

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-9779

NIPSCO INDUSTRIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

INDIANA
(STATE OR OTHER JURISDICTION OF
NO.)
INCORPORATION OR ORGANIZATION)

35-1719974
(I.R.S. EMPLOYER IDENTIFICATION

5265 HOHMAN AVENUE
HAMMOND, INDIANA
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

46320
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE 219-853-5200

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
COMMON SHARES	NEW YORK, CHICAGO AND
PACIFIC PREFERRED SHARE PURCHASE RIGHTS	NEW YORK, CHICAGO AND
PACIFIC OBLIGATIONS PURSUANT TO SUPPORT AGREEMENT WITH NIPSCO CAPITAL MARKETS, INC.	NEW YORK

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS, AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE

PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

AS OF FEBRUARY 29, 1996 61,887,824 COMMON SHARES (NOT INCLUDING 12,004,285 SHARES HELD IN TREASURY), WERE OUTSTANDING. THE AGGREGATE MARKET VALUE OF THE COMMON SHARES (BASED UPON THE FEBRUARY 29, 1996 CLOSING PRICE OF \$37 3/4 ON THE NEW YORK STOCK EXCHANGE) HELD BY NONAFFILIATES WAS APPROXIMATELY \$2,317,413,000.

DOCUMENTS INCORPORATED BY REFERENCE

1995 NIPSCO INDUSTRIES, INC. ANNUAL REPORT TO SHAREHOLDERS--PARTS I, II AND

IV.

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT DATED MARCH 8, 1996 FOR ANNUAL MEETING TO BE HELD APRIL 10, 1996--PART III.

PART 1

ITEM 1. BUSINESS

NIPSCO INDUSTRIES, INC. AND ITS SUBSIDIARIES. NIPSCO Industries, Inc. (Industries) is an Indiana corporation, incorporated on September 22, 1987, which serves as the holding company for a number of subsidiaries, including four regulated companies: Northern Indiana Public Service Company (Northern Indiana), Kokomo Gas and Fuel Company (Kokomo Gas), Northern Indiana Fuel and Light Company, Inc. (NIFL) and Crossroads Pipeline Company (Crossroads).

Industries' major non-utility subsidiaries include NIPSCO Development Company, Inc. (Development), NIPSCO Energy Services, Inc. (Services), Primary Energy, Inc. (Primary) and NIPSCO Capital Markets, Inc. (Capital Markets).

Northern Indiana, Industries' largest and dominant subsidiary, is a public utility operating company, incorporated in Indiana on August 2, 1912, engaged in supplying natural gas and electric energy to the public. It operates in 30 counties in the northern part of Indiana, serving an area of about 12,000 square miles with a population of approximately 2,188,000. At December 31, 1995, Northern Indiana served approximately 636,600 customers with gas and approximately 403,900 with electricity.

Kokomo Gas is a public utility operating company incorporated in Indiana in 1917, engaged in supplying natural gas to the public. It operates in the city of Kokomo, Indiana and the surrounding area in 6 counties having a population of approximately 100,000, and served approximately 32,200 customers at December 31, 1995. The Kokomo Gas service territory is contiguous to Northern Indiana's gas service territory.

NIFL is a public utility operating company incorporated in Indiana in 1906, engaged in supplying natural gas to the public. Headquartered in Auburn, Indiana, it operates in 5 counties in the northeast corner of the state having a population of approximately 66,700, and served approximately 31,100 customers at December 31, 1995. The NIFL service territory is contiguous to Northern Indiana's gas service territory.

Crossroads is a natural gas pipeline which was approved by the Federal Energy Regulatory Commission (FERC) as an interstate pipeline in May 1995. Crossroads had \$1.8 million in operating revenues for year 1995.

Development makes various investments, including real estate and venture capital investments. Services coordinates the energy-related diversification ventures of Industries. Primary arranges energy-related projects with large industrial customers. Capital Markets handles financing for ventures of Industries and its subsidiaries other than Northern Indiana.

The majority of the "Business" discussion of this report relates to Northern Indiana, Kokomo Gas, NIFL and Crossroads (Utilities). See "Segments of Business" in the Notes to Consolidated Financial Statements and "Selected Supplemental Information--Gas Statistics and Electric Statistics" in the 1995 Annual Report to Shareholders, which notes and information are incorporated by reference (see Exhibit 13), regarding financial information about industry segments and classes of customers served.

BUSINESS OF NORTHERN INDIANA, KOKOMO GAS AND NIFL.

ELECTRIC OPERATIONS. Northern Indiana owns and operates four coal fired electric generating stations with net capabilities of 3,179,000 kilowatts (kw), two hydroelectric generating plants with net capabilities of 10,000 kw, and four gas fired combustion turbine generating units with net capabilities of 203,000 kw, for a total system net capability of 3,392,000 kw. During the year ended December 31, 1995, Northern Indiana generated 85.8% and purchased 14.2% of its electric requirements.

Northern Indiana's 1995 electric control area peak of 3,161,200 kw, which includes Wabash Valley Power Association, Inc. (WVPA) and Indiana Municipal Power Agency (IMPA) for which Northern Indiana controls interchange operations, was set on July 14, 1995. The 1995 peak established a new all-time peak exceeding the old peak of 2,953,600 kw established on August 27, 1993. Northern Indiana's 1995 internal peak load, which excludes WVPA and IMPA, was 2,882,200 kw set on July 14, 1995. This also established a new all-time internal peak load exceeding the old peak of 2,736,100 kw established on August 27, 1993.

Northern Indiana's electric system is interconnected with that of American Electric Power (formerly Indiana Michigan Power Company), Commonwealth Edison Company, CInergy Services, Inc. (formerly PSI Energy, Inc.), Consumers Power Company, WVPA, IMPA, and Central Illinois Public Service Company. Electric energy is purchased from, sold to, or exchanged with various other utilities and other power marketers.

Northern Indiana provides WVPA with transmission and distribution service, operating reserve requirements and capacity deficiency service, and provides IMPA with transmission service, operating reserve requirements and capacity deficiency service, in Northern Indiana's control area. Northern Indiana also engages in sales and services under interconnection agreements with WVPA and IMPA.

WVPA provides service to twelve Rural Electric Membership Corporations (REMC's) located in Northern Indiana's control area. IMPA provides service to the municipal electric system of the city of Rensselaer located in Northern Indiana's control area.

Northern Indiana and WVPA have executed a supplemental agreement for unit peaking capacity and energy. Pursuant to this agreement, which runs through December, 2001, WVPA purchases 90,000 kw of capacity per month.

Northern Indiana has full requirement agreements with each of its eight municipal wholesale customers. These full requirement contracts became effective October 1, 1987 and extend through January 31, 1998.

Northern Indiana is a member of the East Central Area Reliability Coordination Agreement (ECAR). ECAR is one of nine regional electric reliability councils established to coordinate planning and operations of member companies regionally and nationally.

FUEL SUPPLY. The generating units of Northern Indiana are located at Bailly, Mitchell, Michigan City and Schahfer Generating Stations. Northern Indiana's thirteen steam generating units have a net capability of 3,179,000 kw. Coal is the primary source of fuel for all units, except

for three, which utilize natural gas. In addition, Northern Indiana's four combustion turbine generating units with a net capability of 203,000 kw are fired by gas. Fuel requirements for Northern Indiana's generation for 1995 were supplied as follows:

Coal.....	96.4%
Natural Gas.....	3.6%

In 1995, Northern Indiana used approximately 8.0 million tons of coal at its generating stations. Northern Indiana has established a normal level of coal stock which provides adequate fuel supply during the year under all conditions.

Annual coal requirements for Northern Indiana's electric generating units through 2000 are estimated to range from 8.1 million tons to 8.5 million tons, depending from year to year upon anticipated sales levels, scheduled maintenance and other variables. These requirements are being or will be met in part under long-term contracts as follows:

MILLION TONS/YEAR -----	SULFUR CONTENT -----	EXPIRATION -----
1.0	High	1998
Up to 1.0(a)	High	1998
1.3(b)	Low	2001
1.5(c)	Low	1998
1.0(c)	Low	1997
1.0(c)	Low	1997
.5	High	1998

(a) Contract calls for requirements up to 1.0 million tons/contract year.

(b) 1.5 million tons in 1996.

(c) Plus or minus 10%/contract year.

The average cost of coal consumed in 1995 was \$28.28 per ton or 15.89 mills per kilowatt-hour (kwh) generated as compared to \$32.04 per ton or 16.85 mills per kwh generated in 1994. Northern Indiana's forecasts indicate that its coal costs will remain at the current level or be slightly lower over the next two years.

COAL RESERVES. Included in the previous table of coal contracts is a coal mining contract with Cyprus Shoshone Coal Corporation (Cyprus) under which Cyprus is mining Northern Indiana's coal reserves in the Cyprus mine through the year 2001. The costs of the reserves are being recovered through the rate making process as such coal reserves are used to produce electricity.

FUEL ADJUSTMENT CLAUSE. See "Fuel Adjustment Clause" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

GAS OPERATIONS. Northern Indiana supplies natural gas of about 1,000 British thermal units (btu) per cubic foot. In a 24-hour period ended January 5, 1995, Northern Indiana's 1995 maximum day sendout was 1,545,616 dekatherms (dth).

In 1995, all of the gas supplied by Northern Indiana was transported by ANR Pipeline Company (ANR), Crossroads Pipeline Company (Crossroads), Midwestern Gas Transmission Company (Midwestern), Natural Gas Pipeline Company of America (Natural), Panhandle Eastern Pipe Line Company (Panhandle), Tennessee Gas Pipeline Company (Tennessee) and Trunkline Gas Company (Trunkline). Approximately 32% of Northern Indiana's 1995 gas supply was purchased on the spot market, generally on 30-day agreements.

The average price per dth (including take-or-pay and transition charges) in 1995 was \$2.98 compared to \$2.99 in 1994, and the average cost of purchased gas, after adjustment for take-or-pay and transition charges billed to transport customers, was \$2.63 per dth as compared to \$2.90 per dth in 1994.

The transportation rates of Crossroads, and the transportation and storage rates of ANR, Midwestern, Natural, Panhandle, Tennessee and Trunkline to Northern Indiana, are subject to change in accordance with rate proceedings filed with the FERC.

Agreements have been negotiated with natural gas suppliers to replace former pipeline supplier contracts pursuant to the requirements of FERC Order No. 636 (See "Rate Matters--FERC Order No. 636" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13)). Northern Indiana also has firm transportation agreements with the pipelines, which allow Northern Indiana to move its gas through the pipelines' transmission systems. Northern Indiana also has producer agreements which allow for the purchase of gas either from gas marketers or producers.

Northern Indiana has a curtailment plan approved by the Indiana Utility Regulatory Commission (Commission). Effective on August 11, 1981, the plan allows unrestricted gas sales by Northern Indiana. There were no firm sales curtailments in 1995 and none are expected during 1996.

Northern Indiana operates an underground gas storage field at Royal Center, Indiana, which currently has a storage capacity of 6.75 million dth. Withdrawals have been made in the 1995-96 winter of up to 117,074 dth per day.

In addition, Northern Indiana and NI-TEX have several gas storage service agreements which make possible the withdrawal of substantial quantities of gas from other storage facilities. All of the storage agreements have limitations on the volume and timing of daily withdrawals. These contracts provide in the aggregate for approximately 28,859,880 dth of annual stored volume, and allow for approximately 573,863 dth of maximum daily withdrawal.

Northern Indiana has a liquefied natural gas plant in LaPorte County which is designed for peak shaving and has the following capacities: maximum storage of 4,000,000 dth; maximum liquefaction rate (gas to liquid), 20,000 dth per day; maximum vaporization rate (output to distribution system), 300,000 dth per day.

KOKOMO GAS. Kokomo Gas' total gas send-out for 1995 was 8,232,810 dth, compared to 8,057,901 dth for 1994. Total transportation volumes for industrial customers in 1995 were 3,273,562 dth, compared to 2,998,832 dth in 1994. Kokomo Gas purchased gas under term agreements from NI-TEX to satisfy all of its system requirements in 1995.

NIFL. NIFL's total gas send-out for 1995 was 9,517,483 dth compared to 8,626,056 dth for 1994. Total transportation volumes for industrial customers in 1995 were 4,251,519 dth, compared to 3,745,963 dth in 1994. NIFL purchased gas on the spot market from a number of suppliers and also under term agreements from NI-TEX to satisfy all of its system requirements in 1995.

GAS COST ADJUSTMENT CLAUSE. See "Gas Cost Adjustment Clause" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

TAKE-OR-PAY PIPELINE GAS COSTS. See "Take-or-Pay Pipeline Gas Costs" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

FERC ORDER NO. 636. See "FERC Order No. 636" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

BUSINESS OF OTHER SUBSIDIARIES

CAPITAL MARKETS. Capital Markets serves as the funding agent for ventures of Industries and its subsidiaries other than Northern Indiana. Capital Markets has a \$150 million revolving Credit Agreement, which provides short-term financing flexibility to Industries and also serves as the back up instrument for a commercial paper program. As of December 31, 1995, there were no borrowings outstanding under this agreement. Capital Markets also has \$105 million of money market lines of credit. As of December 31, 1995, \$17.4 million of borrowings were outstanding under these lines of credit. As of December 31, 1995, Capital Markets had \$76.7 million in commercial paper outstanding, having a weighted average interest rate of 6.08%.

The obligations of Capital Markets are subject to a Support Agreement between Industries and Capital Markets, under which Industries has committed to make payments of interest and principal on Capital Markets' securities in the event of a failure to pay by Capital Markets. Restrictions in the Support Agreement prohibit recourse on the part of Capital Markets' investors against the stock and assets of Northern Indiana which are owned by Industries. Under the terms of the Support Agreement, in addition to the cash flow of cash dividends paid to Industries by any of its consolidated subsidiaries, the assets of Industries, other than the stock and assets of Northern Indiana, are available as recourse to holders of Capital Markets' securities. The carrying value of those assets, other than Northern Indiana, reflected in the consolidated financial statements of Industries, was approximately \$393.3 million at December 31, 1995.

DEVELOPMENT. Development looks for partnerships with customers on energy projects, seeks environmental project opportunities and coordinates the real estate diversification of Industries.

Development is a 95% shareholder in Elm Energy and Recycling (UK) Ltd. (Elm Energy), which owns and operates a tire-fueled electric generating plant in Wolverhampton, England, that began operating in late 1993. See "Elm Energy and Recycling (UK) Ltd." in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

In 1995, Development invested in multiple-family residential housing developments in Michigan City, South Bend, and Rensselaer, as well as a multiple-family housing fund. Development has similar projects in Hammond, Fort Wayne and Mishawaka. Additional projects are being considered in Hebron, South Bend and other communities in Northern Indiana's service territories. These projects are part of the continued commitment by Development to provide high quality, energy efficient, affordable housing to the residents of a variety of geographic and economic regions served by Northern Indiana.

SERVICES. Services coordinates energy-related diversification and has three wholly-owned subsidiaries: NIPSCO Energy Trading Corp. (NETCO), NI-TEX, Inc. (NI-TEX) and NIPSCO Fuel Company, Inc. (Fuel).

NETCO. As of August 1, 1995, NETCO's natural gas brokering and management services were assigned to and administered by NESI Energy Marketing Company L.L.C. NETCO is no longer an active company.

