

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC)
SERVICE COMPANY LLC PURSUANT TO IND.)
CODE §§ 8-1-42.7, 8-1-2-61 AND IND. CODE § 8-1-2.5-6)
FOR (1) AUTHORITY TO MODIFY ITS RATES AND)
CHARGES FOR ELECTRIC UTILITY SERVICE)
THROUGH A PHASE IN OF RATES; (2) APPROVAL)
OF NEW SCHEDULES OF RATES AND CHARGES,)
GENERAL RULES AND REGULATIONS, AND)
RIDERS; (3) APPROVAL OF REVISED COMMON)
AND ELECTRIC DEPRECIATION RATES)
APPLICABLE TO ITS ELECTRIC PLANT IN)
SERVICE; (4) APPROVAL OF NECESSARY AND)
APPROPRIATE ACCOUNTING RELIEF; AND (5))
APPROVAL OF A NEW SERVICE STRUCTURE FOR)
INDUSTRIAL RATES.)

CAUSE NO. 45159

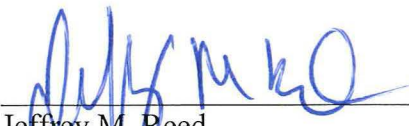
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

NEHA MEDHEKAR - PUBLIC'S EXHIBIT NO. 2

FEBRUARY 13, 2019

Respectfully submitted,



Jeffrey M. Reed
Attorney No. 11651-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS NEHA MEDHEKAR
CAUSE NO. 45159
NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC

I. INTRODUCTION

1 **Q: Please state your name, business address, and employment capacity.**

2 A: My name is Neha Medhekar, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, IN, 46204. I am employed by the Indiana Office
4 of Utility Consumer Counselor ("OUCC") as a Utility Analyst II in the Electric
5 Division. My qualifications are set forth in Appendix A to this testimony.

6 **Q: What is the purpose of your testimony in this proceeding?**

7 A: I present the OUCC's analysis of (1) pro forma tax adjustments made by Northern
8 Indiana Public Service Company LLC ("NIPSCO" or "Petitioner") and (2)
9 NIPSCO's request to exclude Utility Receipts Tax ("URT") from base rates. I also
10 explain and support specific adjustments to NIPSCO's proposed federal and state
11 income tax expense and total taxes other than income. I do not address excess
12 accumulated deferred income taxes, as OUCC witness Wes Blakley provides
13 testimony and makes recommendations on this issue.

14 **Q: What have you done to evaluate NIPSCO's request in this Cause?**

15 A: I reviewed NIPSCO's federal and state income tax expense and taxes other than
16 income expense adjustments as presented in the testimony of NIPSCO witnesses
17 Michael McCuen, Jennifer Shikany, and Clifton Scott. I also reviewed NIPSCO's
18 testimony describing its proposed change to how URT is reflected in the revenue
19 requirement and on customers' bills. I prepared discovery and reviewed NIPSCO's

1 responses. Finally, I participated in an audit on December 18 and 19, 2018 at
2 NIPSCO's Merrillville office.

II. TAX REFORM

3 **Q: Does NIPSCO's filing include ratepayer benefits resulting from the Tax Cuts**
4 **and Jobs Act of 2017 ("TCJA")?**

5 A: Yes. The testimony of Mr. McCuen discusses proposed adjustments to reflect
6 various tax rate changes in NIPSCO's revenue requirement, including the most
7 recent TCJA, which reduced the federal corporate income tax rate to 21%. Because
8 the TCJA resulted in a federal tax decrease from 35% to 21%, NIPSCO has excess
9 deferred taxes. The excess deferred tax between the 35% rates and the current 21%
10 rate are being returned to the customer over the remaining life of the assets.¹

III. ADJUSTMENTS FOR TAXES OTHER THAN INCOME

11 **Q: Please describe the major components of NIPSCO's tax expenses other than**
12 **income tax.**

13 A: NIPSCO's tax expenses, other than income taxes, consist of property taxes, payroll
14 taxes, public utility fees, and utility receipts taxes.²

15 **Q: What is the level of forecasted tax expenses, other than income taxes, included**
16 **by NIPSCO in this filing?**

17 A: In this filing, NIPSCO's total forecasted tax expenses ending December 31, 2019,
18 other than income taxes, is \$66,011,931. This includes the following:

- 19 • Property Tax amount of \$28,509,727;
20 • Payroll Tax amount of \$11,110,694;

¹ Direct Testimony of Michael D. McCuen, Page 7, Lines 9-18.

