PUBLIC'S EXHIBIT NO. 2

FILED

MAY 0 8 2009

INDIANA UTILITY REGULATORY COMMISSION

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

NORTHERN INDIANA PUBLIC SERVICE COMPANY	))	CAUSE NO. 43526

DIRECT TESTIMONY

OF

THOMAS S. CATLIN

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 8, 2009

EXETER

ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 21044

TABLE OF CONTENTS

TESTIMONY OF THOMAS S. CATLIN
CAUSE NO. 43526
NORTHERN INDIANA PUBLIC SERVICE COMPANY

Qualifications

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

A. My name is Thomas S. Catlin. I am a principal with Exeter Associates, Inc. Our offices are located at 5565 Sterrett Place, Suite 310, Columbia, MD 21044. Exeter is a firm of consulting economists specializing in issues pertaining to public utilities.

Q. Please describe your educational background.

A. I hold a Master of Science Degree in Water Resources Engineering and Management from Arizona State University (1976). Major areas of study for this degree included pricing policy, economics, and management. I received my Bachelor of Science Degree in Physics and Math from the State University of New York at Stony Brook in 1974. I have also completed graduate courses in financial and management accounting.

Q. Would you please describe your professional experience?

A. From August 1976 until June 1977, I was employed by Arthur Beard Engineers in Phoenix, Arizona, where, among other responsibilities, I conducted economic feasibility, financial and implementation analyses in conjunction with utility construction projects. I also served as project engineer for two utility valuation studies.

From June 1977 until September 1981, I was employed by Camp Dresser & McKee, Inc. (CDM). Prior to transferring to the Management Consulting Division of CDM in April 1978, I was involved in both project administration and design. My project administration responsibilities included budget preparation as well as labor and cost monitoring and forecasting. As a member of CDM's Management Consulting Division, I performed cost of service, rate, and financial studies involving approximately 15 municipal and private water, wastewater and storm drainage utilities. These projects included: determining total costs of service; developing capital asset and depreciation bases; preparing cost allocation studies; evaluating alternative rate structures and designing rates; preparing bill analyses; developing cost and revenue projections; and preparing rate filings and expert testimony.

In September 1981, I accepted a position as a utility rates analyst with Exeter Associates, Inc. I became a principal and vice-president of the firm in 1984. Since joining Exeter, I have continued to be involved in the analysis of the operations of public utilities, with particular emphasis on utility rate regulation. I have been extensively involved in the review and analysis of utility rate filings, as well as other types of proceedings before state and federal regulatory authorities. My work in utility rate filings has focused on revenue requirements issues, but has also addressed service cost and rate design matters. I have also been involved in analyzing affiliate relations, alternative regulatory mechanisms, and regulatory restructuring issues. This experience has involved electric, telephone, water and wastewater utilities, as well as natural gas transmission and distribution companies.

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

A. Yes. I have previously presented testimony on approximately 250 occasions before the Federal Energy Regulatory Commission and the public utility commissions of Arizona, California, Colorado, Delaware, the District of Columbia, Florida, Idaho, Illinois, Kentucky, Louisiana, Maine, Maryland, Montana, Nevada, New Jersey, Ohio, Oklahoma, Pennsylvania, Rhode Island, Utah, Virginia and West Virginia, as well as before this Commission. I have also filed rate case evidence by affidavit with the Connecticut Department of Public Utility Control and have appeared as an expert witness on behalf of the Louisiana Public Service Commission before the Nineteenth Judicial District Court.

Q. On whose behalf are you appearing?

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

Purpose and Conclusion

Q. What is the purpose of your testimony?

A. Exeter Associates has been asked by the OUCC to review the reasonableness of the level of revenues that Northern Indiana Public Service Company (NIPSCO or Petitioner) is proposing to charge its customers. My assignment in this proceeding was to examine and investigate Petitioner's revenue requirements, and to present my findings regarding NIPSCO's test year rate base and net operating income at present rates. In developing my recommendations with regard to net operating income, I have incorporated the recommendations of the OUCC's other witnesses regarding certain adjustments to revenues and expenses as well as to the costs NIPSCO has proposed to recover through trackers separate from base rates. Based on my findings, I have determined the revenues that are required to generate the overall rate of return on rate base recommended by Dr. J. Randall Woolridge on behalf of the OUCC.

Q. Have you prepared schedules to accompany your testimony?

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

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

A. NIPSCO has requested an increase in base rate revenues of $85,744,828 based on the assumption that all trackable fuel costs are recovered through a separate rider. If those trackable fuel costs are rolled into base rates, NIPSCO's claimed base rate revenue deficiency is $93,015,933. (The higher increase is due to inclusion of the additional Indiana Utility Receipts Tax associated with the fuel revenues that must be recovered through base rates.) Consistent with the OUCC's position that the current fuel costs should be included in base rates and only the increases or decreases in fuel costs separately tracked, I have developed the OUCC's position with regard to the appropriate change in base rates with fuel costs and the associated Indiana Utility Receipts taxes included in base rate revenue requirements.

As shown on page 1 of Schedule TSC-1, I have determined that NIPSCO has a base rate revenue surplus of $135,263,938 for the test year ended December 31, 2007. Part of the difference between NIPSCO's and the OUCC's positions is attributable to the difference in the way that NIPSCO and the OUCC have treated the $55 million annual revenue credit that was approved in Cause No. 41746. As discussed in more detail subsequently in my testimony, NIPSCO did not account for the expiration of this credit in determining revenues at present rates, but instead accounted for its elimination in calculating revenues at proposed rates. In developing the OUCC's position, I have recognized the elimination of the credit in determining revenues at present rates. When this difference in treatment of the credit is eliminated, the difference between the OUCC's and NIPSCO's positions with regard to the required increase/decrease in base rate revenues is \$173.1 million.

The OUCC's proposed revenues will generate an overall rate of return of 6.98 percent after accounting for the OUCC's adjustments to NIPSCO's claimed rate base and operating income. The return of 6.98 percent represents Dr. Woolridge's recommendation regarding Petitioner's overall rate of return on rate base.

Page 2 of Schedule TSC-1 shows the derivation of the revenue surplus that I have identified and provides a comparison of the OUCC's overall recommendation with NIPSCO's request.

Schedule TSC-2 summarizes my adjustments to NIPSCO's proposed test year rate base. Schedule TSC-3 provides a summary of my adjustments to test year revenues and expenses and the resulting net operating income at present rates. Schedule TSC-4 provides a proof of income taxes at present and proposed rates. Schedules TSC-5 through TSC-23 present each of the adjustments that I have made to rate base and net operating income.