Fuel. Fuel is an oil and gas exploration and production company with activities concentrated in the mid-continent region of the United States and offshore in the Gulf of Mexico. As of December 31, 1995, \$57.5 million had been invested in U.S. exploration and development projects. Fuel's estimated U.S. proved reserves at year-end totaled 1.4 million barrels of oil and 28.3 billion cubic feet of natural gas. In 1995, Fuel formed Southlake Energy Inc., a wholly-owned Canadian subsidiary, which acquired the properties of Gentra One Resources Inc. for \$12.75 million. Reserves attributable to the acquired Canadian properties are 696,000 barrels of oil, 17.5 billion cubic feet of natural gas, and 118,000 barrels of natural gas liquids.

NI-TEX. NI-TEX is an intrastate natural gas transmission and supply company providing gas sales, transportation and storage services. NI-TEX provides flexible city gate gas supply to Northern Indiana, Kokomo Gas and NIFL under term contracts. NI-TEX, through joint ventures with industry partners, also owns natural gas transmission and storage facilities located in Texas. Its Laredo-Nueces pipeline affiliate transported 18.3 billion cubic feet of natural gas in 1995. Its Mid-Tex Gas Storage Company affiliate operates a salt dome gas storage facility with an operating capacity of 5.7 billion cubic feet due to the expansion of the second cavern completed in December, 1995. Operating income from NI-TEX sales arrangements, combined with joint venture earnings, totaled \$6.5 million for the year.

NESI ENERGY MARKETING COMPANY L.L.C. (NEM). In August, 1995, Services formed a limited liability company with Enco Energy Inc. Services currently holds a sixty percent interest in NEM. NEM provides natural gas sales and on-system transportation management services to customers within Northern Indiana's service territory. NEM is engaged in energy trading activities to manage risk. NEM opened a Detroit, Michigan office in early 1996 for expansion into the Michigan market. During 1995, operating income for both NETCO and NEM totaled \$500,000.

TRIUMPH NATURAL GAS, INC. (TRIUMPH). Services owns 51% in Triumph. In April, 1995 Triumph completed the sale of the primary natural gas sales and supply contracts to Resource Energy Services. All continuing operations of the company were eliminated. The only remaining physical asset of Triumph to be liquidated is the investment in Arkoma Limited Partnership, which owns an interest in the Triark Gas Gathering Company. Services, as well as certain affiliates and officers, are defendants in a lawsuit brought by certain shareholders and former members of the Board of Directors of Triumph. The lawsuit alleges that the Services defendants' actions caused Triumph to fail and subsequently liquidate. Services is of the opinion that the suit has no merit and will continue to aggressively defend itself. Services is in the process of filing a counterclaim seeking recovery of Services' original investment.

PRIMARY. Primary will develop and manage cogeneration and other energy projects for large industrial energy customers. Primary offers large industrial energy customers, nationwide, expertise in managing the engineering, construction, operation and maintenance of these energy-related projects. Effective on January 1, 1996, Primary became the parent of certain other subsidiaries, including Harbor Coal Company (Harbor Coal), North Lake Energy Corporation (North Lake), Portside Energy Corporation (Portside) and Lakeside Energy Corporation (LEC).

Harbor Coal has invested in a partnership to finance, construct, own and operate a \$65 million pulverized coal injection facility which began commercial operation in August, 1993. The facility receives raw coal, pulverizes it and delivers it to Inland Steel Company for use in the operation of its blast furnaces. Harbor Coal is a 50% partner in the project with an Inland Steel affiliate. Industries has guaranteed the payment and performance of the partnership's obligations under a sale and leaseback of a 50% undivided interest in the facility.

North Lake has entered into a lease for the use of a 75 megawatt energy facility to be located at Inland Steel Company. The facility will use steam generated by Inland Steel to produce electricity to be delivered to Inland Steel. The facility is expected to be operational in June, 1996. Industries has guaranteed North Lake's obligations relative to the lease and certain obligations to Inland Steel relative to the project.

LEC has entered into an agreement with USX Corporation--US Steel Group to utilize a new 161 megawatt energy facility at USS' Gary Works to process high pressure steam into electricity and low pressure process steam for a 15 year period. LEC will lease this facility, once constructed, from a third party. Additionally, LEC has entered into an interim agreement, which expires when the lease is established with the third party lessor, under which LEC is acting as the agent for the lessor to design, construct and start up the energy facility. Industries anticipates guaranteeing LEC's security deposit obligations relative to the anticipated lease. Construction of the project began in January, 1996 and is scheduled to be operational in May, 1997.

Primary is evaluating other potential partnerships with Northern Indiana customers for using waste gases from steelmaking and other processes for power generation. Low btu blast furnace gases and other fuels, which could fuel new generation, are produced at companies served by Northern Indiana.

REGULATION

Holding Company Act. Industries is exempt from registration with the Securities and Exchange Commission (SEC) as a "registered holding company" under the Public Utility Holding Company Act of 1935, as amended (Holding Company Act). However, prior approval of the SEC is required under the Holding Company Act if Industries proposes to acquire, directly or indirectly, any securities of other public utility companies. There may also be limits on the extent to which Industries and its non-utility subsidiaries can enter into businesses which are not "functionally related" to the electric and gas businesses without raising questions about Industries' exempt status under the Holding Company Act. SEC guidelines established in prior decisions of the SEC require Industries to remain engaged primarily and predominantly in the electric and gas businesses and to limit the size of its activities outside of such businesses relative to Industries as a whole.

Industries has no present intention of becoming a registered holding company subject to regulation by the SEC under the Holding Company Act.

Indiana Utility Regulatory Commission. Northern Indiana and Industries have been advised by their counsel that Industries will not be subject to regulation by the Commission as long as it is not a public utility. Under existing law, Industries and its non-utility subsidiaries are subject to certain reporting and information access requirements under Indiana law. Furthermore certain contracts between Industries or its non-utility subsidiaries and Northern Indiana, Kokomo Gas and NIFL (regulated utilities) must be filed with the Commission.

The regulated utilities are subject to regulation by the Commission as to rates, service, accounts, issuance of securities, and in other respects. See "Rate Matters" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13). The regulated utilities are also subject to limited regulation by local public authorities.

Federal Energy Regulatory Commission. Industries is not regulated by the FERC, but any subsidiary, including Northern Indiana, that engages in FERC jurisdictional sales or activities will continue to be subject to such regulation.

Northern Indiana's restructuring under Industries was approved by a February 29, 1988 order of the FERC. The FERC's February 29, 1988 order is conditioned upon the FERC's continuing authority to examine the books and records of Industries and its subsidiaries, upon further order of the FERC, and to make such supplemental orders, for good cause, as it may find necessary or appropriate regarding the restructuring.

In 1995, about 4% of Northern Indiana's electric revenues were derived from electric service it furnished at wholesale in interstate commerce to other utility companies, municipalities and WVPA (see "Item 1. Business--Electric Operations" regarding WVPA). Northern Indiana's wholesale rates and operations are subject to the jurisdiction of the FERC. The jurisdiction of the FERC does not extend to the issuance of securities by Northern Indiana since it is a public utility organized and operating in the State of Indiana, under the laws of which its security issues are regulated by the Commission. The FERC on October 21, 1954, declared Northern Indiana exempt from the provisions of the Natural Gas Act. Kokomo Gas and NIFL are also exempt from the provisions of the Natural Gas Act.

RATE MATTERS. For information regarding the regulated utilities' gas rates, take-or-pay pipeline gas costs and gas transition costs, see "Take-or-Pay Pipeline Gas Costs" and "FERC Order No. 636" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which notes are incorporated herein by reference (see Exhibit 13).

Northern Indiana filed an Alternative Regulatory Plan (ARP) with the Commission on November 29, 1995. The purpose of the ARP is to create a business and regulatory environment and structure which will permit increased choice for gas customers, competition among suppliers and improved natural gas service. In its petition, Northern Indiana stated it would propose to implement new rates and services that would include, but not be limited to, further unbundling of services for additional customer classes which would include increased customer choice for sources of natural gas supply, negotiated services and prices, and incentive gas and storage cost mechanisms.

CONSTRUCTION BUDGET. Northern Indiana's 1996-2000 construction budget (including allowance for funds used during construction) is estimated at approximately \$764 million, including \$205 million in 1996, \$177 million in 1997, \$156 million in 1998, \$117 million in 1999 and \$109 million in 2000. Northern Indiana's construction estimates include adjustments for anticipated inflation. No new electric generating units are planned in the 1996-2000 budget. Northern Indiana does not have, and has no plans to construct, a nuclear generating unit.

COMPETITION. In municipalities where Northern Indiana renders electric service to the general public as a public utility, no other utility renders electric or gas service, except in Angola, DeMotte, Rome City, Wanatah and Waterloo. In certain municipalities where electric service is supplied by Northern Indiana, NIFL provides competing gas utility service. In localities where Northern Indiana renders gas service only, it competes with electric utilities, municipal or private, for the business for which they render alternative electric service.

Kokomo Gas and NIFL service territories are contiguous to Northern Indiana's gas service territory, but Northern Indiana, Kokomo Gas and NIFL do not compete for any of the same gas customers. Kokomo Gas and NIFL compete with other electric utilities serving customers in their respective service territories.

All electric service territories within the State of Indiana are assigned to the existing suppliers, and boundaries of new territories outside existing municipalities are assigned to the utility having the nearest existing electric distribution lines. Only existing municipal electric utilities may expand their service areas and then only into areas that have been annexed by the municipality, subject to the approval of the Commission and certain other conditions. Northern Indiana makes

no representation as to the possible effect upon its business of present or future competition by private or municipal utilities or governmental agencies, instrumentalities or authorities within the territory now served.

Northern Indiana is also subject to competition for gas sales to industrial customers through the ability of these customers, under Northern Indiana's rate provisions, to make their own purchases of gas and have Northern Indiana transport the gas to them. During 1995, gas transportation represented 59% of Northern Indiana's total gas sendout.

Indiana law requires Commission approval before a gas customer of a utility may bypass the utility and make other arrangements for gas service. Any entity which transports gas from outside Indiana for direct sale or delivery to itself or other end-users within the state will be considered a public utility and must obtain a necessity certificate from the Commission in order to engage in such activities.

See "Competition" in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 1995 Annual Report to Shareholders, which is incorporated herein by reference (see Exhibit 13).

EMPLOYEE RELATIONS. Northern Indiana had 4,111 employees at December 31, 1995. Approximately 64% of Northern Indiana's employees (physical and clerical workers) are represented by two local unions of the United Steelworkers of America, AFL-CIO-CLC. Effective June 1, 1993, the bargaining unit employees ratified four-year agreements which continue until June 1, 1997. These agreements provide for base wage increases of two percent in 1993, three percent in 1994 and 1995, and three and one-half percent in 1996. Additional economic provisions include a variable compensation plan linked to improvements in productivity. Certain officers of Northern Indiana are also officers of Industries. Industries currently has 95 employees in its diversified operations.

Kokomo Gas had 72 full-time employees at December 31, 1995. Of these, 51 employees are represented by the Oil, Chemical and Atomic Workers International Union, AFL-CIO. New collective bargaining agreements covering these employees were negotiated in early 1995 and will expire February 15, 1998.

NIFL had 78 full-time employees at December 31, 1995, none of whom is represented by a union.

ENVIRONMENTAL MATTERS. The Utilities have an ongoing program to remain aware of laws and regulations involved with hazardous waste and other environmental matters. It is the Utilities' intent to continue to evaluate their facilities and properties with respect to these rules and identify any sites that would require corrective action. The Utilities have recorded a reserve of \$5.0 million to cover probable corrective actions as of December 31, 1995. However, environmental regulations and remediation techniques are subject to future change. Based upon management's understanding of current laws and regulations, the Utilities believe that any corrective actions required, after consideration of insurance coverages, will not have a significant impact on the financial position or results of operations of Industries.

The Utilities are subject to regulation with regard to environmental matters by various federal, state and local authorities. The Utilities cannot forecast the effect of all such regulation upon their generating, transmission or other facilities, or their operations. The Utilities intend to comply with all applicable governmental requirements and have adopted an environmental policy that fosters the pursuit of proactive sound environmental programs and management.

The application of federal and state restrictions to protect the environment, including but not limited to those hereinafter described, involves or may involve review, certification or issuance of permits by various federal, state and local authorities. Such restrictions, particularly in regard to emissions into the air and water, and disposal of solid wastes, may impact the operation of Northern Indiana's facilities, and may also require substantial investments.

Northern Indiana's total capital expenditures from January 1, 1991, through December 31, 1995, for pollution control facilities were approximately \$109 million and were financed in part by the sale of Pollution Control Notes and Bonds--Jasper County. Northern Indiana anticipates expenditures of approximately \$162 million for pollution control equipment in the 1996-2000 period which includes anticipated expenditures of \$78 million in 1996 and \$32 million in 1997.

Air. The Indiana Department of Environmental Management (IDEM) Office of Air Management has submitted to the U.S. Environmental Protection Agency (EPA) a State Implementation Plan (SIP) in accordance with the requirements of the Clean Air Act Amendments of 1977.

Attainment-Nonattainment. Under the Clean Air Act Amendments of 1977, the State has identified areas which are in compliance with the National Ambient Air Quality Standards (NAAQS) (attainment areas) and areas that are not in compliance with respect to the sulfur dioxide, particulate matter and other pollutant standards established by NAAQS (nonattainment areas). Portions of Lake and LaPorte Counties in which Northern Indiana operates electric generating facilities remain designated as nonattainment areas for sulfur dioxide. Control plans for each county are being implemented. Any reductions in emissions of sulfur dioxide required to be made by Northern Indiana have been made, and Northern Indiana anticipates no increased costs as a result of the implementation of the control plans for Lake and LaPorte Counties. IDEM initiated the process for redesignating LaPorte County to attainment for sulfur dioxide. IDEM discussed this process at a public hearing in Michigan City on November 16, 1995.

Lake County, Indiana, is designated as a nonattainment area for particulate matter or PM-10. The State of Indiana promulgated a PM-10 SIP rule, which became effective on June 11, 1993. The rule requires reduced opacity and mass emissions limits at Dean H. Mitchell Station as well as the establishment of a fugitive dust control and continuous compliance plans. Northern Indiana invested \$2.8 million to rebuild the Unit 5 electrostatic precipitator during 1993 to help meet the PM-10 emission limits. In order to improve fugitive dust control, during 1994 Mitchell Station installed a water spray dust suppression system to minimize emissions from the coal pile and coal unloading areas. Porter County has been determined to have an unclassified status for PM-10. According to state requirements, the area will be monitored for PM-10 impacts to determine the appropriate classification with respect to the NAAQS. All other counties where Northern Indiana operates electric production facilities have an unclassified status for PM-10.

Under Title I of the Clean Air Act Amendments of 1990 (CAAA), Lake and Porter Counties are classified as severe nonattainment areas for ozone. Passage of the CAAA results in new provisions applicable to mobile and stationary sources in Lake and Porter Counties. Control measures requiring reduction of emissions of nitrogen oxides from the Mitchell and Bailly Generating Stations as a consequence of the Lake Michigan Ozone Control Program have yet to be determined. Northern Indiana is evaluating potential least-cost methods to reduce emissions of nitrogen oxides from the generating stations. The EPA has approved a conditional waiver from present reduction of nitrogen oxides under Title I. Northern Indiana cannot determine the cost impact of the future provisions.

Acid Rain. Title IV of the CAAA addresses the acid rain issue by targeting large sources of sulfur dioxide and nitrogen oxides for significant reductions. The core acid rain rules for sulfur dioxide were promulgated by the EPA January 11, 1993. As required by the regulations, Bailly Units 7 and 8 and Michigan City Unit 12 reduced their sulfur dioxide emissions below 2.5 pounds per million British thermal units (lbs/mm btu) by January 1, 1995. These units, along with the remainder of Northern Indiana's coal-fired units, are required to reduce their sulfur dioxide emissions below 1.2 lbs/mm btu by January 1, 2000 (Phase II).