² Direct Testimony of Clifton Scott, page 31, lines 6-7.

- 1 • Sales Tax amount of \$0;
- 2 • Utility Receipt Tax amount of \$24,450,134; and
- 3 • Public Utility Fee amount of \$1,941,376.³

4 *Property Tax*

5 **Q: What was NIPSCO's 2017 actual property tax expenses and 2018 forecasted**
6 **property tax expenses?**

7 A: NIPSCO's actual property tax expense for 2017 was \$23,200,261, and NIPSCO's
8 forecasted property tax expenses for 2018 was \$25,600,180.⁴

9 **Q: Why is NIPSCO proposing an increase in forecasted 2018 and 2019 property**
10 **tax expenses compared to its 2017 actual property tax expenses?**

11 A: Mr. Scott stated in his testimony that the forecasted property tax expenses increase
12 in 2018 and in 2019 compared to 2017 actual property tax expenses is primarily
13 related to the increase in assessed value resulting from property additions.⁵

14 **Q: Are NIPSCO's forecasted property tax expenses of \$25,600,180 for 2018 and**
15 **\$28,509,727 for 2019 reasonable?**

16 A: Yes. I reviewed and analyzed the workpapers submitted by NIPSCO related to its
17 calculation of property tax expenses, which show forecasted property additions.
18 According to NIPSCO's workpapers, these property additions are related to its
19 trackers, Transmission, Distribution, and Storage System Improvement Charge
20 ("TDSIC"), and planned repairs. The increase in property additions matches the
21 increase in taxes.⁶

³*Id.* at 32, Table 9. *See also* Direct Testimony of Jennifer L. Shikany, Attachment 4-B-S2, OTX Module.

⁴ *Id.* Attachment 4-B-S2, OTX Module

⁵ Direct Testimony of Clifton Scott, page 32, lines 10-12 through page 33, line 1.

⁶ *See* Attachment NM-1.

1 **Q: Did Petitioner make any adjustments to remove Multi Value Project (“MVP”)**
2 **property taxes?**

3 A: Yes. According to Ms. Shikany, and consistent with the Indiana Utility Regulatory
4 Commission’s (“Commission”) Order in Cause No. 44156 RTO-1, Petitioner
5 removed all property tax expenses associated with MVPs from the revenue
6 requirement in this case:

7 Adjustment OTX 1-19R is to decrease Forward Test Year property
8 tax expenses in the amount of \$1,639,717 to remove MVP property
9 taxes. By its August 22, 2012 Order in Cause 44156-RTO-1, the
10 Commission authorized NIPSCO to retain 100% of the MISO
11 Schedule 26-A revenues associated with NIPSCO’s construction of
12 MVP projects and exclude MVP projects constructed by NIPSCO
13 from NIPSCO’s state retail jurisdictional rate base for the purpose
14 of state ratemaking. As discussed above NIPSCO has excluded the
15 MVP revenues (Adjustment REV 10-19R) and related operation and
16 maintenance expenses (Adjustment OM 2M-19R) from its state
17 jurisdictional operating expenses in this proceeding. As I discuss
18 below in Adjustment RB 2-19R, NIPSCO will also remove MVP
19 assets from its state jurisdictional rate base in this proceeding.
20 NIPSCO Witness McCuen discusses this adjustment. If this
21 adjustment is not included, the Forward Test Year electric property
22 tax expenses would be overstated.⁷

23 *Payroll Tax*

24 **Q: Does NIPSCO make an adjustment to its forecasted 2019 payroll tax expense**
25 **of \$11,110,694⁸?**

26 A: Yes. NIPSCO adjusted its forecasted 2019 payroll tax expense by \$524,989 to
27 reflect total company payroll tax expense of \$15,872,419 adjusted for an
28 approximate 66.69%⁹ allocation to electric service. This adjustment, reduces

⁷ See Direct Testimony of Jennifer Shikany, page 85, lines 12-18 through page 86, lines 1-7.