Q. How is the remainder of your testimony organized?

A. In the remainder of my testimony, I document and explain each of the adjustments to rate base and net operating income that I have made to arrive at the test year revenue surplus shown on Schedule TSC-1. My discussion of these adjustments is organized into sections corresponding to the issue being addressed. These sections are set forth in the Table of Contents for this testimony.

Prepaid Pension Asset

Q. Please summarize NIPSCO's claim for inclusion of a prepaid pension asset in rate base.

A. NIPSCO has proposed to include a prepaid pension balance of $25,705,004 in rate base. This amount is the balance reflected in the actuarial report for NIPSCO as of December 31, 2007.

Q. What does this balance represent?

A. The prepaid pension balance represents the amount by which the fair value of the assets in the pension plan exceed the projected benefit obligation (PBO) for the plan participants. This balance is an actuarial calculation that is performed annually as part of the required actuarial report for the pension plan.

According to the response to OUCC Request 17-029, the key factor that gave rise to the excess of the fair value of the plan assets over the PBO was the favorable return on plan assets during 2007. As noted in the response to OUCC Request 26-002, the excess fair value of the plan assets had been reduced to zero as of December 31, 2008 due to the unfavorable market performance during 2008.

Q. Do you agree that the balance of the prepaid pension asset claimed by NIPSCO is properly included in rate base?

A. No. Even if the excess fair value of the pension assets had not fallen to zero, the prepaid pension asset claimed by NIPSCO is not properly included in rate base. This balance does not represent money contributed by Petitioner to the pension in excess of the amount collected from ratepayers. As noted above, it is simply a calculation made by the plan actuary to compare the fair value of the plan assets to the PBO.

Therefore, the prepaid pension asset does not constitute investor supplied capital upon which Petitioner is entitled to earn a return.

Q. What effect does this have on NIPSCO's claimed rate base?

A. As shown on Schedule TSC-5, excluding the prepaid pension asset reduces NIPSCO's claimed test year rate base by $25,705,004.

Pure Air Deferred Charges

Q. Please explain your adjustment to rate base for pure air deferred charges.

A. I have adjusted rate base to exclude NIPSCO's claimed balance of $526,218 for Pure Air deferred charges associated with the Bailey Generating Station scrubber. Company witness Linda E. Miller has adjusted test year expense to eliminate the amortization of the Pure Air deferred charges because these costs were fully amortized before the end of 2008. (Adjustment DA-6) Accordingly it is also appropriate to eliminate the balance of Pure Air deferred charges from rate base. As shown on Schedule TSC-6 this adjustment reduces rate base by $526,218.

$55 Million Customer Credit

Q. Please explain your adjustment to reflect the elimination of the $55 million revenue credit approved in Cause No. 41746.

A. In Cause No. 41746, the Commission approved a Settlement Agreement that called for NIPSCO to provide a $55 million annual credit on customers' bills. Under the provisions of the Order in that docket, the revenue credit will cease at the time the rates in this proceeding go into effect. In developing its revenues at present rates and calculating its claimed revenue deficiency, NIPSCO did not account for the expiration of this $55 million revenue credit. Instead it accounted for the elimination of the credit in calculating its proposed rates and the revenues those rates will produce.

I have adjusted revenues at present rates to reflect the elimination of the $55 million annual revenue credit. This adjustment is necessary to recognize that, even if no other rate change was made in this docket, the revenues that Petitioner would receive going forward would be approximately $55 million greater than revenues in the test year.[1] This adjustment is also consistent with the adjustment made by NIPSCO in its filing to increase revenues by $80 million to recognize the expiration of special contracts with certain large industrial customers. Eliminating the $55 million credit results in the revenues for all customer classes being stated on a consistent basis.

Q. Have you quantified the effect of this adjustment on test year revenue?

A. Yes. According to NIPSCO witness Greneman's Exhibit RDG-4 Revised, the credits based on the test year units of service are $57,814,025. However, it is my understanding, based on the Order approving the Settlement Agreement in Cause No. 41746, that the amount of the credit is fixed at $55,102,044 and that any over or under credit is reconciled through the fuel clause. Accordingly, I have increased base rate revenue by $55,102,044 as shown on Schedule TSC-7.

---

[1] As noted above, NIPSCO did recognize the elimination in its proposed rates, so that it has not proposed to overcollect its claimed revenue requirement.

Metal Melting Revenues

Q. Please summarize NIPSCO's adjustment related to Rate 825 metal melters.

A. As discussed by Ms. Miller on pages 9-10 of her Revised Direct Testimony, NIPSCO adjusted test year revenues to exclude a portion of the revenues from customers in the metal melting business. This adjustment was made to eliminate the revenues that resulted from those customers using electricity in excess of their contract limits. The fuel and purchased power costs associated with the higher operating volumes for these customers were also removed.

Q. Do you agree that the adjustment to eliminate these revenues and the associated fuel and purchased power costs is appropriate?

A. No. As acknowledged in response to OUCC Request 17-003, metal melting customers have been allowed to utilize power in excess of their contract volumes in 2005, 2006 and 2008 as well as during the 2007 test year. Therefore, the test year experience was not unique or non-recurring. Accordingly, it is not appropriate to reduce test year revenues to eliminate these sales.

Q. Have you made an adjustment to include the metal melting revenues and the associated fuel and purchased power costs in the test year results?

A. Yes. As shown on Schedule TSC-8, I have increased test year revenues by $804,136 to reverse Petitioner's adjustment to remove a portion of test year metal melting revenues. I have also increased test year fuel and purchased power expense by $628,813 to recognize the costs associated with those sales. This results in an increase in income before taxes of $175,323.

Off System Sales Margins

Q. Please explain your adjustment for off system sales margins.

A. In its filing, NIPSCO has proposed to flow back the margins from off system sales through its proposed Reliability Adjustment (RA) tracking mechanism. As part of its proposal, NIPSCO has proposed that the first $15 million of margins would be passed through to ratepayers and that any additional margins above $15 million per year would be split 80/20 between ratepayers and shareholders. In conjunction with that proposal, NIPSCO has removed the $29.1 million of OSS margins realized during the test year from the determination of the revenues required from base rates. As discussed by OUCC witness Andrew Satchwell, it is the OUCC's position that off system sales margins of $8,731,000 should be built into base rates. Consistent with Mr. Satchwell's recommendation, I have increased operating revenues by $8,731,000. This adjustment is presented on Schedule TSC-9.