Presently, all of Northern Indiana's eleven coal fired generating units utilize low sulfur fuel or flue gas desulfurization units to control sulfur dioxide emissions below the 1.2 lbs/mm btu level. That places Northern Indiana in compliance with the Phase II sulfur dioxide standards.

The EPA approved Northern Indiana's Acid Rain permits for the Bailly and Michigan City Generating Stations on August 31, 1993. The Phase I Acid Rain permits for the stations are effective from January 1, 1995 through December 31, 1999. One component of the permit is the Phase I extension plan for Bailly. Northern Indiana was eligible for and received the extension because of the construction and operation of the Bailly scrubber. This extension plan allocates additional allowances, above the basic allowances, applicable to Bailly and Michigan City Generating Stations.

Northern Indiana estimates that total costs of compliance with the CAAA sulfur dioxide regulations will impact electric rates by less than 5% in the future.

Northern Indiana is pursuing nitrogen oxide reduction measures to meet future acid rain requirements. The EPA has proposed Phase II nitrogen oxide limits. The regulations when finalized could establish nitrogen oxide limits for all of Northern Indiana's coal fired boilers.

Additional Air Issues. The CAAA contain provisions that could lead to limitations on emissions of nitrogen oxides, as mentioned above, and hazardous air pollutants, which may require significant capital expenditures for control of these emissions. Northern Indiana is pursuing a nitrogen oxide control program to meet future requirements. Northern Indiana cannot predict the costs of complying with CAAA requirements, but it believes that any such mandated costs would be recoverable through the rate making process.

The EPA has promulgated a permit program to meet the requirements of Title V of the CAAA. The IDEM, on November 3, 1993, proposed an Air Operating permit program to meet the requirements of Title V to Indiana's Air Pollution Control Board. The Air Pollution Control Board adopted rules to implement the Title V permit program on March 10, 1994. These operating permit rules, including a new fee schedule, became effective in Indiana on June 24, 1994. Indiana submitted the Title V rules to the EPA for approval in August of 1994. The EPA has approved the submittal and the rules became effective December 14, 1995.

Water. The Clean Water Act, as amended, subjects point source dischargers to technology and water quality based controls through the National Pollution Discharge Elimination System (NPDES) permit program. Northern Indiana is required to have NPDES permits for discharges from its generating stations into the waters of the United States. The IDEM Office of Water Management has issued renewal NPDES permits for Schahfer, Mitchell, and Michigan City Generating Stations, effective November 1, 1993. The renewed Bailly Station NPDES permit is expected to be issued in 1996. Northern Indiana received NPDES permit modifications for intermittent chemical treatment of the main discharge at the Mitchell and Michigan City Stations for zebra mussel control. Bailly Station utilizes thermal treatment in its water systems to control zebra mussels. Schahfer Station has not presently experienced operational impacts due to zebra mussels. Rather, Schahfer Station has experienced equipment problems due to an Asiatic clam infestation. Alternate forms of control are being investigated by Northern Indiana in an effort to prevent any impact on plant operations relating to these infestations, while also minimizing the environmental impact of the controls.

Superfund Sites. The EPA has notified Northern Indiana that it is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and may be required to share in the cost of cleanup of several waste disposal sites identified by the EPA. The sites are in various stages of investigation and analysis and remediation. At each of the sites Northern Indiana is one of several PRPs, and it is expected that remedial costs,

as provided under CERCLA, will be shared among them. At some sites Northern Indiana and/or the other named PRPs are presently working with the EPA to clean up the site and avoid the imposition of fines or added costs.

Manufactured Gas Plant Sites. The Utilities have instituted a program to investigate former manufactured gas plants where one of them is the current or former owner. The Utilities have identified twenty-seven of these sites and made visual inspections of these sites. The Utilities have conducted initial samplings at thirteen sites. Follow-up investigations have been conducted at five sites and potential remedial measures are being evaluated. The Utilities will continue their program to assess sites. During the follow-up investigation of the former manufactured gas plant in Elkhart, Indiana, Northern Indiana noted the presence of hydrocarbons in the Elkhart River. Northern Indiana reported this finding to IDEM and the EPA. Northern Indiana has placed the Elkhart site in the IDEM Voluntary Remediation Program (VRP). The goal of placing the site in the VRP is to obtain IDEM approval of the determination and subsequent implementation of what remedial measures, if any, may be needed.

Northern Indiana was notified by IDEM of the release of a petroleum substance into the St. Mary's River in Fort Wayne, Indiana, from the site of a former manufactured gas plant formerly owned by Northern Indiana. In cooperation with IDEM, Northern Indiana has taken steps to investigate and contain the substance. Northern Indiana has remediated part of the Fort Wayne site. The remainder of the site is being evaluated to determine what future remedial measures, if any, may be needed.

Northern Indiana and Indiana Gas Company, Inc. (Indiana Gas) have entered into an agreement covering cost sharing and management of investigation and remediation programs at five former manufactured gas plant sites at which both companies or their predecessors were former operators or owners. One of these sites is the Lafayette site which Indiana Gas had previously notified Northern Indiana is being investigated and remediated pursuant to an administrative order with IDEM. Northern Indiana also notified PSI Energy, Inc. that it was a former owner or operator of seven former manufactured gas plants at which Northern Indiana had conducted or was planning investigation or remediation activities.

The Utilities have met with various companies that provided insurance coverage which the Utilities believe covers costs related to actions taken at former manufactured gas plants. In September 1995, certain insurance companies initiated a suit in Indiana state court against Northern Indiana to deny coverage. Later in September 1995, Northern Indiana filed a more comprehensive suit in Federal Court in Indiana against those insurers and several other insurance companies, seeking coverage for costs associated with several former manufactured gas plant sites. The state court action is stayed pending resolution of the Northern Indiana suit in Federal Court.

Electric And Magnetic Fields. The possibility that exposure to electric and magnetic fields emanating from power lines, household appliances and other electric sources may result in adverse health effects has been the subject of public, governmental and media attention. A considerable amount of scientific research has been conducted on this topic without definitive results. Research is continuing to resolve scientific uncertainties.

It is not possible to predict the scope, enforceability or financial impact of other environmental regulations or standards which may be established in the future.

ITEM 2. PROPERTIES.

The physical properties of the Utilities are located in the State of Indiana, except for Crossroads which owns a 202-mile interstate natural gas pipeline running from northwest Indiana to Cygnet, Ohio.

The only significant properties owned by other subsidiaries of Industries are: the Southlake Complex, a 325,000 square foot office building in Merrillville, Indiana, leased to Northern Indiana and owned by Development; a 36-mile intrastate natural gas pipeline, located in southern Texas and half-owned by NI-TEX, Inc.; a golf course and surrounding residential development in Chesterton, Indiana, owned by Lake Erie Land Company (a subsidiary of Development); a waste-to-energy generating plant in Wolverhampton, England owned by Elm Energy; commercial real estate joint ventures, half-owned by KOGAF Enterprises (a subsidiary of Development) located in Kokomo, Indiana; and interests in oil and gas producing properties in the United States and Canada owned by Fuel.

ELECTRIC. Northern Indiana owns and operates four coal fired electric generating stations with net capabilities of 3,179,000 kw, two hydroelectric generating plants with net capabilities of 10,000 kw and four gas fired combustion turbine generating units with net capabilities of 203,000 kw, for a total system net capability of 3,392,000 kw. During the year ended December 31, 1995, Northern Indiana generated 85.8% and purchased 14.2% of its electric requirements.

Northern Indiana has 292 substations with an aggregate transformer capacity of 22,839,200 kva. Its transmission system with voltages from 34,500 to 345,000 consists of 3,047 circuit miles of line. The electric distribution system extends into 21 counties and consists of 7,682 circuit miles of overhead and 1,265 cable miles of underground primary distribution lines operating at various voltages from 2,400 to 12,500 volts. Northern Indiana has distribution transformers having an aggregate capacity of 10,661,892 kva and 437,264 electric watt-hour meters.

GAS. Northern Indiana has an underground storage field at Royal Center and a liquefied natural gas plant in LaPorte County, both of which are described under "Item 1. Business--Gas Operations." Northern Indiana has 12,976 miles of gas mains.

Kokomo Gas has a liquefied natural gas plant in Howard County which has the following capacities: maximum storage of 400,000 mcf; maximum liquefaction rate (gas to liquid), 2,850 mcf per day; maximum vaporization rate (output to distribution system), 30,000 mcf per day. Kokomo Gas also has a gas holder with a storage capacity of 12,000 mcf. Kokomo Gas has 727 miles of gas mains.

NIFL has 765 miles of gas mains.

OTHER PROPERTIES. Northern Indiana owns offices and service buildings, salesrooms, garages, repair shops, motor vehicles, construction equipment and tools, and office furniture and equipment, and also leases offices in various localities. It also owns miscellaneous parcels of real estate not now used in utility operations.

DONATION OF PROPERTY. On January 5, 1995, Northern Indiana completed the planned donation of approximately 2,150 acres of land, including 60 miles of lake and river frontage, to the Shafer and Freeman Lakes Environmental Conservation Corporation (a not-for-profit organization), the State of Indiana Department of Natural Resources and the Indiana Natural Resources Foundation. The property frames and includes the resort areas of Lake Shafer and Lake Freeman in White and Carroll Counties, near the cities of Monticello and Delphi in central Indiana.

Northern Indiana acquired the property in 1944 as part of the purchase of dams and two small hydroelectric plants and has maintained the area since that time. Northern Indiana donated this property to ensure the land is managed to enhance its preservation and recreational value. The dams and hydroelectric plants are being retained for Northern Indiana operations.

CHARACTER OF OWNERSHIP. The properties of Northern Indiana are subject to the lien of its First Mortgage Indenture. The principal offices and properties are held in fee and are free from other encumbrances, subject to minor exceptions, none of which is of such a nature as substantially to impair the usefulness to Northern Indiana of such properties. Many of the offices in the various communities served are occupied by Northern Indiana under leases. All properties are subject to liens for taxes, assessments and undetermined charges (if any) incidental to construction, which it is Northern Indiana's practice regularly to pay, as and when due, unless contested in good faith. In general, the electric and gas lines and mains are located on land not owned in fee but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. These consents and rights are deemed adequate for the purposes for which they are being used. Northern Indiana does not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon, or under which its electric and gas lines are located. At the time each of the principal properties was purchased a title search was made. In general, no examination of titles as to rights-of-way for electric and gas lines and mains was made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

ITEM 3. LEGAL PROCEEDINGS.

Industries and Northern Indiana are parties to various pending proceedings, including suits and claims against them for personal injury, death and property damage, but, in the opinion of their counsel, the nature of such proceedings and suits, and the amounts involved, do not depart from the ordinary routine litigation and proceedings incidental to the kind of businesses conducted by Industries and Northern Indiana, except as set forth above under "Item 1. Business--Environmental Matters," and as described under the captions "Pending Tax Matter," "Elm Energy and Recycling (UK) Ltd." and "Environmental Matters" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which notes are incorporated herein by reference (see Exhibit 13).

On March 13, 1996 the Internal Revenue Service appealed to the U.S. Court of Appeals for the Seventh Circuit, the November 6, 1995 decision of the United States Tax Court (Tax Court) in favor of Northern Indiana. See "Pending Tax Matter" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13). Northern Indiana's management and its general counsel believe the decision of the Tax Court will prevail.

To the knowledge of Industries no other material legal proceedings against Industries, Northern Indiana or their subsidiaries are contemplated by governmental authorities and other parties.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

SUPPLEMENTAL ITEM--EXECUTIVE OFFICERS OF THE REGISTRANT.

NAME	AGE	OFFICE	DATE OF ASSUMING PRESENT POSITION
Gary L. Neale	56	Chairman, President, Chief Executive Officer and Director	March 1, 1993
Stephen P. Adik 1994	52	Executive Vice President, Chief Financial Officer and Treasurer	January 1,
Patrick J. Mulchay 1994	54	Executive Vice President, Chief Operating Officer, Electric	January 1,
Jeffrey W. Yundt 1994	50	Executive Vice President, Chief Operating Officer, Gas	January 1,
Owen C. Johnson, Jr. 1994	49	Vice President, Human Resources	January 1,
David A. Kelly 1994	57	Vice President, Real Estate and Taxes	January 1,
Jerry M. Springer	63	Controller and Assistant Secretary	April 13, 1994
Dennis E. Senchak 1994	50	Assistant Treasurer	January 1,
Nina M. Rausch	52	Secretary	July 1, 1992

Throughout the past five years, each of the executive officers of Industries has been continuously active in the business of Industries or Northern Indiana except as follows: Prior to December 31, 1991, David A. Kelly was Partner, Tax Division of Arthur Andersen LLP.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Industries' common shares are listed and traded on the New York, Chicago and Pacific stock exchanges. The table below indicates the high and low sales price of Industries' common shares, on the composite tape, during the periods indicated.

	1995		1994	
	HIGH	LOW	HIGH	LOW
First Quarter..... 1/8	32 1/4	29 1/4	33	29
Second Quarter..... 3/4	35 1/4	30 3/4	32 7/8	28
Third Quarter..... 1/8	34 7/8	32 1/8	30 1/4	26
Fourth Quarter..... 3/8	38 1/2	34 1/2	29 7/8	26

As of February 29, 1996, Industries had 37,022 common shareholders of record.

The policy of the Board of Directors has been to declare dividends on a quarterly basis payable on or about the 20th day of February, May,

August and November. Industries paid quarterly common dividends of \$0.36 per share during 1994 and quarterly common dividends of \$0.39 per share during 1995. At its December 19, 1995 meeting Industries' Board of Directors increased the quarterly common dividend to \$0.42 per share, payable February 20, 1996.

Holders of Industries' common shares will be entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefor. Although the Board of Directors of Industries currently intends to consider the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of Northern Indiana and other subsidiaries, their financial condition, cash requirements, any restrictions in financing agreements and other factors deemed relevant by the Board of Directors. During the next few years, it is expected that the great majority of earnings available for distribution of dividends will depend upon dividends paid to Industries by Northern Indiana.

The following limitations on payment of dividends and issuance of preferred stock apply to Northern Indiana:

When any bonds are outstanding under its First Mortgage Indenture, Northern Indiana may not pay cash dividends on its stock (other than preferred or preference stock) or purchase or retire common shares, except out of earned surplus or net profits computed as required under the provisions of the maintenance and renewal fund. At December 31, 1995, Northern Indiana had approximately \$144.8 million of retained earnings (earned surplus) available for the payment of dividends. Future common share dividends by Northern Indiana will depend upon adequate retained earnings, adequate future earnings and the absence of adverse developments.

So long as any shares of Northern Indiana's cumulative preferred stock are outstanding, no cash dividends shall be paid on its common shares in excess of 75% of the net income available therefor for the preceding calendar year unless the aggregate of the capital applicable to stocks subordinate as to assets and dividends to the cumulative preferred stock plus the surplus, after giving effect to such dividends, would equal or exceed 25% of the sum of all obligations evidenced by bonds, notes, debentures or other securities, plus the total capital and surplus. At December 31, 1995, the sum of the capital applicable to stocks subordinate to the cumulative preferred stock plus the surplus was equal to 41% of the total capitalization including surplus.

In connection with the foregoing discussion, see "Common Share Dividend" in the Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

ITEM 6. SELECTED FINANCIAL DATA.

