses and include changes in amortization periods, depreciation rates, treatment of prepaid assets, and a lower return on rate base.

Q. IS THE RESULTING SYSTEM REVENUE REQUIREMENT REASONABLE?

A. Yes. Although I did not provide direct testimony on revenue requirement issues, based on my review of filed testimony and understanding of the issues, I conclude that the settlement revenue requirement addresses many of the concerns of the intervening parties, yet provides NIPSCO sufficient revenues to reliably operate the utility and earn a fair rate of return.

V. REVENUE REQUIREMENT BY CUSTOMER CLASS

Q. PLEASE DESCRIBE THE SETTLEMENT REVENUE REQUIREMENT TO EACH CUSTOMER CLASS.

A. The settlement revenue requirement allocated to each customer class was a product of negotiations that represented a reasonable compromise among the parties, giving consideration to very different views on the proper cost of service allocation methodologies. In recognition that one allocation method compared to another dramatically shifted costs among rate classes, the Settlement Agreement represents a reasonable balance among the different perspectives. The settlement yields results that do not unduly harm one rate class over another. The Settlement Agreement does not endorse one allocation method over another.

Q. IN CONSIDERATION OF THE REDUCTION IN THE SYSTEM REVENUE REQUIREMENT AND THE SETTLEMENT ALLOCATION METHODOLOGY, HOW DOES THE SETTLEMENT RESULT AFFECT EACH CUSTOMER CLASS?

A. Under the Settlement Agreement, compared to NIPSCO's filed direct testimony, nearly all rate classes are better off as shown in the following table.

Table 1
Comparison of Revenue Requirement per Class

Rate Class Name	Rate	Total Current Revenue	Filed Total Revenue Requirement (before Total Riders)	Filed Revenue Increase (%) (before Total Riders)	Proposed Settlement Total Revenue Requirement	Proposed Settlement Revenue Increase (%)
Residential	Rate 711	$435,441,814	$483,435,109	11.02%	$458,825,039	5.37%
C&GS Heat Pump	Rate 720	823,961	932,221	13.14%	908,664	10.28%
GS Small	Rate 721	206,181,254	220,812,559	7.10%	217,294,424	5.39%
Comml SH	Rate 722	1,262,706	1,354,147	7.24%	1,330,766	5.39%
GS Medium	Rate 723	165,675,901	178,837,120	7.94%	175,069,724	5.67%
GS Large	Rate 724	207,627,661	222,133,394	6.99%	218,818,792	5.39%
Metal Melting	Rate 725	6,337,704	6,812,014	7.48%	6,623,534	4.51%
Off-Peak Serv.	Rate 726	70,975,009	75,463,185	6.32%	74,786,367	5.37%
Ind. Pwr Serv.	Rate 732	166,871,060	173,925,655	4.23%	169,140,506	1.36%
HLF Ind Pwr Serv.	Rate 733	185,282,809	189,173,909	2.10%	188,729,070	1.86%
Air Separation	Rate 734	133,092,083	148,939,259	11.91%	136,765,425	2.76%
Muni. Power	Rate 741	3,142,639	3,467,177	10.33%	3,312,027	5.39%
Int WW Pumping	Rate 742	122,204	123,419	0.99%	123,743	1.26%
Railroad	Rate 744	2,036,480	2,190,972	7.59%	2,146,247	5.39%
Street Lighting	Rate 750	8,787,377	9,440,542	7.43%	9,338,346	6.27%
Traffic Lighting	Rate 755	905,809	942,641	4.07%	944,396	4.26%
Dusk-to-Dawn	Rate 760	2,259,376	2,471,816	9.40%	2,381,156	5.39%
Interdepartmental		$2,588,517	$5,546,844	114.29%	$5,421,131	109.43%
Total System		$1,609,246,698	$1,735,834,316	7.87%	$1,681,746,698	4.51%

Source: Provided by NIPSCO.