Emission Allowances

Q. What adjustment have you made related to emission allowances?

A. In its filing, NIPSCO has adjusted test year operating revenues to remove the revenues received from the sale of emission allowances. Rather than accounting for those revenues in determining base rates, NIPSCO is proposing to pass back the future net proceeds from the sale of emission allowances through its existing Environmental Expense Recovery Mechanism (EERM). As discussed in detail by OUCC witness Cynthia M. Pruett, it is the OUCC's position that it is not appropriate to include the revenues from the sale of emission allowances in the EERM and that the proceeds from the sales of those allowances during the test year should be recognized in the determination of the operating revenues recognized in setting base rates. As shown on Schedule TSC-10, reversing NIPSCO's adjustment to eliminate these proceeds increases revenue by $11,790,599.

Gasoline and Diesel Fuel Costs

Q. What adjustment has NIPSCO made to test year gasoline and diesel fuel costs?

A. Petitioner has made adjustments to fuel handling costs at its generating stations (Adjustment FP-4) and to O&M expense (Adjustment OM-15) to reflect increases in gasoline and fuel prices subsequent to the 2007 test year. For both adjustments, NIPSCO based the increase on the prices it paid in late June 2008 for gasoline and diesel fuel compared to the average prices it paid during the test year.

Q. Is this adjustment appropriate?

A. No. Gasoline and diesel fuel prices were near their peak in late June 2008 and have since declined significantly. As a result, the prices that Petitioner has used in developing its adjusted gasoline and diesel fuel costs are not representative of its ongoing costs and cause its adjusted test year expenses to be overstated.

Q. How do more recent prices compare to those used by NIPSCO?

A. OUCC Request 22-016 sought an update of the diesel fuel prices paid by NIPSCO related to Adjustment FP-4 as of December 2008 or January 2009. In response, NIPSCO indicated that it paid $1.93 per gallon for diesel fuel on January 21, 2009. This compares to a price of $4.032 per gallon as of June 2008. Similarly, OUCC Request 22-017 sought an update of gasoline and diesel fuel prices related to Adjustment OM-15 as of December 2008 or January 2009. In response, NIPSCO stated that it paid $1.92 per gallon for gasoline January 21, 2009 and referenced $1.93

per gallon as cited in response to OUCC Request 22-016 as the applicable price for diesel fuel. These prices compare to the June 2008 prices utilized in Adjustment OM-15 of $4.386 per gallon for gasoline and $4.988 per gallon for diesel fuel.

Q. What is your recommendation with regard to establishing the appropriate level of gasoline and diesel fuel costs to be included in the pro forma cost of service?

A. I am proposing to adjust gasoline and diesel fuel costs to reflect the January 2009 prices paid by NIPSCO. As shown on Schedule TSC-11, this adjustment reduces diesel fuel costs for fuel handling at NIPSCO's generating stations by $1,007,528. The gasoline and diesel fuel costs charged to O&M is reduced by $1,131,512.

I recognize that the January prices that I utilized in developing my adjustment were prices paid just after the end of the adjustment period. However based on Energy Information Administration price data, gasoline and diesel prices both increased from December to January. Hence, if NIPSCO had provided December prices, it is likely that my adjustment would have been greater than that developed on Schedule TSC-11.

Variable Production O&M

Q. What adjustment did NIPSCO make to test year variable production costs?

A. In its filing, NIPSCO made an adjustment to non-fuel variable production O&M costs to reflect an increase in the normal run time for certain generating units that were unavailable during portions of the test year. The effect of this adjustment (OM-2) was to increase test year O&M expense by $4.0 million

Q. Do you agree with this adjustment?

A. No. NIPSCO developed its adjustment using a PROMOD generating dispatch model run that was prepared when it was still assumed that the Sugar Creek generating facility would not be dispatched into MISO until June 2010. Since that time, Sugar Creek became a resource dispatched into the MISO as of December 2008. Because Sugar Creek is now being dispatched into the MISO along with NIPSCO's other units, the run times for its other generating units are likely to be reduced.

In response to OUCC Request 31-002, NIPSCO has indicated it has not prepared an updated generation model dispatch run to determine what effects Sugar Creek will have on the run times and variable operating costs at its other generating units. NIPSCO also indicates that it would not object to making any necessary adjustment, but did not provide the information required to make that change. Therefore, I have eliminated NIPSCO's filed adjustment to variable production O&M costs that excluded consideration of Sugar Creek. As shown on schedule TSC-12, this adjustment reduces test year O&M expense by $4,001,238. If NIPSCO provides an updated analysis that accounts for the availability of Sugar Creek, the OUCC will evaluate that update in developing its final recommendation in this proceeding.

Labor Cost Adjustments

Q. Please summarize the adjustments to labor costs that you have incorporated in your determination of NIPSCO's revenue requirements.

A. In determining NIPSCO's revenue requirements, I have incorporated the three adjustments to labor costs recommended by OUCC witness Barbara Smith. Schedule TSC-13 summarizes Ms. Smith's adjustment to aging workforce costs, which reduces wages by $1,702,079 and payroll taxes by $97,558. Ms. Smith's adjustment to

NIPSCO's claimed allowance for employee vacancies is summarized on Schedule TSC-14. As shown there, that adjustment reduces labor expense by $928,455 and payroll taxes by $55,142. Finally, her adjustment to Petitioner's claims for additional staffing related to organizational structure changes is presented on Schedule TSC-15. As reflected on that schedule, Ms. Smith has recommended a reduction of $1,776,094 in labor costs, with an associated reduction in payroll taxes of $101,232.

MISO Fees

Q. What adjustment have you made for MISO Administrative Fees and Schedule 24 and Schedule 26 Charges?

A. OUCC witness Satchwell has recommended that the MISO Administrative Fees, Schedule 24 charges and Schedule 26 charges be built into base rates and removed from the proposed Reliability Adjustment (RA) tracking mechanism. Consistent with this recommendation, I have adjusted test year O&M expense to include these fees. As shown on Schedule TSC-16, including these MISO costs increases O&M expense by $5,326,931.

Environmental Remediation Costs

Q. Please explain the adjustment to environmental remediation costs that you have recognized in determining NIPSCO's revenue requirements.

A. In her testimony, Ms. Pruett has recommended that the amounts that NIPSCO incurred during the test year for Superfund Site Remediation costs be excluded from test year expenses. As shown on Schedule TSC-17, excluding these costs reduces test year expenses by $417,372.