	YEAR ENDED DECEMBER 31,				
	1995	1994	1993	1992	1991
Operating revenues (000's).....	\$1,722,325	\$1,676,401	\$1,677,872	\$1,582,356	\$1,535,161
Net income (000's).....	\$ 175,465	\$ 163,987	\$ 156,140	\$ 136,648	\$ 133,388
Earnings per average common share	\$2.72	\$2.48	\$2.31	\$2.00	\$1.94
Total assets (000's)....	\$3,999,520	\$3,947,138	\$3,912,324	\$3,807,941	\$3,647,557
Long-term obligations and redeemable pre- ferred stock (000's)...	\$1,274,379	\$1,281,395	\$1,295,962	\$1,160,122	\$1,157,686
Cash dividends declared per common share.....	\$1.59	\$1.47	\$1.35	\$1.26	\$1.18

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Information regarding results of operations, liquidity and capital resources, environmental matters and competition is reported in the 1995 Annual Report to Shareholders under "Management's Discussion and Analysis of Financial Condition and Results of Operations," which information is incorporated herein by reference (see Exhibit 13).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following Consolidated Financial Statements and Supplementary Data are included in the 1995 Annual Report to Shareholders and are hereby incorporated by reference and made a part of this report (see Exhibit 13).

(1) Consolidated Financial Statements--
Consolidated Statement of Income for the years ended December 31, 1995, 1994 and 1993
Consolidated Balance Sheet at December 31, 1995 and 1994
Consolidated Statement of Capitalization at December 31, 1995 and 1994
Consolidated Statement of Long-term Debt at December 31, 1995 and 1994
Consolidated Statement of Cash Flows for the years ended December 31, 1995, 1994 and 1993
Consolidated Statement of Common Shareholders' Equity for the years ended December 31, 1995, 1994 and 1993
Notes to Consolidated Financial Statements
Report of Independent Public Accountants (includes an explanatory paragraph referring to changes in the methods of accounting for income taxes and postretirement benefits other than pensions).

(2) Supplementary Data--
Selected Supplemental Information

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding executive officers is included as a supplemental item at the end of Item 4 of Part I of this Form 10-K.

Information regarding directors is included at pages 2-5 in the Notice of Annual Meeting and Proxy Statement dated March 8, 1996, for Annual Meeting to be held April 10, 1996, which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is included at pages 7-9 and 11- 17 in the Notice of Annual Meeting and Proxy Statement dated March 8, 1996, for Annual Meeting to be held April 10, 1996, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding security ownership of certain beneficial owners and management is included at page 6 in the Notice of Annual Meeting and Proxy Statement dated March 8, 1996, for Annual Meeting to be held April 10, 1996, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) The Financial Statements filed herewith as a part of this report on Form 10-K are listed on the Index to Financial Statements under Item 8 on page 17.

(2) The following is a list of the Financial Statement Schedules filed herewith as part of this report on Form 10-K:

SCHEDULE NUMBER -----	DESCRIPTION -----	PAGE OF 1995 10-K -----
22	I Condensed Financial Information of Registrant.....	19, 20, 21 &
	II Valuation and Qualifying Accounts.....	23, 24 & 25

(3)
Exhibits--

The exhibits filed herewith as a part of this report on Form 10-K are listed on the Exhibit Index included on pages 28--29. Each management contract or compensatory plan or arrangement of Industries listed on the Exhibit Index is separately identified by an asterisk.

(b) Reports on Form 8-K: None.

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET

	DECEMBER 31,	
	1995	1994
	(DOLLARS IN THOUSANDS)	
ASSETS		

Property:		
Property in service.....	\$ 2,681	\$ 3,495
Construction work in progress.....	12	20
Less: accumulated depreciation.....	466	399
	-----	-----
Total property.....	2,227	3,116
	-----	-----
Investments (principally investments in wholly-owned subsidiaries).....	1,097,621	1,087,684
	-----	-----
Current Assets:		
Cash and cash equivalents.....	4,707	740
Amounts receivable from subsidiaries.....	70,721	60,485
Prepayments.....	4,818	7,557
	-----	-----
Total current assets.....	80,246	68,782
	-----	-----
Other (principally notes receivable from associated companies).....	220,682	172,935
	-----	-----
	\$1,400,776	\$1,332,517
	=====	=====
CAPITALIZATION AND LIABILITIES		

Capitalization:		
Common shares.....	\$ 870,930	\$ 870,930
Cumulative preferred shares with mandatory redemption provisions (Note 5).....	35,000	35,000
Additional paid-in capital.....	32,210	29,657
Retained earnings.....	518,837	446,928
Less: Treasury shares.....	293,223	237,193
Unearned compensation.....	4,609	970
Currency translation adjustment.....	1,930	1,504
	-----	-----
Total capitalization.....	1,157,215	1,142,848
	-----	-----
Current Liabilities:		
Dividends declared on common and preferred stock.....	26,829	25,570
Amounts payable to subsidiaries.....	31,431	26,304
Other.....	1,176	1,290
	-----	-----
Total current liabilities.....	59,436	53,164
	-----	-----
Other (principally notes payable to associated companies).....	184,125	136,505
	-----	-----
Commitments and Contingencies (Note 3):	\$1,400,776	\$1,332,517
	=====	=====

The accompanying notes to condensed financial statements are an integral part of this statement.

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF INCOME

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	(DOLLARS IN THOUSANDS)		
Equity in net earnings of subsidiaries.....	\$ 180,827	\$ 167,780	\$ 158,222
Other income (deductions):			
Administrative and general expense.....	(9,854)	(5,560)	
(6,031)			
Interest income.....	15,575	11,289	9,576
Interest expense.....	(12,274)	(8,741)	
(9,339)			
Other, net.....	(663)	(1,727)	203
	(7,216)	(4,739)	
(5,591)			
Net income before income taxes.....	173,611	163,041	152,631
Income taxes.....	(1,854)	(946)	
(3,509)			
Net income.....	175,465	163,987	156,140
Dividend requirements on preferred shares...	3,063	3,063	3,063
Balance available for common shareholders...	\$ 172,402	\$ 160,924	\$ 153,077
Average common shares outstanding.....	63,281,177	64,820,039	66,136,396
Earnings per average common share.....	\$ 2.72	\$ 2.48	\$ 2.31

The accompanying notes to condensed financial statements are an integral part of this statement.

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	(DOLLARS IN THOUSANDS)		
Net cash provided by operating activities.....	\$184,300	\$157,613	\$153,788
Cash flows provided by (used in) investing activities:			
Purchase of Northern Indiana Fuel and Light Company, Inc., net of cash acquired.....	--	--	
(30,137)			
Capital expenditures.....	(100)	(954)	
(103)			
Sale of property.....	935	--	--
Net cash provided by (used in) investing activities.....	835	(954)	
(30,240)			
Cash flows provided by (used in) financing activities:			
Issuance of common shares.....	7,389	2,060	36,364
Increase (decrease) in notes payable to subsidiaries.....	41,211	21,262	
(703)			
Increase in notes receivable from subsidiaries.....	(58,479)	(26,254)	
(26,412)			
Cash dividends paid on common shares.....	(99,043)	(93,578)	
(88,214)			
Cash dividends paid on preferred shares.....	(3,063)	(3,063)	
(3,063)			
Acquisition of treasury shares.....	(69,183)	(58,717)	
(40,730)			
Net cash used in financing activities.....	(181,168)	(158,290)	
(122,758)			
Net increase (decrease) in cash and cash equivalents.....	3,967	(1,631)	790
Cash and cash equivalents at beginning of year...	740	2,371	1,581
Cash and cash equivalents at end of year.....	\$ 4,707	\$ 740	\$ 2,371

The accompanying notes to condensed financial statements are an integral part of this statement.

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. DIVIDENDS FROM SUBSIDIARIES

Cash dividends paid to NIPSCO Industries, Inc. (Industries) by its consolidated subsidiaries were (in thousands of dollars): \$183,475, \$174,245 and \$155,224 in 1995, 1994 and 1993, respectively.

2. SUPPORT AGREEMENT

The obligations of NIPSCO Capital Markets, Inc. (Capital Markets) are subject to a Support Agreement between Industries and Capital Markets, under which Industries has committed to make payments of interest and principal on Capital Markets' securities in the event of a failure to pay by Capital Markets. Restrictions in the Support Agreement prohibit recourse on the part of Capital Markets' investors against the stock and assets of Northern Indiana Public Service Company (Northern Indiana) which are owned by Industries. Under the terms of the Support Agreement, in addition to the cash flow of cash dividends paid to Industries by any of its consolidated subsidiaries, the assets of Industries, other than the stock and assets of Northern Indiana, are available as recourse to holders of Capital Markets' securities. The carrying value of those assets other than Northern Indiana, reflected in the consolidated financial statements of Industries, was approximately \$393.3 million at December 31, 1995.

3. CONTINGENCIES

Industries and its subsidiaries are parties to various pending proceedings, including suits and claims against them for personal injury, death and property damage. The nature of such proceedings and suits, and the amounts involved, do not depart from the routine litigation and proceedings incident to the kind of businesses conducted by Industries and its subsidiaries.

4. CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 1993, Industries adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". The adoption of these standards did not have a significant impact on the condensed financial statements.

5. SUBSEQUENT EVENT

On January 12, 1996, Industries redeemed all 350,000 shares of its 8.75% Preferred Shares, pursuant to mandatory redemption provisions, for \$100 per share plus accrued dividends. The redemption will be refinanced through the issuance of long-term debt by Capital Markets in February, 1996. See also Notes to Consolidated Financial Statements in the 1995 Annual Report to Shareholders, which are incorporated herein by reference. (See Exhibit 13).

NIPSCO INDUSTRIES, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

TWELVE MONTHS ENDED DECEMBER 31, 1995

COL. A	COL. B	COL. C	COL. D	COL. E	
-----	-----	-----	-----	-----	
31, DESCRIPTION	BALANCE JAN. 1, 1995	ADDITIONS		DEDUCTIONS FOR PURPOSES FOR WHICH RESERVES WERE CREATED	BALANCE DEC. 1995
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
-----	-----	-----	-----	-----	-----
(DOLLARS IN THOUSANDS)					
Reserves Deducted in Consoli- dated Balance Sheet from As- sets to Which They Apply:					
Reserve for accounts receiv- ables.....	\$4,899	\$6,759	\$--	\$4,394	\$7,264
Reserve for investments, at equity.....	\$2,850	\$ --	\$--	\$2,000	\$ 850
Reserves Classified Under Re- serve Section of Consoli- dated Balance Sheet:					
Injuries and damages re- serve.....	\$2,538	\$2,800	\$--	\$3,501	\$1,837
Miscellaneous operating re- serves.....	\$7,671	\$3,219	\$--	\$1,792	\$9,098

NIPSCO INDUSTRIES, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

TWELVE MONTHS ENDED DECEMBER 31, 1994

COL. A	COL. B	COL. C	COL. D	COL. E
-----	-----	-----	-----	-----
31,	BALANCE	ADDITIONS	DEDUCTIONS	BALANCE
DESCRIPTION	JAN. 1,	CHARGED	FOR PURPOSES	DEC.
-----	-----	-----	-----	-----
-----	1994	TO	FOR WHICH	1994
-----	-----	COSTS AND	RESERVES	-----
-----	-----	TO OTHER	WERE CREATED	-----
-----	-----	-----	-----	-----
		(DOLLARS IN THOUSANDS)		
Reserves Deducted in Consoli-				
dated Balance Sheet from As-				
sets to Which They Apply:				
Reserve for accounts receiv-	\$4,855	\$6,918	\$--	\$6,874
ables.....				\$4,899
Reserve for investments, at	\$2,500	\$ 350	\$--	\$ --
equity.....				\$2,850
Reserve for investments, at	\$2,500	\$ --	\$--	\$2,500
cost.....				\$ --
Reserves Classified Under Re-				
serve Section of Consoli-				
dated Balance Sheet:				
Injuries and damages re-	\$3,994	\$3,350	\$--	\$4,806
serve.....				\$2,538
Miscellaneous operating re-	\$6,102	\$2,620	\$--	\$1,051
serves.....				\$7,671

NIPSCO INDUSTRIES, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

TWELVE MONTHS ENDED DECEMBER 31, 1993

COL. A	COL. B	COL. C			COL. D	COL. E
-----	-----	-----			-----	-----
		ADDITIONS				
		NORTHERN INDIANA FUEL AND LIGHT COMPANY, INC. (A)			DEDUCTIONS FOR PURPOSES FOR WHICH RESERVES WERE CREATED	
31, DESCRIPTION	BALANCE JAN. 1, 1993	CHARGED TO EXPENSES	CHARGED TO OTHER ACCOUNTS	CHARGED TO OTHER ACCOUNTS	FOR WHICH RESERVES WERE CREATED	BALANCE DEC. 1993
-----	-----	-----	-----	-----	-----	-----
		(DOLLARS IN THOUSANDS)				
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:						
Reserve for accounts receivables.....	\$5,121	\$ 93	\$5,254	\$--	\$5,613	\$4,855
Reserve for investments, at equity.....	\$1,200	\$--	\$2,300	\$--	\$1,000	\$2,500
Reserve for investments, at cost.....	\$ --	\$--	\$2,500	\$--	\$ --	\$2,500
Reserves Classified Under Reserve Section of Consolidated Balance Sheet:						
Injuries and damages reserve.....	\$4,367	\$--	\$4,450	\$--	\$4,823	\$3,994
Miscellaneous operating reserves.....	\$4,160	\$--	\$2,066	\$--	\$ 124	\$6,102

(a) Northern Indiana Fuel and Light Company, Inc. purchased on March 31, 1993.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
NIPSCO Industries, Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in NIPSCO Industries, Inc.'s annual report to shareholders for the year ended December 31, 1995, incorporated by reference in this Form 10-K, and have issued our report thereon dated January 26, 1996. Our audits were made for the purpose of forming an opinion on those consolidated financial statements taken as a whole. The schedules listed on Page 18, Item 14(a)(2) are the responsibility of NIPSCO Industries, Inc.'s management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

As discussed in the notes to consolidated financial statements, effective January 1, 1993, NIPSCO Industries, Inc. and subsidiaries changed their methods of accounting for income taxes and postretirement benefits other than pensions.

Arthur Andersen LLP

Chicago, Illinois
January 26, 1996

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

NIPSCO Industries, Inc.

