

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY FOR APPROVAL OF)
PETITIONER'S 7-YEAR PLAN FOR ELIGIBLE) CAUSE NO. 44370
TRANSMISSION, DISTRIBUTION AND)
STORAGE SYSTEM IMPROVEMENTS,)
PURSUANT TO IND. CODE § 8-1-39-10(a).)

PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY FOR (1) APPROVAL OF)
A TRANSMISSION, DISTRIBUTION AND)
STORAGE SYSTEM IMPROVEMENT)
CHARGE ("TDSIC") RATE SCHEDULE, (2))
APPROVAL OF PETITIONER'S PROPOSED) CAUSE NO. 44371
COST ALLOCATIONS, (3) APPROVAL OF THE)
TIMELY RECOVERY OF TDSIC COSTS)
THROUGH PETITIONER'S PROPOSED TDSIC)
RATE SCHEDULE, AND (4) AUTHORITY TO)
DEFER APPROVED TDSIC COSTS,)
PURSUANT TO IND. CODE CH. 8-1-39.)

SUBMISSION OF
STIPULATION AND SETTLEMENT AGREEMENT ON REMAND

Northern Indiana Public Service Company, by counsel, on behalf of itself and the Indiana Office of Utility Consumer Counselor, the NIPSCO Industrial Group and United States Steel Corporation ("Settling Parties"), respectfully submits the attached Stipulation and Settlement Agreement on Remand ("Settlement Agreement").

The Settling Parties also request that an Attorneys Conference be promptly set by the Commission for the purpose of addressing procedural matters including setting a procedural schedule in this proceeding.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by email transmission upon the following:

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Dated this 26th day of May, 2015.



Claudia J. Earls

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STIPULATION AND SETTLEMENT AGREEMENT ON REMAND

Northern Indiana Public Service Company ("NIPSCO"), the Indiana Office of Utility Consumer Counselor ("OUCC"), the NIPSCO Industrial Group,¹ ("Industrial Group") and United States Steel Corporation ("US Steel") (collectively, "the Settling Parties"), by their respective counsel, stipulate and agree as follows in the interest of

¹ The members of the NIPSCO Industrial Group in this proceeding are ArcelorMittal, Inc., BP Products North America, Inc., Praxair, Inc. and USG Corporation.

jointly resolving the issues to be addressed in the remand of the above captioned proceedings (the “Remand”):

I. BACKGROUND.

A. Cause Nos. 44370 and 44371

1. On July 19, 2013, NIPSCO filed a Petition, docketed as Cause No. 44370, for approval of a 7-year plan for eligible transmission, distribution and storage system improvements (“7-Year Electric Plan”), pursuant to Ind. Code § 8-1-39-10(a). On the same day, NIPSCO filed a separate Petition, docketed as Cause No. 44371, for: (1) approval of a Transmission, Distribution and Storage System Improvement Charge (“TDSIC”) Rate Schedule, (2) approval of NIPSCO’s proposed cost allocation, (3) approval of the timely recovery of TDSIC costs through NIPSCO’s proposed TDSIC Rate Schedule, and (4) authority to defer approved TDSIC costs, pursuant to Ind. Code Ch. 8-1-39. On February 17, 2014, the Commission issued its Orders in Cause Nos. 44370 and 44371.

2. In Cause No. 44370, the Commission held: (1) the projects contained in Year 1 of NIPSCO’s 7-Year Electric Plan are “eligible transmission, distribution, and storage system improvements” within the meaning of Indiana Code § 8-1-39-2; (2) municipal lighting projects are eligible for TDSIC treatment as economic development projects when selected in accordance with the findings set forth in Paragraph 6.D.; (3) the project categories contained in Years 2 through 7 of NIPSCO’s 7-Year Electric Plan

are presumed “eligible transmission, distribution, and storage system improvements” within the meaning of Indiana Code § 8-1-39-2, subject to further definition and specifics being provided through the plan update proceedings; (4) the 7-Year Electric Plan is reasonable subject to the modifications within the Order; (5) NIPSCO’s proposed definitions of key terms for purposes of interpreting Indiana Cod Ch. 8-1-39 are approved; and (6) NIPSCO’s proposed process for updating major changes to the 7-Year Electric Plan in sub-docket proceedings as discussed in Paragraph 6.G. is approved.