⁸ NIPSCO’s total company forecasted 2019 payroll tax expense of \$15,872,419 multiplied by its budgeted electric service allocation of approximately 70.00%.

⁹ NIPSCO’s actual 2017 payroll tax expense electric service allocation.

1 NIPSCO's proposed payroll tax expense to \$10,585,705.¹⁰ The payroll tax amount
2 is based on operation and maintenance ("O&M") labor expense of \$137,286,085.¹¹

3 **Q: Does your calculation of payroll tax expense match NIPSCO's proposed**
4 **payroll tax expense amount?**

5 A: No. Reflecting OUCC witness Michael Eckert's adjustment to O&M labor expense,
6 my calculation of payroll tax expense is \$10,068,480. Therefore, I recommend
7 NIPSCO's proposed payroll tax expense amount be reduced by \$517,225.¹²

8 *Public Utility Fee*

9 **Q: Did you make an adjustment to NIPSCO's calculation of the public utility fee?**

10 A: No. NIPSCO's calculation of public utility fee, shown in its workpapers, is
11 consistent with the Commission's 2018 Annual Report which provided the 2018-
12 2019 public utility fee billing rate as 0.001202040. Attachment NM-4 shows the
13 Commission's 2018 Annual Report.

IV. CHANGES RELATED TO UTILITY RECEIPTS TAX

14 **Q: Please explain NIPSCO's proposal to remove utility receipts tax ("URT") from**
15 **its base rates.**

16 A: Mr. McCuen explains that NIPSCO is subject to a 1.4% URT on all receipts, except
17 sales for resale and sales to federal government agencies. The URT is then grossed-
18 up for income taxes and accounted for in the revenue requirement. Mr. McCuen
19 further explains that if the Commission allows NIPSCO to separately state the URT

¹⁰ NIPSCO's total company forecasted 2019 payroll tax expense of \$15,872,419 multiplied by its actual 2017 electric service allocation of approximately 66.69%. *Also see* Attachment NM-2, NIPSCO's Workpaper OTX 2, Page [.8].

¹¹ *Id.*, Attachment 4-B-S2, OTX Module & O&M Module.

¹² *See* Attachment NM-3& Direct testimony of Michael Eckert's testimony, Schedule MDE-5, Page 4 &13.

1 on customer bills, NIPSCO will meet all three requirements of Ind. Code § 6-2.3-
2 3-4(a).¹³ NIPSCO proposes to remove the URT from its revenue requirement,
3 thereby eliminating the gross-up. NIPSCO also proposes to separately state URT
4 as a line item on customer bills.¹⁴

5 **Q: Will NIPSCO's customers benefit from removing URT from base rates?**

6 A: Yes. Customer rates are based upon NIPSCO's revenue requirement, including the
7 tax gross-up. On page 14 of his testimony, Mr. McCuen indicates removing URT
8 from the tax gross-up calculation has an estimated benefit to NIPSCO's ratepayers
9 of approximately \$500,000.¹⁵

10 **Q: Does the OUCC object to NIPSCO's proposal regarding URT?**

11 A: No. Given the reduction to the gross-up created by separating URT, the public
12 interest is served by NIPSCO's proposal. An additional benefit of NIPSCO's
13 proposal is the added transparency resulting from URT shown as a separate line
14 item on customer bills. Considering these benefits, the OUCC does not object to
15 NIPSCO's proposal to remove URT from its revenue requirement.

16 **Q: What will be the effect on NIPSCO's revenue requirement if the Commission**
17 **disallows NIPSCO's proposal to remove URT from base rates?**

18 A: If the Commission does not approve NIPSCO's request to exclude the URT from
19 base rates, then URT would need to be included in total cost related to taxes other

¹³ (a) Gross receipts do not include collections by a taxpayer of a tax, fee, or surcharge imposed by a state, a political subdivision, or the United States if:

(1) the tax, fee, or surcharge is imposed solely on the sale at retail of utility services;
(2) the tax, fee, or surcharge is remitted to the appropriate taxing authority; and
(3) the taxpayer collects the tax, fee, or surcharge separately as an addition to the price of the utility service sold.