Deferred MISO Costs

Q. What adjustments are you proposing to make to NIPSCO's claim for deferred MISO costs?

A. In its filing, NIPSCO developed an estimate of the balance of deferred MISO costs as of December 31, 2008 and has proposed to amortize those costs over three years. I have made four changes to Petitioner's claim for deferred MISO costs. First, I have updated NIPSCO's projection of the balance as of December 31, 2008 to reflect the actual balance of deferred MISO costs as of that date.

Second, I am proposing to amortize the December 31, 2008 balance over four years rather than the three years proposed by NIPSCO. In response to OUCC Request 17-024, Petitioner indicated that the three-year amortization period was selected because it is consistent with the time period between August 2006, when NIPSCO began deferring MISO costs pursuant to the Order in Cause No. 42685, and the anticipated date of the final order in this proceeding. In Cause No. 42685, no specific time period for the amortization of deferred MISO costs was established. However, it is my understanding based on advice of Counsel that the other MISO member utilities in Indiana have amortized deferred MISO costs over four years. Accordingly, I am recommending that NIPSCO also amortize deferred MISO costs over four years.

Third, I am proposing to reduce the balance of FERC Assessment Fees that is included in the balance of deferred MISO costs to be amortized. Prior to the time NIPSCO transferred control of its transmission facilities to MISO and began being billed under the MISO Open Access Transmission Tariff (OATT) in October 2003, NIPSCO was already paying FERC Assessment Fees. (In addition, MISO did not begin collecting FERC Assessment Fees until late 2003.) Therefore, only a portion of the FERC Assessment Fees that NIPSCO paid to MISO after late 2003 are incremental costs that should qualify for deferral. In 2002, NIPSCO incurred FERC Assessment Fees of $275,218 and, in 2003, it incurred $248,422 of such fees, for an average of $261,820 per year. I have utilized this average annual level of FERC Assessment Fees as the starting point or baseline to determine the incremental level of FERC Assessment Fees eligible for recovery. Based on the 29 months from August 2006 through December 2008 deferral period, I have reduced the balance of deferred MISO costs by $632,732.

Fourth, I have reduced the balance of MISO costs to account for non-firm transmission revenues received over the period from August 2006 through December 2008. This adjustment, which is supported by Mr. Satchwell, reduces the balance of deferred costs eligible for recovery by $10,818,454.

Q. What is the effect of the four changes you have discussed on the amortization of deferred MISO costs?

A. As shown on Schedule TSC-18, I am recommending an annual amortization expense for deferred MISO costs of $2,869,345. This represents a reduction of $5,386,708 compared to the annual amortization expense of $8,256,052 requested by NIPSCO.

Rate Case Expense

Q. What adjustment are you proposing to make to NIPSCO's claimed allowance for the amortization of rate case expenses?

A. NIPSCO has projected that it will incur almost $6 million in expenses for this proceeding and has proposed to amortize those costs over three years. I am proposing that rate case expenses instead be amortized over 6 years. As shown on Schedule TSC-19, this change in the amortization period reduces the annual amortization expense by $989,643.

Q. What is the basis for your recommendation?

A. I believe that an amortization period longer than the three years proposed by NIPSCO is justified for several reasons. First, Petitioner's rate case expenses are extremely high. NIPSCO's rate case expenses of $5.94 million compare to the amounts claimed by Vectren South in Cause No. 43111 and Indiana & Michigan Power Company in Cause No. 43306 of $1.13 million and $0.96 million, respectively. Second, it has been more than 20 years since NIPSCO's last base rate in 1987. I recognize that the interval since its last case does not predict when NIPSCO will file again in the future. However, the long interval appears to be a significant cause of its extremely high costs in this proceeding. For example, NIPSCO's claimed costs include nearly $700,000 for rate case support, strategy and management services dating back as far as December 2006. Finally, NIPSCO's claimed costs include almost $1.5 million related to its class cost of service study and $133,000 for a generation asset demolition study. These are not the type of costs that are incurred in every rate case. Because of the high level of costs, the infrequency with which NIPSCO has filed rate cases and the inclusion of costs that are not incurred every case, I have proposed a six-year amortization period.

Q. Do you have any other recommendations with regard to rate case expense?

A. Yes. Because of the extremely high level of costs for this case, it is my recommendation that, to the extent NIPSCO voluntarily elects to file another rate case before the costs for this case are fully amortized, the amortization of the costs for this case cease and NIPSCO be required to write off the unamortized balance.

Depreciation Expense

Q. What adjustment have you made to depreciation expense?

A. I have adjusted NIPSCO's claimed depreciation expense to reflect the effect of the changes in depreciation rates recommended by OUCC witness Michael Majoros. As shown on Schedule TSC-20, this adjustment reduces test year depreciation expense by $58,011,511.

Amortization of Deferred Sugar Creek Depreciation Expense

Q. Please explain your adjustment related to the amortization of deferred Sugar Creek depreciation expense.

A. Under the terms of the FAC-71 Settlement, NIPSCO has reflected the deferral of the depreciation expense for Sugar Creek for the period from December 1, 2008 through December 31, 2009 and amortized the deferred expense over five years. NIPSCO based its claim on its proposed annual depreciation expense for Sugar Creek in excess of $4.5 million. Mr. Majoros has revised the allowable amortization expense to reflect his recommended annual depreciation expense for Sugar Creek instead of NIPSCO's requested expenses. As shown on Schedule TSC-21, Mr. Majoros' adjustment reduces amortization expense by $903,770.

Utility Receipts Tax and IURC Fee

Q. Please explain your adjustment to utility receipts tax expense and the public utility fee.

A. I have adjusted utility receipts tax expense and the public utility fee (or IURC fee) to account for the additional taxes related to my adjustments to pro forma revenues at present rates. As shown on Schedule TSC-22, the additional utility receipts tax associated with my adjustments to include additional metal melting revenues and to reflect the expiration of the $55 million customer credit are $782,687. The increase in the IURC fee associated with the adjustments to revenue that I have recommended is $67,311, as shown on Schedule TSC-23.

Interest Synchronization

Q. Please explain your adjustment to Synchronize interest expense.

A. To determine the interest deduction for income tax purposes, I have multiplied the OUCC's recommended rate base by the weighted cost of debt included in the capital structure recommended by Dr. Woolridge. This procedure synchronizes the interest deduction for income tax purposes with the interest component of the return on rate base to be recovered from ratepayers. As shown at the bottom of Schedule TSC-4, this adjustment increases the interest deduction by $18,438,201 compared to the synchronized interest deduction recognized by NIPSCO. This reduces state income taxes by $1,567,247 and federal income taxes by $5,904,734.