(Registrant)

Date March 28, 1996
By _____

/s/ Gary L. Neale

and

Gary L. Neale, Its Chairman
President

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE

TITLE

DATE

/s/ Gary L. Neale

Gary L. Neale

Chairman, President, Principal
Executive Officer and
Director

/s/ Stephen P. Adik

Stephen P. Adik

Executive Vice President and
Principal Financial Officer

/s/ Jerry M. Springer

Jerry M. Springer

Controller and Principal
Accounting Officer

/s/ Steven C. Beering

Steven C. Beering

Director

/s/ Arthur J. Decio

Arthur J. Decio

Director

/s/ Ernestine M. Raclin

Ernestine M. Raclin

Director

March 28,

1996

/s/ Denis E. Ribordy

Denis E. Ribordy

Director

/s/ Ian M. Rolland

Ian M. Rolland

Director

/s/ Edmund A. Schroer

Edmund A. Schroer

Director

/s/ John W. Thompson

John W. Thompson

Director

/s/ Robert J. Welsh

Robert J. Welsh

Director

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF ITEM
(3.1)	Articles of Incorporation of September 22, 1987, and all Articles of Amendment thereto (incorporated by reference to Exhibit 1 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 25, 1992).
(3.2)	Amended By-laws effective May 25, 1993 (incorporated by reference to Exhibit (3)(ii) to the NIPSCO Industries, Inc. Form 8-K dated July 13, 1993).
(4.1)	Indenture dated August 1, 1939 between Northern Indiana Public Service Company ("Northern Indiana") and Trustees (incorporated by reference to Exhibit 7 to Northern Indiana Registration Statement (Registration No. 2-5178)).
(4.2)	Third Supplemental Indenture dated August 1, 1943 (incorporated by reference to Exhibit 7-C to Northern Indiana Registration Statement (Registration No. 2-5178)).
(4.3)	Eighteenth Supplemental Indenture dated September 1, 1967 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated October 9, 1967).
(4.4)	Nineteenth Supplemental Indenture dated October 1, 1968 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated November 8, 1968).
(4.5)	Twenty-third Supplemental Indenture dated March 31, 1972 (incorporated by reference to Exhibit 2 to Northern Indiana Current Report on Form 8-K dated May 5, 1972).
(4.6)	Thirty-third Supplemental Indenture dated June 1, 1980 (incorporated by reference to Exhibit 1 to Northern Indiana Quarterly Report on Form 10-Q for the quarter ended June 30, 1980).
(4.7)	Forty-first Supplemental Indenture dated July 1, 1991 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated March 25, 1992).
(4.8)	Indenture, dated as of March 1, 1988, between Northern Indiana and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4 to Northern Indiana Registration Statement (Registration No. 33-44193)).
(4.9)	First Supplemental Indenture dated December 1, 1991, between Northern Indiana and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to Northern Indiana Registration Statement (Registration No. 33-63870)).
(4.10)	Memorandum of Agreement with City of Michigan City, Indiana (incorporated by reference to Exhibit 7 to Northern Indiana Registration Statement (Registration No. 2-48531)).
(4.11)	Financing Agreement No. 1 dated November 1, 1988 with Jasper County, Indiana regarding \$37,000,000 Series 1988A Pollution Control Refunding Revenue Bonds. Identical financing agreements between Registrant and Jasper County provide for the issuance of \$47,000,000 Series 1988B, \$46,000,000 Series 1988C and \$24,000,000 Series 1988D Pollution Control Refunding Revenue Bonds (incorporated by reference to Exhibit 8 to Northern Indiana Current Report on Form 8-K dated March 16, 1989).
(4.12)	Financing Agreement dated July 1, 1991, with Jasper County, Indiana regarding \$55,000,000 Series 1991 Collateralized Pollution Control Refunding Revenue Bonds (incorporated by reference to Exhibit 3 to Northern Indiana Current Report on Form 8-K dated March 25, 1992).
(4.13)	Financing Agreement dated August 1, 1994, with Jasper County, Indiana regarding \$10,000,000 Series 1994A, \$18,000,000 Series 1994B and \$41,000,000 Series 1994C Pollution Control Refunding Revenue Bonds (incorporated by reference to Exhibit 4.16 to Northern Indiana Annual Report on Form 10-K for year ended December 31, 1994).

EXHIBIT
NUMBER

DESCRIPTION OF ITEM

- (4.14) Indenture between Registrant, NIPSCO Capital Markets, Inc. and Chemical Bank as Trustee dated February 1, 1996 (incorporated by reference to Exhibit 1 to NIPSCO Industries, Inc. Registration Statement (Registration No. 33-65285)).
- (4.15) Rights Agreement between Registrant and Harris Trust and Savings Bank, dated February 27, 1990 (incorporated by reference to Exhibit 4.1 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 7, 1990).
- (10.1) Supplemental Life Insurance Plan effective January 1, 1991 (incorporated by reference to Exhibit 2 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 25, 1992).*
- (10.2) Executive Deferred Compensation Plan effective December 1, 1990 (incorporated by reference to Exhibit 3 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 25, 1992).*
- (10.3) Form of Change in Control and Termination Agreements (incorporated by reference to Exhibit 4 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 25, 1992).*
- (10.4) Nonemployee Director Stock Incentive Plan effective February 1, 1992 (incorporated by reference to Exhibit 5 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 25, 1992).*
- (10.5) NIPSCO Industries, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 6 to the NIPSCO Industries, Inc. Current Report on Form 8-K dated March 25, 1992).*
- (10.6) Amended and Restated Pension Plan Provisions effective January 1, 1989 (incorporated by reference to Exhibit 17 to Northern Indiana Current Report on Form 8-K dated March 25, 1992).*
- (10.7) NIPSCO Industries, Inc. 1994 Long-Term Incentive Plan.*
- (10.8) NIPSCO Industries, Inc. Directors' Charitable Gift Program.*
- (11) Computation of Per Share Earnings.
- (13) 1995 Annual Report to Shareholders for pages 31-61.
- (21) List of Subsidiaries.
- (23) Consent of Arthur Andersen LLP.
- (27) Financial Data Schedule.
- (99) Amended Articles of Incorporation of Northern Indiana Public Service Company (incorporated by reference to Exhibit 1 to the Northern Indiana Current Report on Form 8-K dated May 5, 1982).

* Management contract or compensatory plan arrangement of NIPSCO Industries, Inc.

EXHIBIT 11

NIPSCO INDUSTRIES, INC.

COMPUTATION OF PER SHARE EARNINGS

TWELVE MONTHS ENDED DECEMBER 31, 1995

	PRIMARY	FULLY DILUTED
	-----	-----
Weighted Average Number of Shares		
Average Common Shares Outstanding at 12/31/95....	63,281,177	63,281,177
Dilutive Effect for Nonqualified Stock Options at 12/31/95.....	217,756	389,346
	-----	-----
Weighted Average Shares at 12/31/95.....	63,498,933	63,670,523
	=====	=====
Net Income to be Used to Compute Earnings Per Average Common Share		
	(DOLLARS IN THOUSANDS)	
Net Income.....	\$ 175,465	\$ 175,465
Dividend Requirements on Preferred Shares.....	3,063	3,063
	-----	-----
Balance Available for Common Shareholders.....	\$ 172,402	\$ 172,402
	=====	=====
Earnings Per Average Common Share.....	\$ 2.72(a)	\$
2.71(a)	=====	=====

Note:

(a) This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

EXHIBIT 11

NIPSCO INDUSTRIES, INC.

COMPUTATION OF PER SHARE EARNINGS

TWELVE MONTHS ENDED DECEMBER 31, 1994

	PRIMARY	FULLY DILUTED
	-----	-----
Weighted Average Number of Shares		
Average Common Shares Outstanding at 12/31/94....	64,820,039	64,820,039
Dilutive Effect for Nonqualified Stock Options at 12/31/94.....	134,775	136,688
	-----	-----
Weighted Average Shares at 12/31/94.....	64,954,814	64,956,727
	=====	=====
Net Income to be Used to Compute Earnings Per Average Common Share		
		(DOLLARS IN THOUSANDS)
Net Income.....	\$ 163,987	\$ 163,987
Dividend Requirements on Preferred Shares.....	3,063	3,063
	-----	-----
Balance Available for Common Shareholders.....	\$ 160,924	\$ 160,924
	=====	=====
Earnings Per Average Common Share.....	\$ 2.48(a)	\$
2.48(a)	=====	=====

Note:

(a) This calculation is submitted in accordance with Regulation S-K item

601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

EXHIBIT 11

NIPSCO INDUSTRIES, INC.

COMPUTATION OF PER SHARE EARNINGS

TWELVE MONTHS ENDED DECEMBER 31, 1993

	PRIMARY	FULLY DILUTED
	-----	-----
Weighted Average Number of Shares		
Average Common Shares Outstanding at 12/31/93....	66,136,396	66,136,396
Dilutive Effect for Nonqualified Stock Options at 12/31/93.....	173,417	193,693
	-----	-----
Weighted Average Shares at 12/31/93.....	66,309,813	66,330,089
	=====	=====
Net Income to be Used to Compute Earnings Per Average Common Share		
		(DOLLARS IN THOUSANDS)
Net Income.....	\$ 156,140	\$ 156,140
Dividend Requirements on Preferred Shares.....	3,063	3,063
	-----	-----
Balance Available for Common Shareholders.....	\$ 153,077	\$ 153,077
	=====	=====
Earnings Per Average Common Share..... 2.31(a)	\$ 2.31(a)	\$
	=====	=====

Note:

(a) This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into Industries' previously filed Form S-8 Registration Statement No. 33-30619; and Form S-8 Registration Statement No. 33-30621.

Arthur Andersen LLP

Chicago, Illinois
March 28, 1996

GRAPHIC MATERIAL CROSS-REFERENCE PAGE

CAPITALIZATION RATIO CHART SHOWS PERCENT OF LONG-TERM DEBT, COMMON SHARE EQUITY AND PREFERRED AND PREFERENCE STOCK FOR YEARS 1986-1995.

COST OF FUEL FOR ELECTRIC GENERATION CHART SHOWS IN MILLS PER KWH THE COST OF FUEL FOR ELECTRIC GENERATION FOR YEARS 1986-1995.

COST OF GAS PURCHASED FOR RESALE CHART SHOWS IN DOLLARS PER DEKATHERM THE COST OF GAS PURCHASED FOR RESALE FOR YEARS 1986-1995.

1995 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

HOLDING COMPANY

NIPSCO Industries, Inc. (Industries) is an Indiana corporation serving as the holding company for a number of subsidiaries, including four regulated companies: Northern Indiana Public Service Company (Northern Indiana), Kokomo Gas and Fuel Company (Kokomo Gas), Northern Indiana Fuel and Light Company, Inc. (NIFL) and Crossroads Pipeline Company (Crossroads). Northern Indiana is a public utility operating company supplying natural gas and electric energy to the public. Kokomo Gas and NIFL are public utility operating companies supplying natural gas to the public, and Crossroads is an interstate natural gas transmission company.

Industries' major non-utility subsidiaries include NIPSCO Development Company, Inc. (Development), NIPSCO Energy Services, Inc. (Services), Primary Energy, Inc. (Primary) and NIPSCO Capital Markets, Inc. (Capital Markets).

Development makes various investments, including real estate and venture capital investments. Services coordinates the energy-related diversification ventures of Industries. Primary arranges energy-related projects with large industrial customers. Capital Markets handles financing for Industries and its subsidiaries other than Northern Indiana.

The following discussion, except where noted, is attributable to the operations of Northern Indiana, Kokomo Gas, NIFL and Crossroads (Utilities).

NET INCOME

For 1995, net income of Industries increased to \$175.5 million, or earnings of \$2.72 per average common share, compared to \$164.0 million, or earnings of \$2.48 per average common share, for 1994. There were approximately 1.5 million fewer average common shares outstanding in 1995 than 1994. In 1993, net income was \$156.1 million, or earnings of \$2.31 per average common share. See Notes to Consolidated Financial Statements for Segments of Business regarding the revenue and utility operating income derived from the delivery of gas and electricity.

REVENUES

Operating revenues increased \$45.9 million, or 2.7%, from 1994. Operating revenues in 1994 decreased \$1.5 million, or 0.1%, from 1993.

During 1995, gas deliveries in dekatherms (dth), which include transportation services, increased 2.9%. Gas sales in 1995 increased 4.2% due to higher sales to residential and commercial customers as a result of colder weather during the fourth quarter of 1995. Gas transportation services increased

2.1% mainly due to increased deliveries by Crossroads. The Utilities had approximately 699,900 gas customers at December 31, 1995. During 1994, gas deliveries increased 5.5% over 1993. Gas sales in 1994 decreased 3.3% due to lower sales to residential and commercial customers due to warmer weather during the fourth quarter of 1994, compared to the fourth quarter of 1993. Gas transportation services increased 11.9% mainly due to increased deliveries to industrial customers and gas volumes transported through Crossroads, which began operations in 1994.

Gas revenues were \$691.4 million in 1995, an increase of \$9.5 million from 1994. The increase in gas revenues was mainly due to increased sales to residential and commercial customers as a result of colder weather during the fourth quarter of 1995 and increased gas transition charges partially offset by decreased gas costs. Gas revenues were \$681.9 million in 1994, a decrease of \$32.3 million from 1993. The decrease in gas revenues was mainly due to decreased sales to residential and commercial customers due to the warmer weather in 1994, and reduced gas costs. The large commercial and industrial customers continued to utilize transportation services provided by the Utilities. Gas transportation customers purchase much of their gas directly from producers and marketers and then pay a transportation fee to have their gas delivered over the Utilities' systems. The Utilities transported 191.6, 188.6 and 167.9 million dth in 1995, 1994 and 1993, respectively.

In 1995, sales of electricity in kilowatt-hours (kwh) increased 8.9% over 1994, mainly due to higher sales to residential and commercial customers as a result of warmer weather in the third quarter of 1995 and increased sales to wholesale customers. Northern Indiana had approximately 403,900 electric customers at December 31, 1995. In 1994, sales of electricity in kwh increased 2.4% over 1993 mainly due to higher sales to commercial and industrial customers due to increased demands of steel-related customers.

In 1995, electric revenues were \$1.031 billion, an increase of \$36.4 million from 1994. The increase in electric revenue was mainly due to higher sales to residential and commercial customers as a result of warmer weather in the third quarter of 1995, and increased sales to wholesale customers, and was

1995 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
partially offset by lower fuel costs per kwh and to transitional rate adjustments to industrial customers signing new five-year contracts early in 1995. In 1994, electric revenues were \$994.5 million, an increase of \$30.8 million from 1993. The increase in electric revenue was mainly due to higher sales to commercial and industrial customers due to increased demands of steel-related customers and higher fuel costs per kwh, which were partially offset by decreased sales to wholesale customers.

The components of the changes in gas and electric revenues are shown in the following tables:

to	Year 1995 Compared to	Year 1994 Compared
-----	Year 1994	Year 1993
-----	-----	-----
	(Dollars in millions)	
Gas Revenue		
Pass through of net changes in purchased gas costs, gas storage and storage transportation costs	\$(59.2)	\$(25.9)
Take-or-pay costs and transition costs	47.4	12.0
Changes in sales levels	22.4	(21.5)
Gas transported	(1.1)	3.1
	-----	-----
Gas Revenue Change	\$ 9.5	\$(32.3)
	-----	-----
Electric Revenue		
Pass through of net changes in fuel costs	\$(14.6)	\$ 7.6
Changes in sales levels	51.0	23.2
	-----	-----
Electric Revenue Change	\$ 36.4	\$ 30.8
	-----	-----
Total Revenue Change	\$ 45.9	\$ (1.5)
	=====	=====

See Rate Matters in Notes to Consolidated Financial Statements regarding changes in gas take-or-pay and FERC Order No. 636 transition costs.

The basic steel industry accounted for 33% of natural gas delivered (including volumes transported) and 36% of electric sales during 1995.

The Utilities' rate schedules for gas and electric service to their customers contain electric rate adjustment clauses for changes in the cost of fuel and firm purchases of electric energy and gas rate adjustment clauses to reflect changes in the cost of gas purchased and contracted gas storage and storage transportation costs. (See Fuel Adjustment Clause and Gas Cost Adjustment Clause under Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements.)

GAS COSTS

The Utilities' gas costs decreased \$4.3 million (1.0%) in 1995 due to lower gas costs per dth partially offset by increased purchases. The average cost for the Utilities purchased gas in 1995, after adjustment for take-or-pay and transition charges billed to transport customers, was \$2.68 per dth as compared to \$2.95 per dth in 1994. Gas costs decreased \$26.2 million (6.1%) in 1994, due to decreased volumes purchased and lower gas costs per dth. The average cost for the Utilities purchased gas in 1994, after adjustment for take-or-pay and transition charges billed to transport customers, was \$2.95 per dth as compared to \$3.23 per dth in 1993.

FUEL AND PURCHASED POWER

Cost of fuel for electric generation in 1995 decreased mainly as a result of lower cost for coal and was partially offset by increased production. The average cost per kwh generated decreased 5.7% from 1994 to 15.89 mills. The cost of fuel for electric generation increased in 1994 from

1993 mainly as a result of increased coal costs per kwh generated. The average cost per kwh generated increased 1.2% from 1993 to 16.85 mills.