3. In Cause No. 44371, the Commission; (1) authorized NIPSCO to implement its TDSIC Rate Schedule pursuant to Ind. Code § 8-1-39-9(a) to effectuate the timely recovery of 80% of eligible and approved capital expenditures and TDSIC costs; (2) ordered NIPSCO to use a full weighted average cost of capital, including zero-cost capital, to calculate pretax return; (3) authorized NIPSCO to defer post in service TDSIC costs, including carrying costs, on an interim basis until such costs are recognized for ratemaking purposes through NIPSCO’s proposed TDSIC mechanism or otherwise included for recovery in NIPSCO’s base rates in its next general rate case; (4) approved NIPSCO’s proposed allocation of transmission and distribution project costs; (5) authorized NIPSCO to defer 20% of eligible and approved capital expenditures and TDSIC costs and to recover such deferred expenditures and TDSIC costs in its next general rate case; and (6) authorized NIPSCO to adjust its authorized net operating

income to reflect any approved earnings associated with the TDSIC for purposes of Ind. Code § 8-1-2-42(d)(3). The Commission also held that, for purposes of satisfying Ind. Code § 8-1-39-14, NIPSCO's proposed calculation that compares the increase in TDSIC revenue in a given year with the total retail revenues for the past 12 months is consistent with the TDSIC statute. 44371 Order at 20.

B. Consolidated Appeals of Cause No. 44370 and 44371

4. On March 13, 2014, the OUCC filed a Notice of Appeal relating to the 44371 Order, which was docketed as Cause No. 93A02-1403-EX-158. On March 19, 2014, the Industrial Group filed Notices of Appeal relating to both the 44371 Order and the 44370 Order, which was docketed as Cause No. 93A02-1403-EX-174. On April 28, 2014, the Court of Appeals issued an order to consolidate Cause No. 93A02-1403-EX-174 with Cause No. 93A02-1403-EX-158 and to close Cause No. 93A02-1403-EX-174. On April 8, 2015, the Court of Appeals of Indiana issued a published opinion in Cause No. 93A02-1403-EX-158, reversing in part, affirming in part, and remanding the 44370 Order and 44371 Order ("Appellate Order"). This Settlement Agreement is intended to resolve all issues raised and addressed by the Appellate Order on remand to the Commission.

II. TERMS OF AGREEMENT.

5. All Settling Parties will vigorously defend this Settlement Agreement at the Commission.

6. All Settling Parties will vigorously defend any Commission order approving this Settlement Agreement in its entirety should such order be appealed by a non-settling party.

7. Nothing in this Settlement Agreement precludes any party from taking a contrary position in any other proceeding, provided that no party will deny the enforceability of, or attempt to deprive any other party of the benefit of, any provision in this Settlement Agreement.

8. The record in Cause No. 44370 will be re-opened to: (a) clarify that in all future TDSIC filings, the level of detail in Petitioner's Exhibit No. TAD-R1, submitted as a rebuttal exhibit in Cause No. 44370, will be provided in NIPSCO's direct case; (b) submit the most current list of 2014 and 2015 projects into the record (i.e., Petitioner's Exhibit No. 1-A, Exhibit Electric Plan Update-2 (Confidential) filed in Cause No. 44371-TDSIC-2); (c) clarify that in all future TDSIC filings, for the underground cable replacement, transmission and distribution line replacement, and economic development, programs described in the prefiled direct testimony of Timothy A. Dehring in Cause No. 44370 (Section IV, pages 25-34 which provided the explanation of

these programs and projects in detail), NIPSCO will provide updated estimated costs for each program by year; and (d) submit the most current version of Petitioner's Exhibit No. TAD-R1 (i.e., Petitioner's Exhibit No. 3-C (Confidential) filed in Cause No. 44371-TDSIC-2), sorted by year, removing projects that are not expected to be replaced during the 7-Year Plan (i.e., no year).

9. NIPSCO agrees to cease collecting the current Electric TDSIC-1 factors on or about June 1, 2015.

10. All monies that have been collected through NIPSCO's Rider 688 (Adjustment of Charges for Transmission, Distribution and Storage System Improvement Charge) pursuant to the Commission's November 25, 2014 Order in Cause No. 44371-TDSIC-1 will be refunded with interest at the rate of 6 percent via Rider 688 upon approval of this Settlement Agreement to the rate classes from whom NIPSCO collected the monies.

11. NIPSCO agrees that rather than implementing a new TDSIC factor to recover costs incurred in connection with its current 7-Year Electric Plan, NIPSCO will defer, as a regulatory asset, 100% of all TDSIC costs, as defined in I.C. § 8-1-39-7, incurred since March 1, 2014 in connection with its 2014 and 2015 eligible transmission, distribution, and storage system improvements, in a manner consistent with the current deferral of 20% of the costs approved in Cause No. 44371, until such capital

expenditures and TDSIC costs, including depreciation, allowance for funds used during construction, and post in service carrying costs are recovered as part of a general rate case, consistent with the requirements of I.C. § 8-1-39-9(b).

12. The deferred amounts referenced in Paragraph 11 will be allocated pursuant to the allocation approved in the subsequent general rate case proceedings.