Q. Does this complete your Direct Testimony?

A. Yes, it does.

VERIFICATION

STATE OF MARYLAND)
) ss:
COUNTY OF HOWARD)

The undersigned, Thomas S. Catlin, under penalties of perjury and being first duly sworn on his oath, says that he is a Vice President and Principal of Exeter Associates, Inc., a Consultant for the Indiana Office of Utility Consumer Counselor; and in the matter of Cause No. 43526 that he caused to be prepared and read the foregoing that the representations set forth therein are true and correct to the best of his knowledge, information and belief.

Dated: May 6, 2009

Thomas S. Catlin
By:

Subscribed and sworn to before me, a Notary Public, this 6 day of May 2009.

Deborah M Adams
Signature

Deborah M Adams
Printed Name

My Commission Expires: 2/2011

My County of Residence: Prince Georges Co.

PUBLIC'S EXHIBIT NO. 2

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

NORTHERN INDIANA PUBLIC SERVICE COMPANY	))	CAUSE NO. 43526

SCHEDULES ACCOMPANYING THE

DIRECT TESTIMONY

OF

THOMAS S. CATLIN

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 8, 2009

EXETER

ASSOCIATES, INC.
5565 Sterrett Place
Suite 310
Columbia, Maryland 21044

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Operating Income
Test Year Ended December 31, 2007

	Petitioner Amounts at Present Rates (1)	OUCC Adjustments	Amounts per OUCC at Present Rates	Revenue Increase/ (Decrease)	Amounts After Revenue Incr. / (Decr.)
Operating Revenues					
Total Operating Revenues	$ 1,401,007,037	$ 76,427,779	$ 1,477,434,816	$(135,263,938)	$ 1,342,170,878
Operating Expenses					
Fuel & Purchased Power	$ 524,316,389	$ (378,715)	$ 523,937,674	$ -	$ 523,937,674
Other O&M Expense	341,707,536	(4,629,819)	337,077,717	(306,508)	336,771,209
Depreciation Expense	197,292,499	(58,011,511)	139,280,988	-	139,280,988
Amortization Expense	31,014,824	(7,280,120)	23,734,704	-	23,734,704
Taxes Other Than Income	62,524,605	596,066	63,120,671	(2,056,553)	61,064,118
State Income Taxes	20,989,934	10,920,491	31,910,425	(11,457,539)	20,452,886
Federal Income Taxes	54,348,348	40,870,615	95,218,963	(42,505,168)	52,713,795
Total Operating Expenses	$ 1,232,194,135	$ (17,912,993)	$ 1,214,281,142	$ (56,325,768)	$ 1,157,955,374
Utility Operating Income	$ 168,812,902	$ 94,340,772	$ 263,153,674	$ (78,938,170)	$ 184,215,504
Rate Base	$ 2,665,421,829		$ 2,639,190,607		$ 2,639,190,607
Rate of Return	6.33%		9.97%		6.98%

Note:

(1) Amounts per Petitioner's Exhibit LEM-2 (Revised) including utility receipts tax expense related to fuel and purchased power. Revenues have been adjusted to match those shown in the cost of service study including fuel provided to the parties on April 24, 2009.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Determination of Revenue Increase/(Decrease)
Test Year Ended December 31, 2007

	Amount per Petitioner (1)	Amount Per OUCC	Source
Recommended Rate Base	2,665,421,829	$ 2,639,190,607	Schedule TSC-2
Required Rate of Return	8.37%	6.98%	
Net Operating Income Required	$ 223,095,807	$ 184,215,504	
Net Operating Income at Present Rates	168,812,902	263,153,674	Schedule TSC-1, page 1
Net Income Surplus/(Deficiency)	$ (54,282,904)	$ 78,938,170	
Revenue Multiplier (2)	1.7135429	1.7135429	
Base Rate Revenue Increase	$ 93,015,933	$ (135,263,938)	

Verification			
Revenue Increase/(Decrease)		$ 93,015,933	$ (135,263,938)
Less: IURC Fee	0.1204%	111,991	(162,858)
Bad Debt	0.2266%	210,774	(306,508)
State Taxable Income		$ 92,693,168	$ (134,794,572)
State Income Tax	8.5000%	7,878,919	(11,457,539)
Indiana Utility Receipts Tax	1.4000%	1,302,223	(1,893,695)
Federal Taxable Income		$ 83,512,026	$ (121,443,338)
Federal Income Tax	35.0000%	29,229,209	(42,505,168)
Net Income Surplus/(Deficiency)		$ (54,282,817)	$ 78,938,170

Notes:

(1) Per Petitioner's Exhibit LEM-2 (Revised).

(2) Calculation of Conversion Factor	Tax Rates	
Revenues		1.000000
IURC Fee	0.1204%	0.001204
Bad Debt	0.2266%	0.002266
Subtotal		0.996530
Indiana Utility Receipts Tax	1.4000%	0.014000
Gross Revenue Conversion Factor		0.982530
State Taxable Income		0.996530
State Income Tax	0.085000	0.084705
Net Federal Taxable Income		0.897825
Federal Income Tax	0.35000	0.314239
Revenue Conversion Factor		0.5835862
Revenue Multiplier		1.71354287

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Rate Base
Test Year Ended December 31, 2007

Description	Indiana Jurisdictional Amount per Petitioner (1)	OUCC Adjustments	Adjusted Per OUCC
Utility Plant	$ 5,205,578,748	$ -	$ 5,205,578,748
Common Allocated	214,502,540	-	214,502,540
Less: Disallowed Plant - Unit 17	31,733,655	-	31,733,655
Total Utility Plant in Service	$ 5,388,347,633	$ -	5,388,347,633
Accumulated Depreciation & Amortization	(2,800,380,478)	-	(2,800,380,478)
SC Accumulated Depreciation & Amortization	(5,618,432)	-	(5,618,432)
Common Allocated	(98,409,168)	-	(98,409,168)
Less: Disallowed Plant - Unit 17	(27,399,652)	-	(27,399,652)
Net Utility Plant in Service	$ 2,511,339,207	$ -	$ 2,511,339,207
Pure Air Deferred Charges	526,218	(526,218)	-
Unit 17 Depreciation	542,928	-	542,928
Unit 18 Depreciation	5,206,694	-	5,206,694
Unit 18 Depreciation Carrying Charges	16,132,193	-	16,132,193
Prepaid Pension Asset	25,705,004	(25,705,004)	-
Material & Supplies	46,907,735	-	46,907,735
Material & Supplies	1,495,291	-	1,495,291
Production Fuel	57,566,559	-	57,566,559
Original Cost Rate Base	$ 2,665,421,829	$ (26,231,222)	$ 2,639,190,607

Note:
(1) Per Petitioner's Exhibit LEM-4 (Revised).