With respect to USS, the resulting rate increases to Class 632/732 and Class 633/733 of 1.36% and 1.86%, respectively, represent an improvement compared to NIPSCO's original revenue proposal. Rate increases at this level, combined with the availability of interruptible capacity requested under Rider 675/775, allow USS to effectively manage its electricity cost.

VI. RATE DESIGN

Q. HOW IS THE REVENUE INCREASE OF 1.36% FOR CLASS 632/732 RECOVERED THROUGH RATE DESIGN?

A. The Settling Parties served under Class 632/732 rates, in cooperation with NIPSCO, met on several occasions and agreed to a rate structure that met the class revenue requirement and spread the increase as equally as possible to all customers within the class. This was accomplished by raising the current demand charge at the class overall revenue increase of 1.36%, and adjusting the blocked energy charges in a uniform manner in order to achieve the class revenue requirement target. This approach essentially resulted in rate increases for customers near the class average.

Q. HOW IS THE REVENUE INCREASE OF 1.86% FOR CLASS 633/733 RECOVERED THROUGH RATE DESIGN?

A. The Settling Parties served under Class 633/733 rates, in cooperation with NIPSCO, agreed to a rate structure that met the class revenue requirement. In this case, given the high load factor requirement of customers in this class, a greater percentage of the increase is recovered through the demand charge. It was agreed to increase the demand charge by 4.51%, which represents the system average increase but is greater than the class revenue increase of 1.86%. Given this increase in the demand charge, blocked energy charges were adjusted in a uniform manner in order to achieve the class revenue requirement target. This modification to the rate structure incentivizes customers in this class to operate at the highest possible monthly load factor, which benefits the customer and the NIPSCO system.

Q. IS THE RESULTING RATE DESIGN FOR CLASSES 732 AND 733 REASONABLE?

A. Yes. The overall class rate increases combined with the settlement rate structures for classes 732 and 733 are reasonable. Rate design successfully generates target revenues for each class without unduly harming individual customers within the classes.

Q. WITH RESPECT TO INDUSTRIAL INTERRUPTIBLE CAPACITY, WHY DID THE SETTLING PARTIES AGREE TO AN INCREASE IN THE CAPACITY AVAILABLE AND THE ASSOCIATED DOLLAR CAP UNDER RIDER 675/775?

A. The Settling Parties recognized the benefit of additional interruptible capacity on the system from a resource planning and load retention perspective.

As described in my direct testimony, increasing the capacity cap is a good idea because it represents a win-win for all customers. Industrial customers benefit from reduced electricity costs in exchange for service interruptions. All other customers benefit from a lower net present value ("NPV") revenue requirement attributed to the deferral of new capacity additions as shown in the 2014 IRP. In addition, the increased capacity and dollar limit allows more industrial customers to participate in the rider. Those customers currently participating in the rider may increase their level of participation. The Interruptible Industrial Service Rider is key to keeping USS as a NIPSCO customer. In my direct testimony, I suggested a capacity limit of up to 600 MW with no dollar cap. However, as part of negotiations, the Settling Parties agreed to a 530 MW capacity limit and a $57 million cap.

Q. PLEASE DESCRIBE THE REASONING BEHIND THE $57 MILLION CAP.

A. The current cap of $38 million limits the participation in this rider. With this dollar limit, only 377.1 MW of the approved 500 MW are currently subscribed.

By increasing the cap to $57 million, a full 530 MW of interruptible capacity may be made available to industrial customers. The cap value takes into consideration a change in the demand credit associated with Option C from $8.00 per kilowatt ("kW")-month to $9.00 per kW-month and a new Option E at $9.50 per kW-month.

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO THE INTERRUPTIBLE INDUSTRIAL SERVICE RIDER 675/775.