13. NIPSCO will file an electric general rate case proceeding by December 31, 2015.

14. NIPSCO will file a new 7-Year Electric TDSIC Plan following the filing of its next electric general rate case proceeding.

15. All parties reserve their rights to raise any issues in NIPSCO's next electric general rate case referenced in Paragraph 13 and new 7-Year Electric TDSIC Plan filing referenced in Paragraph 14.

16. The Settling Parties will file this Settlement Agreement, supportive testimony and a joint proposed order that incorporates the terms above with the Commission.

III. PROCEDURAL ASPECTS AND PRESENTATION OF THE SETTLEMENT AGREEMENT.

17. The Settling Parties agree to jointly present this Settlement Agreement to the Commission for its approval in this proceeding or any other docketed proceeding established by the Commission for consideration of this Settlement Agreement, and agree to assist and cooperate in the preparation and presentation of evidence as necessary to provide an appropriate factual basis for such approval.

18. If this Settlement Agreement is not approved in its entirety by the Commission, the Settling Parties agree that the terms herein shall not be admissible in evidence or discussed by any party in a subsequent proceeding. Moreover, the concurrence of the Settling Parties with the terms of this Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement in its entirety without any material modification of any material further condition deemed unacceptable by any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the order that any modifications made by the Commission are unacceptable to it.

19. The Settling Parties agree that this Settlement Agreement and each term, condition, amount, methodology and exclusion contained herein reflects a fair, just and reasonable resolution and compromise for the purpose of settlement, and is agreed

upon without prejudice to the ability of any party to propose a different term, condition, amount, methodology or exclusion in future proceedings. As set forth in the Order in *Re Petition of Richmond Power & Light*, Cause No. 40434, p. 10, the Settling Parties agree and ask the Commission to incorporate as part of its Final order that this Settlement Agreement, or the Order approving it, not be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or any court of competent jurisdiction on these particular issues. This Settlement Agreement is solely the result of compromise in the settlement process. Each of the Settling Parties hereto have entered into this Settlement Agreement solely to avoid further disputes and litigation with the attendant inconvenience and expenses.

20. The Settling Parties stipulate that the evidence of record to be submitted in support of this Settlement Agreement constitutes substantial evidence sufficient to support this Agreement and provide an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. The Settling Parties agree to the admission into the evidentiary record of this Settlement Agreement, along with testimony supporting it without objection.

21. The issuance of an order by the Commission approving this Settlement Agreement without any material modification or further condition unacceptable to any Settling Party shall terminate all proceedings in these Causes. The terms of this Settlement Agreement and the relief requested on Remand in these Causes are directly related to and supersede the relief granted in Cause No. 44371 TDSIC-1 and requested in Cause No. 44371-TDSIC-2, which latter proceeding is currently stayed pending the conclusion of the Remand. As a result, the Settling Parties agree that upon issuance of an Order approving this Settlement Agreement without any material modification or further condition unacceptable to any Settling Party, Cause No. 44371-TDSIC-2 is moot and no further consideration of that Cause is necessary.

22. The undersigned represent and agree that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients who will be bound thereby.

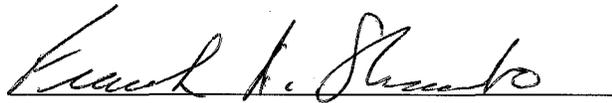
23. The Settling Parties shall not appeal the agreed final order or any subsequent Commission order as to any portion of such order that is specifically implementing, without modification, the provisions of this Settlement Agreement and the Settling Parties shall not support any appeal of the portion of such order by a person not a party to this Settlement Agreement.

24. The provisions of this Settlement Agreement shall be enforceable by any Settling Party before the Commission or in any court of competent jurisdiction.

25. The communications and discussions during the negotiations and conferences which produced this Settlement Agreement have been conducted on the explicit understanding that they are or relate to offers of settlement and shall therefore be privileged.

ACCEPTED AND AGREED this 26th day of May, 2015.

Northern Indiana Public Service Company ("NIPSCO")



Frank A. Shambo, Vice President, Regulatory and Legislative Affairs

Indiana Office of Utility Consumer Counselor ("OUCC")

A. David Stippler, Consumer Counselor

NIPSCO Industrial Group

Bette J. Dodd, Counsel

United States Steel Corporation

Nikki G. Shoultz, Counsel

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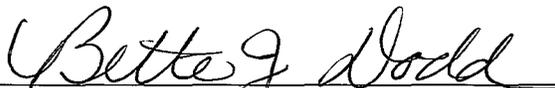
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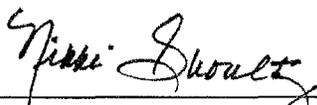
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