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Adjustments to Rate Base
Test Year Ended December 31, 2007

	Amount	Source
Rate Base per Petitioner's Filing	$ 2,665,421,829	Petitioner's Exhibit LEM-4 (Revised)
OUCC Adjustments		
Eliminate Prepaid Pension Asset	(25,705,004.00)	Schedule TSC-5
Eliminate Pure Air Deferred Balance	(526,218)	Schedule TSC-6
Total OUCC Adjustments	$ (26,231,222)	
OUCC Adjusted Rate Base	$ 2,639,190,607	

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Adjustments to Net Income
Test Year Ended December 31, 2007

	Amount	Source
Net Income per Petitioner	$ 168,812,902	Per Petitioner's Exhibit LEM-2 (Revised).
OUCC Adjustments		
Adjustment to Reflect Expiration of $55 Million Customer Credit	32,771,941	Schedule TSC-7
Adjustment to Metal Melting Revenue	104,273	Schedule TSC-8
Adjustment to Reflect Credit for Off System Sales	5,192,762	Schedule TSC-9
Adjustment to Include Revenue from Sales of Emissions Allowances	7,012,459	Schedule TSC-10
Adjustment to Gasoline and Diesel Fuel Costs	1,272,194	Schedule TSC-11
Adjustment to Variable Production Costs	2,379,736	Schedule TSC-12
Adjustment to Aging Workforce Expense	1,070,334	Schedule TSC-13
Adjustment to Allowance for Employee Vacancies	584,994	Schedule TSC-14
Adjustment to Additonal Staffing due to Reorganization	1,116,540	Schedule TSC-15
Adjustment to Include MISO Administrative Fees	(3,168,192)	Schedule TSC-16
Adjustment to Eliminate Remediation Expense	248,232	Schedule TSC-17
Adjustment to the Amortization of Deferred MISO Costs	3,203,744	Schedule TSC-18
Adjustment to the Amortization of Rate Case Expense	588,590	Schedule TSC-19
Adjustment to Depreciation Expense	34,502,346	Schedule TSC-20
Adjustment to Amort. of Deferred Sugar Creek Depreciation Expense	537,517	Schedule TSC-21
Adjustment to Utility Receipts Taxes	(508,746)	Schedule TSC-22
Adjustment to Public Utility (IURC) Fee	(40,033)	Schedule TSC-23
Interest Synchronization	7,472,081	Schedule TSC-4
Total OUCC Adjustments	$ 94,340,772	
OUCC Adjusted Net Income	$ 263,153,674	

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Summary of Adjustments to Net Income
Test Year Ended December 31, 2007

	Revenues	O&M Expenses	Depreciation Expense	Amortization Expense	Taxes Other Than Income	State Income Taxes	Federal Income Taxes	Net Operating Income
Net Income per Petitioner	$ 1,401,007,037	$ 866,023,925	$ 197,292,499	$31,014,824	$62,524,605	$20,989,934	$ 54,348,348	$ 168,812,902
OUCC Adjustments								
Adjustment to Reflect Expiration of $55 Million Customer Credit	55,102,044	-	-	-	-	4,683,674	17,646,430	32,771,941
Adjustment to Metal Melting Revenue	804,136	628,813	-	-	-	14,902	56,147	104,273
Adjustment to Reflect Credit for Off System Sales	8,731,000	-	-	-	-	742,135	2,796,103	5,192,762
Adjustment to Include Revenue from Sales of Emissions Allowances	11,790,599	-	-	-	-	1,002,201	3,775,939	7,012,459
Adjustment to Gasoline and Diesel Fuel Costs	-	(2,139,040)	-	-	-	181,818	685,028	1,272,194
Adjustment to Variable Production Costs	-	(4,001,238)	-	-	-	340,105	1,281,396	2,379,736
Adjustment to Aging Workforce Expense	-	(1,702,079)	-	-	(97,558)	152,969	576,334	1,070,334
Adjustment to Allowance for Employee Vacancies	-	(928,455)	-	-	(55,142)	83,606	314,997	584,994
Adjustment to Additonal Staffing due to Reorganization	-	(1,776,094)	-	-	(101,232)	159,573	601,214	1,116,540
Adjustment to Include MISO Administrative Fees	-	5,326,931	-	-	-	(452,789)	(1,705,950)	(3,168,192)
Adjustment to Eliminate Remediation Expense	-	(417,372)	-	-	-	35,477	133,663	248,232
Adjustment to the Amortization of Deferred MISO Costs	-	-	-	(5,386,708)	-	457,870	1,725,093	3,203,744
Adjustment to the Amortization of Rate Case Expense	-	-	-	(989,643)	-	84,120	316,933	588,590
Adjustment to Depreciation Expense	-	-	(58,011,511)	-	-	4,930,978	18,578,186	34,502,346
Adjustment to Amort. of Deferred Sugar Creek Depreciation Expense	-	-	-	(903,770)	-	76,820	289,432	537,517
Adjustment to Utility Receipts Taxes	-	-	-	-	782,687	-	(273,940)	(508,746)
Adjustment to Public Utility (IURC) Fee	-	-	-	-	67,311	(5,721)	(21,556)	(40,033)
Interest Synchronization	-	-	-	-	-	(1,567,247)	(5,904,834)	7,472,081
Total OUCC Adjustments	$ 76,427,779	$ (5,008,534)	$ (58,011,511)	$ (7,280,120)	596,066	$10,920,491	$ 40,870,615	$ 94,340,772
OUCC Adjusted Net Income	$ 1,477,434,816	$ 861,015,391	$ 139,280,988	$23,734,704	63,120,671	$31,910,425	$ 95,218,963	$ 263,153,674

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Calculation of Current Income Tax
Test Year Ended December 31, 2007