¹⁴ See Direct Testimony of Michael D. McCuen, Page 13, lines 17-18 through page 14, lines 1-3.

¹⁵ *Id.* at 14, line 19-20.

1 than income. This would increase NIPSCO's current proposed revenue requirement
2 amount. NIPSCO is requesting that retail electric rates be designed to recover,
3 through base rates, the gross retail electric revenue amount of \$1,545,815,189.¹⁶
4 This revenue amount would change to \$1,578,810,172 if URT is included in the
5 revenue requirement.

V. STATE INCOME TAX EXPENSES

6 **Q: Please explain NIPSCO's adjustment to the state income tax rate.**

7 A: In its filing, NIPSCO used a state income tax rate of 5.625%, which is a blend of
8 the 5.75% state income tax rate effective as of July 1, 2018 to June 30, 2019 and
9 the 5.5% rate that will be in effect when the rates approved in this proceeding go
10 into effect.¹⁷

11 **Q: Do you oppose NIPSCO's calculated state income tax rate?**

12 A: No. Blending the income tax rates from July 2018 and July 2019 is a reasonable
13 approach to addressing NIPSCO's forward looking test period in this case, and sets
14 an appropriate state income tax expense going forward. My Attachment NM-5
15 shows the state income tax rate history, which matches NIPSCO's proposed state
16 income tax rate.

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

18 A: Any adjustment to income results in an adjustment to income tax expense.
19 Therefore, as a result of the OUCC's proposed adjustments to NIPSCO's revenue
20 requirement, Attachment NM-6 shows the effect of applying the blended state

¹⁶ *Id.*, Attachment 4-A-S2, Page 1, Line 2.

¹⁷ *Id.* at 9, lines 11-12.

1 income tax rate to the OUCC's proposed revenue requirement. This is a reduction
2 of \$573,729 from NIPSCO's proposed state income tax expenses. Likewise, the
3 OUCC's proposed revenue requirement adjustments result in a decrease in federal
4 income taxes of \$2,021,439. The resulting net reduction in income tax expenses is
5 \$2,595,168.

6 **Q: Please explain NIPSCO's adjustment for the excess state deferred tax.**

7 A: Mr. McCuen explained that the Indiana General Assembly has made a few changes
8 to the Adjusted Gross Income tax rates over the past several years, and that the 2014
9 decrease in the Adjusted Gross Income tax rate will be phased in over seven years.

10 According to McCuen testimony, page 10:

11 The Indiana General Assembly has made a few changes to the Adjusted
12 Gross Income tax rates over the past several years, as follows:

13 2002: Increased rate from 4.5% to 8.5%

14 2011: Periodic decrease in rate from 8.5% to 6.5% by 2022

15 2014: Periodic decrease in rate from 6.5% to 4.9% by 2022

16 The 2014 decrease in the Adjusted Gross Income tax rate will be phased in
17 over 7 years. The tax rate decreases each year on July 1. The deferred tax
18 requirement changed in 2011 when the rate decreased to 6.5% and again in
19 2014 when the rate was reduced from 6.5% to 4.9%. These combined
20 decreases in the tax rate resulted in excess state deferred taxes. During the
21 Forward Test Year, the Company will incur state income taxes of
22 \$3,584,216, as shown on Attachment 14-B (page 2, line 18), as a result of
23 book in excess of tax deductions and excess deferred taxes. Similar to the
24 federal excess and deficiency, recovery of the state income taxes occurs
25 over the regulatory life of the assets.

26 In 2014, the Indiana State legislature passed a law that started stepping down the
27 rate from 8.5 to 4.9% by 2021. But prior to this Indiana's state rate was 3% between
28 1973 and 1986. In 1987 the rate step up to 3.4% thru 2002. In 2003 the rate jumped

1 up to 8.5% which have resulted in deficient deferred taxes. I have no objection to
2 NIPSCO's calculation of state excess deferred taxes.

VI. RECOMMENDATIONS

3 **Q: What do you recommend with respect to NIPSCO's proposed taxes other than**
4 **income, federal and state excess deferred taxes, changes to URT, and federal**
5 **and state income tax expense?**

6 A: I recommend the Commission:

7 1) Approve NIPSCO's proposed adjustment to property tax expense, public utility
8 fee, federal excess deferred taxes resulting from the TCJA, and state excess
9 deferred taxes.