Power purchased increased \$11.1 million in 1995 as a result of increased bulk power purchases from other utilities due to increased sales. Power purchased increased \$14.3 million in 1994 mainly due to purchases required to replace R. M. Schahfer Generating Station Unit 15 generation from February 1 to July 5, 1994, while this unit was down on an extended outage as part of the Powder River Basin coal conversion project.

OPERATING MARGINS

Operating margins increased \$43.9 million in 1995 to \$1.037 billion. The operating margin from gas deliveries increased \$13.8 million in 1995, mainly due to the increased sales to residential and commercial customers, due to colder weather during the fourth quarter of 1995. Operating margins from electric sales increased \$30.1 million reflecting increased sales to residential and commercial customers as a result of warmer weather in the third quarter of 1995, and increased sales to wholesale customers, partially offset by transitional rate adjustments to industrial customers. Operating margins increased \$7.9 million in 1994 to \$993.3 million. The operating margin from gas deliveries decreased \$6.1 million in 1994, mainly due to the decreased sales to residential and commercial customers due to warmer weather during the fourth quarter of 1994, partially offset by increased transportation services. Operating margins from electric sales increased \$14.0 million reflecting increased sales to commercial and industrial customers due to increased demand partially offset by decreased sales to wholesale customers.

1995 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

OPERATING EXPENSES AND TAXES

Operating expenses and taxes (except income) in 1995 increased 1.5% from 1994 to \$643.8 million and in 1994 increased 1.3% from 1993 to \$634.4 million.

Operation expenses increased \$3.2 million in 1995 from 1994 reflecting a December 1995 Indiana Utility Regulatory Commission (Commission) order to refund \$3.4 million to electric customers related to a 1992 insurance settlement previously credited to operating and maintenance expenses. Operation expenses increased \$3.4 million in 1994 over 1993 mainly due to increased costs of pollution control facilities, environmental costs, and operating costs related to Crossroads.

Maintenance expenses decreased \$1.9 million and \$3.4 million in 1995 and 1994, respectively, due to reduced maintenance activities.

Depreciation and amortization expenses increased \$6.9 million and \$7.3 million in 1995 and 1994, respectively, mainly due to net plant additions.

Utility income taxes increased \$10.7 million in 1995 mainly due to higher pre-tax operating income. Utility income taxes remained relatively unchanged from 1993 to 1994 consistent with the level of pre-tax income.

Other Income (Deductions) decreased \$6.4 million in 1995 from 1994 reflecting the inclusion in 1994 of a \$5.6 million after-tax benefit for the Northern Indiana land donation to the Shafer and Freeman Lakes Environmental Conservation Corporation. The operating results of all non-utility subsidiaries are also included in Other Income (Deductions).

Interest and other charges increased \$5.8 million and decreased \$4.5 million in 1995 and 1994, respectively. The 1995 increase reflects increases in short-term borrowing rates and long-term debt outstanding partially offset by reduced dividend requirements on Northern Indiana preferred stock. The 1994 decrease reflects Northern Indiana's continued refinancing to reduce interest rates on long-term debt outstanding.

See Notes to Consolidated Financial Statements for a discussion of Regulatory Assets, Carrying Charges and Deferred Depreciation, Allowance for Funds Used During Construction, FERC Order No. 636, Income Taxes, Postretirement Benefits, Postemployment Benefits and Long-Term Incentive Plan.

ENVIRONMENTAL MATTERS

The Utilities have an ongoing program to remain aware of laws and regulations involved with hazardous waste and other environmental matters. It is the Utilities' intent to continue to evaluate their facilities and properties with respect to these rules and identify any sites that would require corrective action. The Utilities have recorded a reserve of \$5.0 million to cover probable corrective actions as of December 31, 1995. However, environmental regulations and remediation techniques are subject to future change. Based upon management's understanding of current laws and regulations, the Utilities believe that any corrective actions required, after consideration of insurance coverages, will not have a significant impact on the financial position or results of operations of Industries.

Because of major investments made in modern environmental control facilities and the use of low sulfur coal, all of Northern Indiana's electric production facilities now comply with the sulfur dioxide limitations contained in the acid deposition provisions of the Clean Air Act Amendments of 1990 (CAAA). Northern Indiana estimates that total costs of compliance with the CAAA sulfur dioxide regulations will impact electric rates by less than 5% in the future.

The CAAA contain provisions that could lead to limitations on emissions of nitrogen oxides and hazardous air pollutants, which may require significant capital expenditures for control of these emissions. Northern Indiana is pursuing a nitrogen oxide control program to meet future requirements. Northern Indiana cannot predict the costs of complying with CAAA requirements, but Northern Indiana believes that any such mandated costs would be recoverable through the rate making process.

The Environmental Protection Agency (EPA) has notified Northern Indiana that it is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and may be required to share in the cost of cleanup of several waste disposal sites identified by the EPA. The sites are in various stages of investigation, analysis and remediation. At each of the sites, Northern Indiana is one of several PRPs, and it is expected that remedial costs, as provided under CERCLA, will be shared among them. At some sites Northern Indiana and/or the other named PRPs are presently working with the EPA to clean up the sites and avoid the imposition of fines or added costs.

The Utilities have instituted a program to investigate former manufactured gas plants where one of them is the current or former owner. The Utilities have identified twenty-seven of these sites and made visual inspections of these sites. The Utilities have conducted initial samplings at

thirteen sites. Follow-up investigations have been conducted at five sites and potential remedial measures are being evaluated. The Utilities will continue their program to assess sites. During the follow-up investigation of the former manufactured gas plant in Elkhart, Indiana, Northern Indiana noted the presence of hydrocarbons in the Elkhart River. Northern Indiana reported this finding to the Indiana Department of

1995 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Environmental Management (IDEM) and the EPA. Northern Indiana has placed the Elkhart site in the IDEM Voluntary Remediation Program (VRP). The goal of placing the site in the VRP is to obtain IDEM approval of the determination and subsequent implementation of what remedial measures, if any, may be needed.

Northern Indiana was notified by IDEM of the release of a petroleum substance into the St. Mary's River in Fort Wayne, Indiana, from the site of a former manufactured gas plant formerly owned by Northern Indiana. In cooperation with IDEM, Northern Indiana has taken steps to investigate and contain the substance. Northern Indiana has remediated part of the Fort Wayne site. The remainder of the site is being evaluated to determine what further remedial measures, if any, may be needed.

Northern Indiana and Indiana Gas Company, Inc. (Indiana Gas) have entered into an agreement covering cost sharing and management of investigation and remediation programs at five former manufactured gas plant sites at which both companies or their predecessors were former operators or owners. One of these sites is the Lafayette site which Indiana Gas had previously notified Northern Indiana is being investigated and remediated pursuant to an administrative order with IDEM. Northern Indiana also notified PSI Energy, Inc. that it was a former owner or operator of seven former manufactured gas plants at which Northern Indiana had conducted or was planning investigation or remediation activities.

The Utilities have met with various companies that provided insurance coverage which the Utilities believe covers costs related to actions taken at former manufactured gas plants. In September 1995, certain insurance companies initiated a suit in Indiana state court against Northern Indiana to deny coverage. Later in September 1995, Northern Indiana filed a more comprehensive suit in Federal Court in Indiana against those insurers and several other insurance companies, seeking coverage for costs associated with several former manufactured gas plant sites. The state court action is stayed pending resolution of the Northern Indiana suit in Federal Court.

The possibility that exposure to electric and magnetic fields emanating from power lines, household appliances and other electric sources may result in adverse health effects has been the subject of public, governmental and media attention. A considerable amount of scientific research has been conducted on this topic without definitive results. Research is continuing to resolve scientific uncertainties.

LIQUIDITY AND CAPITAL RESOURCES

During the next few years, it is anticipated that the great majority of earnings available for distribution of dividends will depend upon dividends paid to Industries by Northern Indiana. See Notes to Consolidated Financial Statements for a discussion of the Common Share Dividend.

Construction expenditures by Industries for 1995, 1994 and 1993 were approximately \$193 million, \$203 million and \$181 million, respectively. Industries' total utility plant investment on December 31, 1995, was \$5.6 billion.

During 1995, Industries' non-utility subsidiaries acquired interests in other properties and investments totaling approximately \$57 million.

On March 4, 1994, the Commission authorized Northern Indiana to issue up to \$289,275,000 of its Medium-Term Notes, Series D, due from 1 year to 30 years, for purposes of refinancing certain first mortgage bonds and paying short-term debt used to pay at maturity medium-term notes due in January and April, 1994. On May 23, 1994, Northern Indiana exercised its option to redeem all the outstanding First Mortgage Bonds, Series S, Y and AA, aggregating \$125.5 million, through the use of working capital and the proceeds of short-term debt. During 1994, \$120.0 million of the Medium-Term Notes, Series D, were issued to complete the permanent refinancing of those first mortgage bonds. On June 12, 1995, the remaining \$169,275,000 of Medium-Term Notes, Series D, were issued, and part of the proceeds were used to redeem all of the outstanding First Mortgage Bonds, Series U and Z, aggregating \$94.8 million on July 3, 1995.

On August 25, 1994, Jasper County, Indiana issued Pollution Control Refunding Revenue Bonds, Series 1994 (Northern Indiana Public Service Company Project) (the Series 1994 Bonds), including \$10 million of Series 1994A Bonds, due August 1, 2010; \$18 million of Series 1994B Bonds, due June 1, 2013; and \$41 million of Series 1994C Bonds, due April 1, 2019. The proceeds of these issuances were loaned to Northern Indiana under similar terms. The initial interest rate on Series 1994 Bonds was 3.10%, which resets daily. The proceeds of the Series 1994A and Series 1994C were used to retire on October 15, 1994, \$10 million of Series MM First Mortgage Bonds, 7-1/2%, due October 15, 2004, and \$41 million of Series LL First Mortgage Bonds, 7-1/2%, due October 15, 2014. The proceeds of the Series 1994B Bonds were used to retire the \$18 million Series 1978 Note, 6.70%, due November 1, 2008, on August 25, 1994. The Series 1994 Bonds are secured by Letters of Credit from Union Bank of Switzerland.

Capital Markets has a \$150 million revolving Credit Agreement which terminates August 19, 1998, unless extended by its terms. This facility provides short-term financing flexibility to Industries and also serves as the back-up instrument for a commercial paper program. As of

1995 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

December 31, 1995, there were no borrowings outstanding under this agreement.

Capital Markets also has \$105 million of money market lines of credit. As of December 31, 1995, \$17.4 million of borrowings were outstanding under these lines of credit.

As of December 31, 1995, Capital Markets had \$76.7 million in commercial paper outstanding, having a weighted average interest rate of 6.08%.

On January 12, 1996, Industries redeemed all 350,000 shares of its 8.75% Preferred Shares, pursuant to mandatory redemption provisions, for \$100 per share plus accrued dividends. The redemption was accomplished through the use of short-term debt issued by Capital Markets. Capital Markets expects to refinance the short-term debt through an issue of long-term debt during the first quarter of 1996.

The obligations of Capital Markets are subject to a Support Agreement between Industries and Capital Markets, under which Industries has committed to make payments of interest and principal on Capital Markets' securities in the event of a failure to pay by Capital Markets. Restrictions in the Support Agreement prohibit recourse on the part of Capital Markets' investors against the stock and assets of Northern Indiana. Under the terms of the Support Agreement, in addition to the cash flow of cash dividends paid to Industries by any of its consolidated subsidiaries, the assets of Industries, other than the stock and assets of Northern Indiana, are available as recourse to holders of Capital Markets' securities. The carrying value of those assets other than Northern Indiana, reflected in the consolidated financial statements of Industries, is approximately \$393.3 million at December 31, 1995.

Cash flow from operations has provided sufficient liquidity to meet current operating requirements. Because of the seasonal nature of the utility business and the construction program, Northern Indiana makes use of commercial paper intermittently as short-term financing. As of December 31, 1995, Northern Indiana had \$44.8 million in commercial paper outstanding, having a weighted average interest rate of 6.01%.

Northern Indiana has a \$250 million revolving Credit Agreement with several banks which terminates August 19, 1998, unless extended by its terms. As of December 31, 1995, there were no borrowings outstanding under this agreement. In addition, Northern Indiana has \$14.2 million in lines of credit which run to May 31, 1996. The credit pricing of each of the lines varies from either the lending banks' commercial prime or market rates. Northern Indiana has agreed to compensate the participating banks with arrangements that vary from no commitment fee to a combination of fees which are mutually satisfactory to both parties. As of December 31, 1995, there were no borrowings under these lines of credit. The Credit Agreement and lines of credit are also available to support the issuances of commercial paper.

Northern Indiana also has \$268.5 million of money market lines of credit. As of December 31, 1995, \$118.8 million of borrowings were outstanding under these lines of credit.

Northern Indiana has a \$50 million uncommitted finance facility. At December 31, 1995, there were no borrowings outstanding under this facility.

During recent years, Northern Indiana has been able to finance its construction program with internally generated funds and expects to be able to meet future commitments through such funds.

The Utilities do not expect the effects of inflation at current levels to have a significant impact on their results of operations, ability to contain cost increases or need to seek timely and adequate rate relief. The Utilities do not anticipate the need to file for gas and electric base rate increases in the near future.

COMPETITION

The Energy Policy Act of 1992 (Energy Act) allows FERC to order electric utilities to grant access to transmission systems by third party power producers. The Energy Act specifically prohibits federally mandated wheeling of power for retail customers. That authority lies with the individual states, several of which are considering opening the transmission network to retail customers. The Energy Act will stimulate greater competition in the wholesale electric markets. This competition will create opportunities to compete for new customers and revenues, as well as increase the risk of the loss of customers. Although wholesale customers represent a relatively small portion of Northern Indiana's sales, Northern Indiana will continue its efforts to retain and add customers by offering competitive rates. Competitive forces have also begun to influence retail pricing in the industry. In some instances, industrial customers, threatening to pursue cogeneration, self-generation, retail wheeling or relocation to other service territories, have obtained price concessions from utilities.

Operating in a competitive environment will place added pressures on utility profit margins and credit quality. Increasing competition in the electric utility industry has already led the credit rating agencies to apply more stringent guidelines in making credit rating determinations.

Industries' management has taken steps to make the company more competitive and profitable in the changing utility environment, including partnering on energy projects with major industrial customers and conversions of some of its generating units to allow use of lower cost low sulfur coal.

1995 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONCLUDED)

FERC Order No. 636, effective in late 1993, shifted primary responsibility for gas acquisition, transportation and peak days' supply from pipelines to local gas distribution companies, such as the Utilities. Although pipelines continue to transport gas, they no longer provide sales service. The Utilities believe they have taken appropriate steps to ensure the continued acquisition of adequate gas supplies at reasonable prices.

The mix of gas revenues from retail sales, interruptible retail sales, firm transportation service and interruptible transportation services has changed significantly over the past several years. The deregulation of the gas industry, since the mid-1980s, allows large industrial and commercial customers to purchase their gas supplies directly from producers and use the Utilities' facilities to transport the gas. Transportation customers pay the Utilities only for transporting their gas from the pipeline to the customers' premises.

Northern Indiana filed an Alternative Regulatory Plan (ARP) with the Commission on November 29, 1995. The purpose of the ARP is to create a business and regulatory environment and structure which will permit increased choice for gas customers, competition among suppliers and improved natural gas service. In its petition, Northern Indiana stated it would propose to implement new rates and services that would include, but not be limited to, further unbundling of services for additional customer classes which would include increased customer choice for sources of natural gas supply, negotiated services and prices, and incentive gas storage cost mechanisms.