	Amount per Petitioner at Present Rates	OUCC Adjustments	Adjusted Per OUCC at Present Rates	Revenue Increase/ (Decrease)	Amounts After Revenue Increase
Operating Income before Income Taxes	$ 244,151,184	$ 146,131,878	$ 390,283,062	$ (132,900,877)	$ 257,382,185
Adjustments					
Interest Expense (1)	57,306,569	18,438,201	75,744,770	-	$ 75,744,770
Utility Receipts Tax (2)	-	(782,687)	(782,687)	1,893,695	$ 1,111,008
Total Adjustments	$ 57,306,569	$ 17,655,514	$ 74,962,083	$ 1,893,695	$ 76,855,778
Income Subject to State Income Tax	$ 186,844,615	$ 128,476,364	$ 315,320,979	$ (134,794,572)	$ 180,526,407
State Income Tax at 8.5%	$ 15,881,792	$ 10,920,491	$ 26,802,283	$ (11,457,539)	$ 15,344,745
Other State Income Tax Components (3)	5,108,142	-	5,108,142	-	5,108,142
Total State Income Taxes	$ 20,989,934	$ 10,920,491	$ 31,910,425	$ (11,457,539)	$ 20,452,887
Operating Income before FIT	$ 244,151,184	$ 146,131,878	$ 390,283,062	$ (132,900,877)	$ 257,382,185
Adjustments					
Interest Expense	57,306,569	18,438,201	75,744,770	-	$ 75,744,770
Book/Tax Income Differences	-	-	-	-	$ -
State Income Tax	15,881,792	10,920,491	26,802,283	(11,457,539)	$ 15,344,745
Total Adjustments	$ 73,188,361	$ 29,358,692	$ 102,547,053	$ (11,457,539)	$ 91,089,515
Income Subject to Federal Income Tax	$ 170,962,823	$ 116,773,186	$ 287,736,009	$ (121,443,338)	$ 166,292,670
Federal Income Tax at 35%	$ 59,836,988	$ 40,870,615	$ 100,707,603	$ (42,505,168)	$ 58,202,435
Other Federal Income Tax Components (3)	(5,488,640)	-	$ (5,488,640)	-	$ (5,488,640)
Total Federal Income Tax	$ 54,348,348	$ 40,870,615	$ 95,218,963	$ (42,505,168)	$ 52,713,795

Notes:

(1) Calculation of Interest Deduction

Rate Base	$ 2,665,421,829		$ 2,639,190,607		$ 2,639,190,607
Weighted Cost of Debt	2.15%		2.87%		2.87%
Interest Deduction	$ 57,306,569	$ 18,438,201	$ 75,744,770		$ 75,744,770
State Income Tax Effect at 8.5%		(1,567,247)			
Federal Income Tax Effect at 35%		(5,904,834)			
Interest Synchronization Adjustment		$ (7,472,081)			

(2) Reflects OUCC Adjustment. Amount per NIPSCO is reflected in Other State Income Tax Components.

(3) Per Petitioner's Exhibit JMO-2 (Revised), Schedule 1.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Eliminate Prepaid Pension Asset from Rate Base
Test Year Ended December 31, 2007

Prepaid Pension Asset Per OUCC	$ -
Prepaid Pension Asset Per Petitioner (1)	25,705,004
Adjustment Rate Base	$ (25,705,004)

Note:
(1) Per Petitioner's Exhibit LEM-4, page 1.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Eliminate Pure Air Deferred Charges from Rate Base
Test Year Ended December 31, 2007

Balance of Pure Air Deferred Charges Per OUCC	$	-
Balance of Pure Air Deferred Charges Per Petitioner (1)		526,218
Adjustment Rate Base	$	(526,218)

Note:
(1) Per Petitioner's Exhibit LEM-4, page 1.

IURC Cause No. 43526
Schedule TSC-7

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Reflect Expiration of
$55 Million Customer Credit
Test Year Ended December 31, 2007

Revenue Effect of Expiration of $55 Million Customer Credit	$ 55,102,044
Amount per Petitioner (2)	-
Adjustment to Sales for Resale Revenue	$ 55,102,044

Notes:
(1) Per Exhibit D in Cause No. 38706-FAC82.

(2) Per response to Industrial Group Request 5-24.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Reflect Metal Melting Revenue
and Associated Fuel and Purcahsed Power Expense
Test Year Ended December 31, 2007

Test Year Metal Melting Revenue Removed by Petitioner (1)	$	804,136
Associated Fuel and Purchased Power Costs (2)		628,813
Increase in Income before Taxes	$	175,323

Notes:
(1) Amount per Petitioner's Exhibit LEM-3, Adjustment REV-6 Corrected.

(2) Amount per Petitioner's Exhibit LEM-3, Adjustment FP-2 Corrected.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Off System Sales Margins
Test Year Ended December 31, 2007

Off System Sales Margins to be Included in Base Rates per OUCC (1)	$ 8,731,000
Amount per Petitioner (2)	-
Adjustment to Operating Revenue	$ 8,731,000

Notes:
(1) Per Testimony of Andrew J. Satchwell.

(2) Amount after Adjustments REV-8 and FP-5 per Petioner's Exhibit LEM-3.

IURC Cause No. 43526
Schedule TSC-10

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Recognize Revenue
from the Sales of Emissions Allowances
Test Year Ended December 31, 2007

Revenue from Sales of Emissions Allowances per Books (1)	$ 11,790,599
Amount per Petitioner (2)	-
Adjustment to Operating Revenue	$ 11,790,599

Notes:
(1) Per Testimony of Cynthia M. Pruett,

(2) Amount after Adjustment REV-9 per Petioner's Exhibit No. LEM-3.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Gasoline and Diesel Fuel Costs
to Reflect Updated Fuel Prices
Test Year Ended December 31, 2007

Fuel Handling Costs		
Diesel Fuel Use at Generating Stations-Gallons (1)	479,319	
Price per Gallon at January 21, 2009 (2)	$ 1.93	
Annual Expense	$ 925,086	
Amount per Petitioner (1)	$ 1,932,614	
Adjustment to Fuel Handling Expense		$ (1,007,528)
Operation and Maintenance Expense		
Diesel Fuel Use (1)	714,042	
Price per Gallon at January 21, 2009 (2)	$ 1.93	
Annual Expense	$ 1,378,101	
Amount per Petitioner (1)	$ 3,561,306	
Adjustment to Diesel Fuel Costs		$ (2,183,205)
Gasoline Usage	912,532	
Price per Gallon at January 21, 2009 (3)	$ 1.92	
Annual Expense	$ 1,752,061	
Amount per Petitioner (1)	$ 4,002,365	
Adjustment to Gasoline Costs		$ (2,250,304)
Total Reduction in Gasoline and Diesel Fuel Costs		$ (4,433,509)
Percentage Cleared to O&M Expense (1)		25.522%
Adjustment to O&M Expense		$ (1,131,512)

Notes:
(1) Amount per Workpaper LEM-3 FP4 and Workpaper LEM-3 - OM-15.

(2) Amount per response to OUCC Request 22-016.