10 2) Approve NIPSCO's proposal to remove URT from its revenue requirement and
11 separately state URT as a line item on customer bills; given the customer
12 benefits it yields.

13 3) Approve the OUCC's adjustment to payroll tax expense and federal and state
14 income tax expenses as shown in my Attachments 3 and 6.

15 **Q: Does this conclude your testimony?**

16 A. Yes.

APPENDIX A

1 **Q: Summarize your professional background and experience.**

2 A: I graduated from the University of Pune, India in 2007 with a Bachelor of
3 Commerce degree. In 2009, I received my MBA in Finance and International
4 Business Management from The University of Pune, India. In 2010 - 2012, I
5 worked as an Associate Professor with ATSS, University of Pune. In 2018, I
6 graduated from the Kelley School of Business at IUPUI with a Master of Science
7 in Taxation. During my course of study at IUPUI, I worked as a Tax Analyst Intern
8 at Indiana Department of Revenue. From 2016– 2017, I worked as an Accountant-
9 Tax and Financial Accounting at Bering CPA Firm. I began my regulatory career
10 with the OUCC in 2018 as a Utility Analyst II in the Electric Division. I attended
11 “The Basics” Practical Regulatory Training for the Electric Industry, sponsored by
12 the National Association of Regulatory Utility Commissioners (“NARUC”) and the
13 New Mexico State University Center for Public Utilities, in Albuquerque, New
14 Mexico.

15 **Q: Have you previously testified before the Commission?**

16 A: Yes.

17 **Q: Describe some of your duties at the OUCC.**

18 A: I review Indiana utilities’ requests for regulatory relief filed with the Commission.
19 I also prepare and present testimony based on my analyses, and make
20 recommendations to the Commission on behalf of Indiana utility consumers.

Calculation of Property Tax Expenses

	As per NIPSCO		As per OUCC
Total Assessed Value Personal and Real Property	\$1,360,301,595.60		\$ 1,360,301,596
Effective Tax Rate	2.1365%		2.1365%
Indiana Taxes on Personal and Real Property	\$29,062,844		\$29,062,843.59
Other Payments - Other States	130000		130000
Total NIPSCO - All states	29230000		29230000
CWIP Adjustment - Capitalized Tax	-725000		-725000
Net Expense	28505000		28505000
Property Tax Expense - Budgeted Jan-Dec 2019	28509726.62		28509726.62
Remove Nonjurisdiction Property Tax			
MVP Property Tax	1634990.07		1634990.07
2019 Ratemaking Property Tax Expense	\$26,870,009.93		\$26,870,009.93

Pro-Forma 2019 Pay 2020 Plan

Calculation Date	7/11/2018
Assessed Value	2012535270
Tax	42998580
Effective Rate	2.13653796

Public Exhibit No. 2
Cause No. 45159
Attachment NM-2

Workpaper OTX 2
Page [.8]

Northern Indiana Public Service Company LLC
Taxes Other Than Income - Payroll Taxes
Budget
December 31, 2017, 2018 and 2019

Line		Actual	Budget			
No.	Description	2017	2018	2019	2019R	
NIPSCO Total						
1	Payroll Tax Expense	\$ 15,022,306 [.]	\$ 15,264,743	\$ 15,872,419 C	\$ 15,872,419 C	
NIPSCO Electric						
2	Payroll Tax Expense (Line 1 X Line 3)	\$ 10,018,744 [.] , A	\$ 10,227,378 [.]	\$ 11,110,694 [.]	\$ 10,585,705 [.]	
3	Electric % Allocation	66.69% [.] , B	67.00%	70.00%	66.69% B	

Commission's Budget and 2018-2019 Public Utility Fee Calculation

2018-2019 Public Utility Fee Calculation

BILLABLE PORTION OF THE BUDGET

2018-2019 (FY19) BUDGET AS PASSED

Utility Regulatory Commission	\$ 9,406,819.00
Utility Consumer Counselor	\$ 6,512,777.00
Expert Witness Fund	\$ 839,678.00
Contingency Fund	\$ 250,000.00