To date, the Utilities' system has not been materially affected by competition, and management does not foresee substantial adverse effects in the near future, unless the current regulatory structure is substantially altered. The Utilities believe the steps they are taking to deal with increased competition will have significant, positive effects in the next few years.

(Selected Statistical Charts)

(Capitalization Ratios Chart)

YEAR	LONG-TERM DEBT	COMMON SHARE EQUITY	PREFERRED AND PREFERENCE STOCK	TOTAL
1986	55.3%	33.6%	11.1%	100.0%
1987	52.7%	36.1%	11.2%	100.0%
1988	52.0%	41.0%	7.0%	100.0%
1989	52.3%	40.8%	6.9%	100.0%
1990	49.2%	42.6%	8.2%	100.0%
1991	47.1%	44.6%	8.3%	100.0%
1992	46.0%	45.1%	8.9%	100.0%
1993	47.9%	44.0%	8.1%	100.0%
1994	47.7%	44.7%	7.6%	100.0%
1995	47.4%	45.3%	7.3%	100.0%

Cost of Fuel for Electric Generation Chart

(Mills per Kwh)

YEAR KWH) ----	(MILLS PER -----
1986	23.92
1987	21.02
1988	19.09
1989	18.01
1990	18.13
1991	17.86
1992	16.82
1993	16.65
1994	16.85
1995	15.89

Cost of Gas Purchased for Resale Chart
(Dollars per dekatherm)

YEAR DEKATHERM ----	DOLLARS PER -----
1986	3.20
1987	2.94
1988	3.03
1989	3.21
1990	3.40
1991	3.16
1992	3.31
1993	3.27
1994	3.03
1995	3.00

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31,	1995	1994	1993
----- (Dollars in thousands) -----			
Operating Revenues:			
Gas.....	\$ 691,402	\$ 681,909	\$ 714,229
Electric.....	1,030,923	994,492	963,643
	-----	-----	-----
	1,722,325	1,676,401	1,677,872
	-----	-----	-----
Cost of Energy:			
Gas costs.....	399,113	403,437	429,645
Fuel for electric generation.....	242,337	247,134	244,552
Power purchased.....	43,681	32,503	18,225
	-----	-----	-----
	685,131	683,074	692,422
	-----	-----	-----
Operating Margin.....	1,037,194	993,327	985,450
	-----	-----	-----
Operating Expenses and Taxes (except income):			
Operation.....	290,951	287,766	284,406
Maintenance.....	78,293	80,170	83,548
Depreciation and amortization.....	201,137	194,283	187,000
Taxes (except income).....	73,452	72,227	71,621
	-----	-----	-----
	643,833	634,446	626,575
	-----	-----	-----
Operating Income Before Utility Income Taxes....	393,361	358,881	358,875
	-----	-----	-----
Utility Income Taxes.....	108,449	97,732	96,830
	-----	-----	-----
Operating Income.....	284,912	261,149	262,045
	-----	-----	-----
Other Income (Deductions).....	(4,241)	2,216	(2,070)
	-----	-----	-----
Interest and Other Charges:			
Interest on long-term debt.....	82,655	78,292	82,121
Other interest.....	12,781	11,650	9,238
Allowance for borrowed funds used during construction and carrying charges.....	(3,678)	(4,374)	(1,447)
Amortization of premium, reacquisition premium, discount and expense on debt, net..	4,402	3,897	3,582
Dividend requirements on preferred stocks of subsidiary.....	9,046	9,913	10,341
	-----	-----	-----
	105,206	99,378	103,835
	-----	-----	-----
Net Income.....	175,465	163,987	156,140
	-----	-----	-----
Dividend requirements on preferred shares.....	3,063	3,063	3,063
	-----	-----	-----
Balance available for common shareholders.....	\$ 172,402	\$ 160,924	\$ 153,077
	=====	=====	=====
Average common shares outstanding.....	63,281,177	64,820,039	66,136,396
Earnings per average common share.....	\$2.72	\$2.48	\$2.31
	=====	=====	=====
Dividends declared per common share.....	\$1.59	\$1.47	\$1.35
	=====	=====	=====

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

	December 31,	1995	1994
(Dollars in thousands)			
ASSETS			
Utility Plant, at original cost (including construction work in progress of \$145,129 and \$221,830, respectively):			
Electric.....	\$3,935,103	\$3,858,118	
Gas.....	1,301,687	1,258,801	
Common.....	350,168	316,120	
	-----	-----	
	5,586,958	5,433,039	
Less--Accumulated provision for depreciation and amortization.....	2,373,694	2,202,082	
	-----	-----	
Total utility plant.....	3,213,264	3,230,957	
	-----	-----	
Other Property and Investments:			
Other property, at cost, less accumulated provision for depreciation.....	136,006	126,632	
Investments, at equity.....	47,565	27,023	
Investments, at cost.....	22,899	11,322	
Other investments.....	17,315	13,328	
	-----	-----	
Total other property and investments.....	223,785	178,305	
	-----	-----	
Current Assets:			
Cash and cash equivalents.....	28,496	40,441	
Accounts receivable, less reserve of \$7,264 and \$4,899, respectively.....	120,404	86,299	
Fuel adjustment clause.....	10,301	1,614	
Gas cost adjustment clause.....	1,423	25,972	
Materials and supplies, at average cost.....	65,044	65,430	
Electric production fuel, at average cost.....	14,258	18,347	
Natural gas in storage.....	60,884	77,794	
Prepayments and other.....	15,771	11,081	
	-----	-----	
Total current assets.....	316,581	326,978	
	-----	-----	
Other Assets:			
Regulatory assets.....	212,491	195,449	
Deferred charges and other non-current assets.....	33,399	15,449	
	-----	-----	
Total other assets.....	245,890	210,898	
	-----	-----	
	\$3,999,520	\$3,947,138	
	=====	=====	

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

	December 31,	1995	1994

CAPITALIZATION AND LIABILITIES		(Dollars in thousands)	
Capitalization (see page 40):			
Common shareholders' equity (see page 43).....		\$1,122,215	\$1,107,848
Preferred stocks--			
Northern Indiana Public Service Company:			
Series without mandatory redemption provisions.....		81,325	86,389
Series with mandatory redemption provisions.....		63,651	66,057
NIPSCO Industries, Inc.:			
Series with mandatory redemption provisions.....		35,000	35,000
Long-term debt, excluding amounts due within one year....		1,175,728	1,180,338
		-----	-----
Total capitalization.....		2,477,919	2,475,632
Current Liabilities:			
Obligations due within one year--			
Northern Indiana Public Service Company:			
Commercial paper.....		44,800	156,500
First Mortgage Bonds--			
Series N, 4-5/8% due May 15, 1995.....		--	22,436
Medium-term notes--			
Issued at interest rates of 6.14% and 6.19% with a weighted average interest rate of 6.17% and maturities of July 25, 1996 and July 26, 1996.....		80,000	--
Notes payable--			
Issued at interest rates between 5.91% and 6.15% with a weighted average interest rate of 5.99% and various maturities between January 2, 1996 and February 9, 1996.....		118,800	92,700
NIPSCO Capital Markets, Inc.:			
Commercial paper.....		76,700	49,600
Notes payable--5.98%--due January 19, 1996.....		17,400	12,700
Medium-term notes--9.95%--due June 10, 1996.....		7,500	--
Lake Erie Land Company:			
Notes payable.....		4,200	128
Elm Energy and Recycling (UK), Ltd.:			
Term loan facility.....		4,554	3,262
Standby loan facility.....		1,732	--
NDC Douglas Properties, Inc.:			
Notes payable.....		1,840	1,013
		-----	-----
		357,526	338,339
Other current liabilities--			
Accounts payable.....		151,691	158,712
Sinking funds due within one year.....		2,621	2,578
Dividends declared on common and preferred stocks....		28,179	27,077
Customer deposits.....		11,361	9,291
Taxes accrued.....		28,952	43,625
Interest accrued.....		8,439	10,561
Accrued employment costs.....		46,695	43,811
Other.....		33,753	11,030
		-----	-----
		311,691	306,685
		-----	-----
Total current liabilities.....		669,217	645,024
Other:			
Deferred income taxes.....		596,940	581,866
Deferred investment tax credits, being amortized over life of related property.....		115,666	123,181
Deferred credits.....		45,126	43,621
Accrued liability for postretirement benefits.....		75,012	48,548
Regulatory income tax liability.....		9,845	18,599
Other noncurrent liabilities.....		9,795	10,667

CONSOLIDATED STATEMENT OF CAPITALIZATION

	December 31,	1995	1994	
			(Dollars in thousands)	
Common shareholders' equity (see page 43).....	\$1,122,215	45.3%	\$1,107,848	44.7%
Preferred Stocks, which are redeemable solely at option of issuer:				
Northern Indiana Public Service Company--				
Cumulative preferred stock--\$100 par value--				
4-1/4% series--209,190 and 211,266 shares outstanding, respectively.....	20,919		21,127	
4-1/2% series--79,996 shares outstanding.....	8,000		8,000	
4.22% series--106,198 and 106,200 shares outstanding, respectively.....	10,620		10,620	
4.88% series--100,000 shares outstanding.....	10,000		10,000	
7.44% series--41,890 and 41,900 shares outstanding, respectively.....	4,189		4,190	
7.50% series--34,842 shares outstanding.....	3,484		3,484	
Premium on preferred stock.....	254		254	
Cumulative preferred stock--no par value--				
Adjustable Rate (6.00% at December 31, 1995)--				
Series A (stated value--\$50 per share), 477,185 and 574,285 shares outstanding, respectively.....	23,859		28,714	
	81,325	3.3%	86,389	3.5%
Redeemable Preferred Stocks, subject to mandatory redemption requirements or whose redemption is outside the control of issuer:				
Northern Indiana Public Service Company--				
Cumulative preferred stock--\$100 par value--				
8.85% series--87,500 and 100,000 shares outstanding, respectively.....	8,750		10,000	
7-3/4% series--50,014 and 55,568 shares outstanding, respectively.....	5,001		5,557	
8.35% series--69,000 and 75,000 shares outstanding, respectively.....	6,900		7,500	
Cumulative preferred stock--no par value--				
6.50% series--430,000 shares outstanding.....	43,000		43,000	
	63,651	2.6%	66,057	2.7%
NIPSCO Industries, Inc.--				
Cumulative preferred shares--without par value--				
8.75% series (stated value--\$100 per share), 350,000 shares outstanding.....	35,000	1.4%	35,000	1.4%
Long-term debt (see page 41).....	1,175,728	47.4%	1,180,338	47.7%
Total capitalization.....	\$2,477,919	100.0%	\$2,475,632	100.0%

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF LONG-TERM DEBT

	December 31,	1995	1994
(Dollars in thousands)			
Northern Indiana Public Service Company			
First mortgage bonds--			
Series O, 6-3/8% due September 1, 1997.....	\$ 25,747	\$ 25,747	
Series P, 6-7/8% due October 1, 1998.....	14,509	14,509	
Series T, 7-1/2% due April 1, 2002.....	40,500	40,543	
Series U, 8-1/8% due July 15, 2003.....	--	55,239	
Series Z, 8-1/8% due August 15, 2007.....	--	39,569	
Series NN, 7.10% due July 1, 2017.....	55,000	55,000	
Total.....	135,756	230,607	
Pollution control notes and bonds--			
Series A note--City of Michigan City--5.70% due October 1, 2003.....	20,000	20,750	
Series 1988 bonds--Jasper County--Series A, B and C 3.70% weighted average at December 31, 1995, due November 1, 2016.....	130,000	130,000	
Series 1988 bonds--Jasper County--Series D 3.76% weighted average at December 31, 1995, due November 1, 2007.....	24,000	24,000	
Series 1994 Bonds--Jasper County--Series A 5.90% at December 31, 1995, due August 1, 2010.....	10,000	10,000	
Series 1994 bonds--Jasper County--Series B 5.90% at December 31, 1995, due June 1, 2013.....	18,000	18,000	
Series 1994 bonds--Jasper County--Series C 5.90% at December 31, 1995, due April 1, 2019.....	41,000	41,000	
Total.....	243,000	243,750	
Medium-term notes--			
Issued at interest rates between 5.83% and 7.64%, with a weighted average interest rate of 6.82% and various maturities between July 25, 1997 and January 19, 2024.....	684,025	594,750	
Unamortized premium and discount on long-term debt, net.....	(4,040)	(3,756)	
Total long-term debt of Northern Indiana Public Service Company.....	1,058,741	1,065,351	
NIPSCO Capital Markets, Inc.:			
Medium-term note--9.95%--due June 10, 1996.....	--	7,500	
Unamortized discount.....	--	(9)	
Zero Coupon Notes--7.57%, \$72,500 at maturity, due December 1, 1997.....	62,875	58,373	
Total long-term debt of NIPSCO Capital Markets, Inc.....	62,875	65,864	
NIPSCO Development Company, Inc.:			
Lake Erie Land Company--Notes Payable--			
Interest rates between 8.00% and 8.50% with a weighted average interest rate of 8.39% and various maturities between May 23, 1997 and June 30, 1998.....	389	3,155	
Elm Energy and Recycling (UK), Ltd. Term Loan Facility-- Weighted average interest rate of 8.21% at December 31, 1995, due December 31, 2004.....	34,516	34,606	
Metals Technology Corporation--Notes Payable--			
Mortgage note, 9.00%--due September 25, 2005.....	--	98	
NDC Douglas Properties, Inc.--Notes Payable--			
Interest rates of 6.72% and 7.94% with a weighted average interest rate of 7.72% and maturities through January 1, 2006.....	19,207	11,264	
Total long-term debt of NIPSCO Development Company, Inc.....	54,112	49,123	
Total long-term debt, excluding amounts due in one year.....	\$1,175,728	\$1,180,338	

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,	1995	1994	1993

(Dollars in thousands)				
Cash flows from operating activities:				
Net income.....	\$	175,465	\$ 163,987	\$ 156,140
Adjustments to reconcile net income to net cash:				
Depreciation and amortization.....		201,137	194,283	187,000
Deferred federal and state operating income taxes, net.....		(2,681)	(11,488)	2,122
Deferred investment tax credits, net.....		(7,515)	(6,499)	(7,446)
Change in certain assets and liabilities*--				
Accounts receivable, net.....		(34,105)	28,830	(12,255)
Electric production fuel.....		4,089	3,186	20,412
Materials and supplies.....		386	723	7,344
Natural gas in storage.....		16,910	(14,924)	(24,685)
Accounts payable.....		(7,021)	(34,080)	23,507
Taxes accrued.....		(9,202)	(18,904)	541
Fuel adjustment clause.....		(8,687)	4,826	(2,105)
Gas cost adjustment clause.....		24,549	9,687	10,641
Accrued employment costs.....		2,884	3,433	10,256
Other, net.....		35,283	13,332	1,206
		-----	-----	-----
Net cash provided by operating activities.....		391,492	336,392	372,678
Cash flows provided by (used in) investing activities:				
Utility construction expenditures.....		(189,754)	(200,586)	(180,852)
Acquisition and construction expenditures related to Crossroads Pipeline Company.....		(3,212)	(1,959)	(24,361)
Purchase of Northern Indiana Fuel and Light Company, Inc., net of cash acquired.....		--	--	(30,137)
Return of capital from equity investments.....		--	8,000	32,435
Other, net.....		(51,749)	(19,567)	(53,061)
		-----	-----	-----
Net cash used in investing activities.....		(244,715)	(214,112)	(255,976)
Cash flows provided by (used in) financing activities:				
Issuance of long-term debt.....		179,555	222,575	468,269
Issuance of short-term debt.....		1,290,973	1,020,777	1,254,507
Net change in commercial paper.....		(84,600)	131,205	(1,605)
Retirement of long-term debt.....		(122,105)	(218,572)	(377,069)
Retirement of short-term debt.....		(1,252,250)	(1,090,390)	(1,388,208)
Retirement of preferred stock.....		(7,095)	(10,195)	(2,170)
Issuance of common shares.....		7,389	2,060	36,364
Acquisition of treasury shares.....		(69,183)	(58,717)	(40,730)
Cash dividends paid on common shares.....		(99,043)	(93,578)	(88,214)
Cash dividends paid on preferred shares.....		(3,063)	(3,063)	(3,063)
Other, net.....		700	(81)	-
		-----	-----	-----
Net cash used in financing activities.....		(158,722)	(97,979)	(141,919)
Net increase (decrease) in cash and cash equivalents.....				
		(11,945)	24,301	(25,217)
Cash and cash equivalents at beginning of period.....		40,441	16,140	41,357
		-----	-----	-----
Cash and cash equivalents at end of period.....	\$	28,496	\$ 40,441	\$ 16,140
		=====	=====	=====

*Net of effects from purchase of Northern Indiana Fuel and Light Company, Inc.