(3) Amount per response to OUCC Request 22-017.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Variable Production Costs
Test Year Ended December 31, 2007

Increase in Variable Production O&M per OUCC	$ -
Increase per Petitioner (1)	4,001,238
Adjustment to O&M Expense	$ (4,001,238)

Note:
(1) Amount per Petitioner's Exhibit LEM-3, Adjustment OM-2.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Aging Workforce Costs
Test Year Ended December 31, 2007

Allowable Aging Workforce Costs per OUCC (1)	$ 2,223,128
Requested Aging Workforce Costs per Petitioner (2)	3,925,207
Adjustment to O&M Expense	$ (1,702,079)
Associated Payroll Taxes per OUCC (1)	$ 127,422
Associated Payroll Taxes per Petitioner (3)	224,980
Adjustment to Payroll Taxes	$ (97,558)

Notes:
(1) Per Testimony of Barbara Smith.

(2) Amount per Petitioner's Exhibit LEM-3, Adjustment OM-7.

(3) Per Workpaper LEM-3 - OTX-5.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment for Employee Vacancies
Test Year Ended December 31, 2007

Allowance for Employee Vacancies per OUCC (1)	$	4,087,646
Allowance for Employee Vacancies per Petitioner (2)		5,016,101
Adjustment to O&M Expense	$	(928,455)
Associated Payroll Taxes per OUCC (1)	$	242,771
Associated Payroll Taxes per Petitioner (3)		297,913
Adjustment to Payroll Taxes	$	(55,142)

Notes:
(1) Per Testimony of Barbara Smith.

(2) Amount per Petitioner's Exhibit LEM-3, Adjustment OM-8.

(3) Per Workpaper LEM-3 - OTX-5.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment for Additional Staffing due to Reorganization
Test Year Ended December 31, 2007

Allowance for Additional Staffing per OUCC (1)	$ 4,637,695
Allowance for Additional Staffing per Petitioner (2)	6,413,789
Adjustment to O&M Expense	$ (1,776,094)
Associated Payroll Taxes per OUCC (1)	$ 264,336
Associated Payroll Taxes per Petitioner (3)	365,568
Adjustment to Payroll Taxes	$ (101,232)

Notes:

(1) Per Testimony of Barbara Smith.

(2) Amount per Petitioner's Exhibit LEM-3, Adjustment OM-9.

(3) Per Workpaper LEM-3 - OTX-5.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Recognize MISO Administrative Fees,
Schedule 24 and Schedule 26 Charges
Test Year Ended December 31, 2007

MISO Administrative Fees per OUCC (1)	$ 6,502,782
MISO Schedule 24 (1)	(1,287,485)
MISO Schedule 26 Charges (1)	111,634
Adjustment to Transmission O&M Expense	$ 5,326,931
MISO Costs in Base Rates Per Petitioner (2)	-
Adjustment to O&M Expense	$ 5,326,931

Notes:
(1) Per Testimony of Andrew J. Satchwell.

(2) Amount per Petitioner's Exhibit LEM-2 (Revised).

IURC Cause No. 43526
Schedule TSC-17

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Environmental Remediation Costs
Test Year Ended December 31, 2007

Allowable Super Fund Site Remediation Costs per OUCC (1)	$ -
Test Year Remediation Expensee per Petitioner (1)	417,372
Adjustment to O&M Expense ro Exclude Remediation Expense	$ (417,372)

Note:
(1) Per Testimony of Cynthia M. Pruett,

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to the Amortization of Deferred MISO Costs
Test Year Ended December 31, 2007

Deferred MISO Costs as of December 31, 2008 (1)	$ 22,928,564
Less: FERC Assessment Fees at Pre August 2006 Levels (2)	(632,732)
Less: Non Firm Transmission Revenue (3)	(10,818,454)
Adjusted Deferred MISO Costs	$ 11,477,378
Amortization Period in Years	4.0
Annual Amortization Expense per OUCC	$ 2,869,345
Annual Amortization Expense per Petitioner (4)	8,256,052
Adjustment to MISO Amortization Expense	$ (5,386,708)

Notes:

(1) Per supplemental response to OUCC Request 17-020.

(2) Refer to testimony.

(3) Per Testimony of Andrew J. Satchwell.

(4) Amount per Petitioner's Exhibit LEM-2, Adjustment DA-3.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to the Amortization of Rate Case Expense
Test Year Ended December 31, 2007

Rate Case Expense per Petitioner (1)	$	5,937,859
OUCC Proposed Amortization Period in Years		6.0
Annual Amortization Expense per OUCC	$	989,643
Annual Amortization Expense per Petitioner (1)		1,979,286
Adjustment to Rate Case Amortization Expense	$	(989,643)

Note:
(1) Amount per Petitioner's Exhibit LEM-2, Adjustment DA-4.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Depreciaton Expense
Test Year Ended December 31, 2007

Depreciation Expense per OUCC (1)	$ 139,053,666
Depreciation Expense per Petitioner (2)	197,065,177
Adjustment to Depreciation Expense	$ (58,011,511)

Notes:

(1) Per Testimony of Michael Majoros. Based on application of OUCC recommended depreciation rates to plant balances per Note (2).

(2) Amount per Petitioner's Exhibit LEM-2, Adjustment DA-2.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Amortization of
Deferred Sugar Creek Depreciation Expense
Test Year Ended December 31, 2007

Amortitization of Deferred Sugar Creek Depreciation per OUCC (1)	$	555,883
Amortitization of Deferred Sugar Creek Depreciation per Petitioner (2)		1,459,652
Adjustment to Depreciation Expense	$	(903,770)

Notes:

(1) Per Testimony of Michael Majoros.

(2) Amount per Petitioner's Exhibit LEM-2, Adjustment SCDA-7

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Indiana Utility Receipts Tax
Test Year Ended December 31, 2007

	Amount
Adjustement to Include $55 Million Revenue Credit (1)	$ 55,102,044
Additional Metal Melting Revenue (2)	804,136
Revenue Subject to Indiana Utility Receipts Tax	$ 55,906,180
IURT Tax Rate	1.40%
Adjustment to Indiana Utility Receipts Tax	$ 782,687

Notes:
(1) Per Schedule TSC-7.

(2) Per Schedule TSC-8.

IURC Cause No. 43526
Schedule TSC-23

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Adjustment to Public Utility (IURC) Fee
Test Year Ended December 31, 2007

	Amount
Adjustement to Include $55 Million Revenue Credit (1)	$ 55,102,044
Additional Metal Melting Revenue (2)	804,136
Revenue Subject to Public Utility Fee	$ 55,906,180
Public Utility Fee Rate	0.1204%
Adjustment to Indiana Utility Receipts Tax	$ 67,311

Notes:
(1) Per Schedule TSC-7.

(2) Per Schedule TSC-8.