Total 2018-2019 Budget	<u>\$ 17,009,274.00</u>
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2017-2018 (FY18) BUDGET AUGMENTATIONS

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

2016-2017 (FY17) REVERSIONS

Utility Regulatory Commission	\$ 294,734.31
Utility Consumer Counselor	\$ 207,098.00
Expert Witness Fund	\$ 989,939.83
Contingency Fund	\$ 250,000.00
Bond Fee Collections	\$ 99,100.00
Municipal Fee Collections	\$ 284,671.18
Other Revenue (FY16 PUF Fees received in FY17)	\$ 1,842.29

Total 2016-2017 (FY17) Reversions	<u>\$ 2,127,385.61</u>
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PRIOR YEAR ADJUSTMENTS

Expert Witness Fund Reversion	\$ ----
Pre-FY2017 Purchase Orders reduced in FY2017	\$ 48,627.51
Pipeline Safety Grant Revenue	\$ ----

Total Adjustments	\$ 48,627.51
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Billable Portion of the 2018-2019 (FY19) Budget	<u>\$ 14,833,260.88</u>
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2017 UTILITY INTRA-STATE REVENUES

Electric Utilities (44)	\$ 8,827,606,651.48
Gas Utilities (20)	\$ 1,358,090,825.57
Sewer Utilities (22)	\$ 79,831,520.84
Telecommunication Utilities (189)	\$ 1,831,699,275.18
Water Utilities (30)	\$ 242,839,240.43

Total Utility Intra-State Revenues	<u>\$ 12,340,067,513.50</u>
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2018-2019 PUBLIC UTILITY FEE BILLING RATE

Billable Portion of the 2018-2019 Budget	\$ 14,833,260.88
Divide by: Total 2017 Utility Intra-State Revenues	\$ 12,340,067,513.50

2018-2019 Public Utility Fee Billing Rate	<u>0 .001202040</u>
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Indiana Department of Revenue [\(/dor/\)](#)[DOR \(/DOR/INDEX.HTM\)](#) » [BUSINESS TAX \(/DOR/3335.HTM\)](#) » [TAX RATES, FEES & PENALTIES \(/DOR/3343.HTM\)](#) » CORPORATE TAX RATE HISTORY**CORPORATE TAX RATE HISTORY****Gross Income Tax** (general corporations)

Month - Year	High Rate	Low Rate
05/1933 - 06/1963	1.00 %	.2500%
07/1963 - 03/1973	2.00%	.5000%
04/1973 - 12/1973	1.90%	.4750%
1974	1.80%	.4500%
1975	1.70%	.4250%
1976	1.60%	.4000%
1977	1.55%	.3875%
1978	1.50%	.3750%
1979	1.45%	.3623%
1980	1.40%	.3500%
1981	1.35%	.3375%
1982 - 1984	1.30%	.3250%
1985	1.25%	.3125%
1986 - 2002	1.20%	.3000%
2003	0%	0% (repealed Jan. 1, 2003)

Adjusted Gross Income Tax (general corporations, non-financial Institutions)

Month - Year	Rate
07/1963 - 1972	2.0%
1973 - 1986	3.0%
1987	3.2% (3.4% effective rate July 1, 1987)
07/1987 - 2002	3.4%
2003 - June 30, 2012	8.5%
July 1, 2012 - June 30, 2013	8%
July 1, 2013 - June 30, 2014	7.5%
July 1, 2014 - June 30, 2015	7%
July 1, 2015 - June 30, 2016	6.5%
July 1, 2016 - June 30, 2017	6.25%
July 1, 2017 - June 30, 2018	6.0%
July 1, 2018 - June 30, 2019	5.75%
July 1, 2019 - June 30, 2020	5.5%
July 1, 2020 - June 30, 2021	5.25%
July 1, 2021 -	4.9%

Supplemental Net Income Tax (all corporations, financial institutions until 1989)

Month - Year	Rate
1973 - 1974	2.0%
1975 - 1976	2.5%
1977 - 1980	3.0%
1982 - 1986	4.0%
1987 - 2002	4.5%
2003	0% (repealed 01-01-2003)

Financial Institutions Tax (replaced former bank taxes)