A. The Settling Parties to whom this rider is available, in cooperation with NIPSCO, reviewed in detail the terms, conditions, and pricing associated with the various interruptible options as presented in my direct testimony. As a result of these negotiations, additional modifications were made. The highlights of the final settlement terms, conditions, and pricing, compared to the current Rider 675, reflects the following changes:

- First, interruptible capacity cap will be increased from 500 MW to 530 MW.
- Second, the dollar cap associated with this interruptible capacity will be increased from $38 million to $57 million.
- Third, an economic hardship provision has been included in the rider associated with the new incremental interruptible capacity totaling approximately 153 MW, (530 - 377 = 153). Incremental capacity will first be available to large industrial facilities that can prove financial hardship and that do not currently take service under the existing interruptible service rider

options. In addition, no more than 85%, or 130 MW (153 x 85% = 130), of the incremental capacity may be allocated to a single customer.

- Fourth, a new option, Option E, was added with a higher demand credit of $9.50 per kW-month in recognition of more valuable terms for interruptions.
- Fifth, Option C's demand payment will be increased from $8.00 per kW-month to $9.00 per kW-month and the notification period will be modified from one to two hours.
- Sixth, customers that presently have interruptible service under Rider 675 may re-enroll and re-allocate existing interruptible load to Options A, B, C, or D and at a certain point, into Option E.

Q. PLEASE DESCRIBE THE NEW OPTION E AVAILABLE UNDER RIDER 775.

A. Compared to the other options, Option E is more valuable to NIPSCO given the terms of the interruptions. Option E provides a higher capacity value than the other existing options. This higher value is attributed to the increased frequency of interruptions, the increased hours of interruptions, and the duration of the contract. Option E allows for four days of interruptions over the 7-day week. This interruption criterion differs from Option D where interruptions are limited to no more than three consecutive days per 5-day work week. Option E allows for 400 hours of interruptions per year, which is twice as many hours as Option D and four times as many hours as Options B and C. Customers contracting for Option E are taking on more risk because the more frequent interruptions may have a serious effect on the operational capability of facilities.

Option E customers must enter into a 12-year contract rather than a 10-year contract under Option D and a 7-year contract under Option C. The advanced notification of interruption time is two hours. Although the 2-hour notice differs from the 10-minute notice under Option D, all of these options offer the same capacity value to MISO, and the longer notice time will allow customers to be able to contract for a higher capacity of interruptible power.

Q. PLEASE DESCRIBE THE MODIFICATION TO OPTION C.

A. Rider 775 Option C will be revised to provide for a 2-hour notice for interruptions or curtailment as compared to the current 1-hour notice. Additionally the parties agreed that the value of this option is more accurately reflected at $9.00 per kW-month.

Q. HOW DO THE PROPOSED CHANGES TO RIDER 675/775 BENEFIT USS, NIPSCO, AND THE OTHER NIPSCO CUSTOMERS?

A. Changes to Rider 675/775 as proposed by the Settling Parties will significantly increase the interruptible demand credits available to USS. These credits, in exchange for service interruptions, enable USS to manage its electricity costs and remain on the NIPSCO system. Expanding Rider 675/775 to make available additional interruptible capacity to currently subscribed and additional customers, benefits the NIPSCO system by offering a reliable low cost capacity resource under a long-term contractual arrangement, which is up to 12 years under Option E. The importance of such resources is heightened with the potential accelerated retirement of Bailly 8. In addition, expanding Rider 675/775 keeps large industrial customers, like USS, on the NIPSCO system and paying a share of fixed costs. Without USS on the NIPSCO system, the remaining customers would have to cover those fixed costs.

VII. TDSIC

Q. PLEASE EXPLAIN WHY THE SETTLEMENT AGREEMENT CONTAINS A SPECIFIC PROVISION GOVERNING THE ALLOCATION TO BE USED FOR FUTURE NIPSCO ELECTRIC TDSIC TRACKERS.

A. It is my understanding that there was disagreement that led to litigation regarding the appropriateness of allocating NIPSCO's TDSIC distribution-related costs to transmission customers that do not use distribution facilities. The Settling Parties made a concerted effort to establish clear agreement on this point so that there is a specific schedule governing the allocation of distribution and transmission costs for use in future NIPSCO electric TDSIC proceedings. Accordingly, the Settlement Agreement provides that for purposes of establishing any rate schedules allowing for the recovery of 80% of NIPSCO's approved capital TDSIC expenditure and costs pursuant to I.C. 8-1-39-9(a), the parties agree that Joint Exhibit D to the Settlement Agreement reflects the customer class revenue allocation factors that should be applied to firm load. The Settlement Agreement specifically provides that the Joint D allocation factors to be applied for the periodic recovery of any approved capital TDSIC expenditures and costs properly account for differences between transmission and distribution customers.

Q. DO YOU BELIEVE THIS PROVISION OF THE SETTLEMENT AGREEMENT IS APPROPRIATE?

A. Yes. Customers that do not use NIPSCO's distribution system should not pay for costs associated with those aspects of the system. In my opinion, the foregoing provision of the Settlement Agreement is consistent with cost-causation principles and appropriately establishes how future NIPSCO electric TDSIC costs should be allocated between transmission and distribution customers.

VIII. IMPLEMENTATION SCHEDULE

Q. PLEASE DESCRIBE THE RATE IMPLEMENTATION SCHEDULE AGREED TO AMONG THE SETTLING PARTIES.

A. The Settling Parties agreed that the settlement rates would be effective beginning with the October 2016 billing cycle. However, given USS's urgent need for additional interruptible capacity, the Settling Parties agreed that Rider 775 would be implemented and effective with the first billing cycle following an order from the Indiana Utility Regulatory Commission ("Commission").

Q. PLEASE DESCRIBE THE IMPORTANCE OF THE IMPLEMENTATION SCHEDULE TO USS.

A. It is imperative that the Commission issue an order as expeditiously as possible. If the Settlement Agreement is approved by the Commission, USS will be able to receive the interruptible credits during the first billing cycle after the Order is issued. Each month that USS is provided service under the existing rate structure, without access to additional interruptible capacity, creates additional financial hardship.

IX. SUMMARY AND RECOMMENDATIONS

Q. IS THIS SETTLEMENT AGREEMENT FAIR, REASONABLE AND IN THE PUBLIC INTEREST?

A. Yes. The terms agreed to in this settlement reflect a compromise that achieves a desirable and beneficial outcome for NIPSCO and its customers. Settlement terms keep NIPSCO profitable and improve the Company's competitive position with respect to large industrial customers. As I mentioned in my direct testimony, large industrial customers are good for the system and help keep overall electricity costs down. Since nearly 50% of energy sales are from industrial customers included in rate classes 625, 626, 632, 633 and 634, competitive rates add revenue stability to the system. Further, this settlement will allow USS to remain a customer on the NIPSCO system. Other customer classes benefit too as a result of reductions in the overall system revenue requirement and the settlement class revenue allocators. Under this settlement, as shown in Table 1, virtually all rate classes realize lower class rate increases. Residential customers realize a significantly lower class rate increase of 5.37% compared to NIPSCO's original proposal of 11.02%.

Q. WHAT ARE YOUR RECOMMENDATIONS?

A. I recommend that the Settlement Agreement be accepted and approved by the Commission. The parties involved in the settlement process worked very hard to agree on an outcome that represented the best possible result for the each customer class and NIPSCO.

I also request a timely Order from the Commission on or before July 27, 2016. Rider 675/775 will be implemented and effective with the first billing cycle following an order from the Commission. Ultimately, approval of the Settlement Agreement will provide some critical financial relief to USS.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

VERIFICATION

I, Joseph A. Mancinelli, affirm under penalties for perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Date: March 4, 2016

Joseph A. Mancinelli

2908547_1