Month - Year	Rate
1990 – 2013	8.5%
January 1, 2014 – December 31, 2014	8.0%
January 1, 2015 – December 31, 2015	7.5%
January 1, 2016 – December 31, 2016	7.0%
January 1, 2017 – December 31, 2017	6.5%
January 1, 2018 – December 31, 2018	6.5%
January 1, 2019 – December 31, 2019	6.25%
January 1, 2020 – December 31, 2020	6.0%
January 1, 2021 – December 31, 2021	5.5%
January 1, 2022 – December 31, 2022	5.0%
January 1, 2023 and on	4.9%

Utility Receipts Tax (retail sales of utility services)

Month - Year	Rate
2003 - Present	1.4%

Utility Service Use Tax (use tax sales of utility services)

Month - Year	Rate
2006 - Present	1.4%

Online Services

Check Your Refund (/dor/4339.htm) [INfreefile \(Individual Income Tax\) \(http://www.in.gov/dor/4578.htm\)](http://www.in.gov/dor/4578.htm)

INtax (Business Taxes) (/dor/4336.htm) [Forms.IN.gov \(http://www.in.gov/dor/forms.htm\)](http://www.in.gov/dor/forms.htm)

Pay Electronically (<https://dorpay.dor.in.gov/>) [Make a Payment Plan \(http://www.intaxpay.in.gov\)](http://www.intaxpay.in.gov)

Check Your Payment Status (<https://dorpay.dor.in.gov/>) [INBiz \(https://www.inbiz.in.gov/BOS/Home/Index\)](https://www.inbiz.in.gov/BOS/Home/Index)

IFTA/MCFT Fuel Tax System (<https://motorcarrier.dor.in.gov/loginHome.html>) [IRP/BPR Processing \(https://motorcarrier.dor.in.gov/loginHome.html\)](https://motorcarrier.dor.in.gov/loginHome.html)

OSW Permitting (<https://motorcarrier.dor.in.gov/loginHome.html>)

Northern Indiana Public Service Company, LLC (NIPSCO)
Cause No. 45159

Determination of State Income Tax & Federal Income Tax

Description	As per Petitioner Proforma Revenue Deficiency	Tax Rate	Per OUCC
Pre-Tax Income Before Income Taxes	\$111,019,175		(\$10,199,629)
(-) 5.625% State Income Tax Deductible	\$6,244,829	5.63%	(\$573,729)
Federal Taxable Income	\$104,774,346		(\$9,625,900)
Federal Income Taxes at 21%	\$22,002,612.75	21%	(\$2,021,438.97)
Increase in Net Operating Income (NOI Shortfall)	\$82,771,733.66		(\$7,604,460.90)
Total Taxes (Federal + State)	\$28,247,441.34		(\$2,595,168.10)

Income Taxes

Pro forma Results Based on New Service Structure	\$27,609,096.00
(LESS) OUCC Pro forma Adjustments	(\$14,314,120.00)
OUCC Pro Forma Present Rates	\$13,294,976.00
Pro forma Adjustments	(\$2,595,168.10)
Total Federal and State Taxes Based on Proposed Rates	\$10,699,807.90

Notes:

- (1) See OUCC Witness Michael Eckert's testimony, (Exhibit 1), Schedule MDE-1, Page 2
- (2) See OUCC Witness Michael Eckert's testimony, (Exhibit 1), Schedule MDE-4, Page 2
- (3) See OUCC Witness Michael Eckert's testimony, (Exhibit 1), Schedule MDE-5, Page 1

AFFIRMATION

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

Medhekar

Neha Medhekar
Utility Analyst
Indiana Office of Utility Consumer Counselor

02/13/2019

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the ***INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S TESTIMONY OF NEHA MEDHEKAR - PUBLIC'S EXHIBIT NO. 2*** has been served upon the following parties of record in the captioned proceeding by electronic service on February 12, 2019.

NIPSCO

Claudia J. Earls
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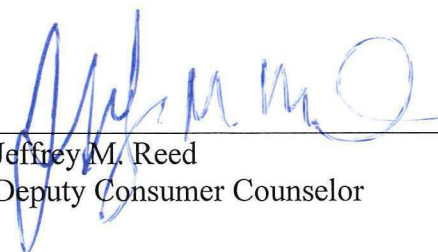
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