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY

	Dollars in Thousands							Shares	
	Total	Common Shares	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Currency Translation Adjustment	Other	Common Shares	Treasury Shares
Balance, January 1, 1993.....	\$1,034,530	\$870,930	\$20,775	\$ 317,195	\$(168,990)	\$(2,346)	\$(3,034)	73,892,109	(8,133,759)
Net income.....	156,140			156,140					
Dividends:									
Preferred shares.....	(3,063)			(3,063)					
Common shares.....	(89,384)			(89,384)					
Treasury shares acquired.....	(40,730)				(40,730)				(1,325,085)
Issued:									
Employee stock purchase plan.....	433		138		295				18,561
Long-term incentive plan.....	5,666		63		5,696		(93)		264,150
NIFL acquisition.....	30,172		6,655		23,517				1,112,862
Amortization of unearned compensation.....	1,443						1,443		
Other.....	(535)					(535)			
Balance, December 31, 1993.....	\$1,094,672	\$870,930	\$27,631	\$ 380,888	\$(180,212)	\$(2,881)	\$(1,684)	73,892,109	(8,063,271)
Net income.....	163,987			163,987					
Dividends:									
Preferred shares.....	(3,063)			(3,063)					
Common shares.....	(94,803)			(94,803)					
Treasury shares acquired.....	(58,717)				(58,717)				(2,002,586)
Issued:									
Employee stock purchase plan.....	598		293		305				19,248
Long-term incentive plan.....	1,449		31		1,431		(13)		59,889
Amortization of unearned compensation.....	727						727		
Other.....	2,998		1,702	(81)		1,377			
Balance, December 31, 1994.....	\$1,107,848	\$870,930	\$29,657	\$ 446,928	\$(237,193)	\$(1,504)	\$(970)	73,892,109	(9,986,720)
Net income.....	175,465			175,465					
Dividends:									
Preferred shares.....	(3,063)			(3,063)					
Common shares.....	(100,232)			(100,232)					
Treasury shares acquired.....	(69,183)				(69,183)				(2,057,665)
Issued:									
Employee stock purchase plan.....	604		301		303				19,022
Long-term incentive plan.....	6,785		1,656		12,850		(7,721)		512,850
Unrealized gain on available for sale securities.....	1,669						1,669		
Amortization of unearned compensation.....	2,413						2,413		
Other.....	(91)		596	(261)		(426)			
Balance, December 31, 1995.....	\$1,122,215	\$870,930	\$32,210	\$ 518,837	\$(293,223)	\$(1,930)	\$(4,609)	73,892,109	(11,512,513)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HOLDING COMPANY STRUCTURE

NIPSCO Industries, Inc. (Industries) is an Indiana corporation serving as the holding company for a number of subsidiaries, including four regulated companies: Northern Indiana Public Service Company (Northern Indiana), Kokomo Gas and Fuel Company (Kokomo Gas), Northern Indiana Fuel and Light Company, Inc. (NIFL) and Crossroads Pipeline Company (Crossroads). Northern Indiana is a public utility operating company supplying natural gas and electric energy to the public. Kokomo Gas and NIFL are public utility operating companies supplying natural gas to the public, and Crossroads is an interstate natural gas transmission company.

Industries' major non-utility subsidiaries include NIPSCO Development Company, Inc. (Development), NIPSCO Energy Services, Inc. (Services), Primary Energy, Inc. (Primary) and NIPSCO Capital Markets, Inc. (Capital Markets).

Development makes various investments, including real estate and venture capital investments. Services coordinates the energy-related diversification ventures of Industries. Primary arranges energy-related projects with large industrial customers. Capital Markets handles financing for Industries and its subsidiaries other than Northern Indiana.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Industries, its regulated subsidiaries Northern Indiana, Kokomo Gas, NIFL and Crossroads (Utilities), and all non-utility subsidiaries. Investments for which Industries has at least a 20% interest and certain joint ventures are accounted for under the equity method of accounting. Investments with less than a 20% interest are accounted for under the cost method of accounting. The operating results of the non-utility subsidiaries are included under the caption "Other Income (Deductions)" in the Consolidated Statement of Income. Interest on long-term debt, other interest, and amortization of debt discount and expense are reflected as a component of "Interest and Other Charges." All significant intercompany items have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain reclassifications were made to conform the prior years' financial statements to the current presentation.

OPERATING REVENUES

Revenues are recorded based on estimated service rendered but are billed to customers monthly on a cycle basis.

DEPRECIATION AND MAINTENANCE

Northern Indiana provides depreciation on a straight-line method over the remaining service lives of the electric, gas and common properties. The provisions as a percentage of the cost of depreciable utility plant were approximately 4.1% for year 1995, and 4.0% for years 1994 and 1993. The depreciation rates for electric and gas properties were 3.55% and 4.92%, respectively.

Kokomo Gas provides depreciation on the original cost of utility plant in service using straight-line rates that averaged approximately 3.0% for the years 1995, 1994 and 1993.

NIFL provides depreciation on the original cost of utility plant in service using straight-line rates that averaged approximately 2.75% for the years 1995, 1994 and 1993.

Crossroads provides depreciation on the original cost of utility plant in service using straight-line rates that averaged approximately 2.5% for the years 1995 and 1994.

The Utilities follow the practice of charging maintenance and repairs, including the cost of renewals of minor items of property, to maintenance expense accounts, except for repairs of transportation and service equipment which are charged to clearing accounts and redistributed to operating expense and other accounts. When property which represents a retirement unit is replaced or removed, the cost of such property is credited to utility plant, and such cost, together with the cost of removal less salvage, is charged to the accumulated provision for depreciation.

PLANT ACQUISITION ADJUSTMENTS

Industries' cost in excess of the underlying book values of the acquired NIFL and Kokomo Gas subsidiaries have been recorded as plant acquisition adjustments, which are being amortized over 40-year periods from their respective dates of acquisition.

COAL RESERVES

Northern Indiana has a long-term mining contract to mine its coal reserves through the year 2001. The costs of these reserves are being recovered through the rate making process as such coal reserves are used to produce electricity.

OIL AND NATURAL GAS ACCOUNTING

NIPSCO Fuel Company, Inc., a wholly-owned subsidiary of Services, uses the full-cost method of accounting for its oil and natural gas production activities. Under this method all costs incurred in the acquisition, exploration and development of oil and natural gas properties are capitalized and amortized on the units-of-production basis.

POWER PURCHASED

Power purchases and net interchange power with other electric utilities under interconnection agreements are included in Cost of Energy under the caption "Power purchased."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

ACCOUNTS RECEIVABLE

At December 31, 1995, Northern Indiana had sold \$100 million of its accounts receivable under a sales agreement which expires May 31, 1997.

STATEMENT OF CASH FLOWS

For the purposes of the Consolidated Statement of Cash Flows, Industries considers temporary cash investments with an original maturity of three months or less to be cash equivalents.

Cash paid during the periods reported for income taxes and interest was as follows:

	1995	1994	1993
Income taxes.....	\$117,940	\$121,485	\$93,155
Interest, net of amounts capitalized....	\$ 89,321	\$ 82,738	\$88,353

(Dollars in thousands)

FUEL ADJUSTMENT CLAUSE

All metered electric rates contain a provision for adjustment in charges for electric energy to reflect increases and decreases in the cost of fuel and the fuel cost of purchased power through operation of a fuel adjustment clause. As prescribed by order of the Indiana Utility Regulatory Commission (Commission) applicable to metered retail rates, the adjustment factor has been calculated based on the estimated cost of fuel and the fuel cost of purchased power in a future three-month period. If two statutory requirements relating to expense and return levels are satisfied, any under or overrecovery caused by variances between estimated and actual cost in a given three-month period will be included in a future filing. Northern Indiana records any under or overrecovery as a current asset or current liability until such time as it is billed or refunded to its customers. The fuel adjustment factor is subject to a quarterly hearing by the Commission and remains in effect for a three-month period.

GAS COST ADJUSTMENT CLAUSE

All metered gas rates contain an adjustment factor which reflects the cost of purchased gas, contracted gas storage and storage transportation charges. The Utilities record any under or overrecovery as a current asset or current liability until such time as it is billed or refunded to their customers. The gas cost adjustment factor for Northern Indiana is subject to a quarterly hearing by the Commission and remains in effect for a three-month period. The gas cost adjustment factors for Kokomo Gas and NIFL are subject to semi-annual hearings by the Commission and remain in effect for a six-month period. If the statutory requirement relating to the level of return is satisfied, any under or overrecovery caused by variances between estimated and actual cost in a given three or six month period will be included in a future filing. See Rate Matters (Take-or-Pay Pipeline Gas Costs) and (FERC Order No. 636) for a discussion of take-or-pay charges and gas transition cost charges.

NATURAL GAS IN STORAGE

Northern Indiana's natural gas in storage is valued using the last-in, first-out (LIFO) inventory methodology. Based on the average cost of gas purchased in December, 1995, and 1994, the estimated replacement cost of gas in storage (current and non-current) at December 31, 1995, and 1994, exceeded the stated LIFO cost by approximately \$30 million and \$38 million, respectively. Certain other subsidiaries of Industries have natural gas in storage valued at average cost.

HEDGING ACTIVITIES

Industries' non-regulated gas subsidiaries use commodity futures contracts to hedge the impact of natural gas price fluctuations related to its business activities. Gains and losses on futures contracts are deferred and recognized in income as an adjustment to purchased gas cost, concurrent with the related physical volumes.

REGULATORY ASSETS

The Utilities' operations are subject to the regulation of the Commission and the Federal Energy Regulatory Commission (FERC). Accordingly, the Utilities' accounting policies are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71 "Accounting for the Effects of Certain Types of Regulation." The regulatory assets below represent probable future revenue to the Utilities associated with certain incurred costs as these costs are recovered through the rate making process. Regulatory assets were comprised of the following items, and were reflected in the Consolidated Balance Sheet as follows:

	December 31, 1995	December 31, 1994

	(Dollars in thousands)	
Unamortized reacquisition premium on debt (See Long-Term Debt note).....	\$ 53,776	\$ 54,265
Unamortized R. M. Schahfer Unit 17 and Unit 18 carrying charges and deferred depreciation (See below).....	74,981	79,198
Bailly scrubber carrying charges and deferred depreciation (See below).....	11,517	7,864
Deferral of SFAS No. 106 expense not recovered (See Postretirement Benefits note).....	64,834	43,939
FERC Order No. 636 transition costs (See Rate Matters--FERC Order No. 636 note).....	25,038	56,153
	-----	-----
	230,146	241,419
	-----	-----
Less: Current portion of regulatory assets.....	17,655	45,970
	-----	-----
	\$212,491	\$195,449
	=====	=====

In March, 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement imposes stricter criteria for retention of regulatory assets by requiring that such assets be probable of future recovery at each balance sheet date. The Utilities will adopt this standard on January 1, 1996, and adoption will not have a material impact on its financial position or results of operations based on the current regulatory structure in which the Utilities operate.

CARRYING CHARGES AND DEFERRED DEPRECIATION

Upon completion of R. M. Schahfer Units 17 and 18, Northern Indiana capitalized the carrying charges and deferred depreciation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

in accordance with orders of the Commission until the cost of each unit was allowed in rates. Such carrying charges and deferred depreciation are being amortized over the remaining life of each unit.

Northern Indiana began capitalizing carrying charges and deferring depreciation and certain operating expenses relating to its scrubber service agreement upon completion of the flue gas desulfurization plant in June, 1992, at Northern Indiana's Bailly Generating Station in accordance with an order of the Commission. Pursuant to such order, capitalization of carrying charges and deferral of depreciation and certain operating expenses ceased on December 31, 1995. The accumulated balance of the deferred costs and related carrying charges will be amortized over the remaining life of the scrubber service agreement.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Allowance for funds used during construction (AFUDC) is charged to construction work in progress during the period of construction and represents the net cost of borrowed funds used for construction purposes and a reasonable rate upon other (equity) funds. Under established regulatory rate practices, after the construction project is placed in service, Northern Indiana is permitted to include in the rates charged for utility services (a) a fair return on and (b) depreciation of such AFUDC included in plant in service.

At January 1, 1993, a pretax rate of 3.7% for all construction was being used; effective January 1, 1994, the rate increased to 5.0% and effective January 1, 1995, the rate increased to 6.0%.

FOREIGN CURRENCY TRANSLATION

Translation gains or losses are based upon the end-of-period exchange rate and are recorded as a separate component of shareholders' equity.

INVESTMENTS IN REAL ESTATE

Development has invested in a series of affordable housing projects in the Utilities' service territory. These investments include certain tax benefits, including low-income housing tax credits and tax deductions for operating losses of the housing projects. Development accounts for these investments using the equity method. Investments, at equity, include \$21.9 million and \$12.8 million relating to affordable housing projects at December 31, 1995, and December 31, 1994, respectively.

INCOME TAXES

Deferred income taxes are recognized as costs in the rate making process by the commissions having jurisdiction over the rates charged by the Utilities. Deferred income taxes are provided as a result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements. These taxes are reversed by a debit or credit to deferred income tax expense as the temporary differences reverse. Investment tax credits have been deferred and are being amortized to income over the life of the related property.

PENDING TAX MATTER

On August 1, 1991, the Internal Revenue Service (IRS) issued a notice of deficiency for Northern Indiana's taxes for the years 1982 through 1985 (\$3,785,250 per year plus interest) relating to interest payments on \$70 million of 17-1/4% Notes issued in 1981 by Northern Indiana's former foreign subsidiary, Northern Indiana Public Service Finance N.V. (Finance). The IRS believes that interest paid on the Notes should have been subject to United States tax withholding. The Notes were redeemed in 1985 and Finance was subsequently liquidated. On October 25, 1991, Northern Indiana challenged the assessment in the United States Tax Court (Tax Court) and the matter was tried in 1994. On November 6, 1995, the Tax Court ruled in favor of Northern Indiana, finding that the interest paid on the Notes was not subject to United States tax withholding. While it is uncertain whether the IRS will appeal the Tax Court's decision, Northern Indiana's management and general counsel believe the ruling of the Tax Court will prevail.

ELM ENERGY AND RECYCLING (UK) LTD.

Development, a wholly-owned subsidiary of Industries, is a 95% shareholder in Elm Energy and Recycling (UK) Ltd. (Elm), which owns and operates a tire-fueled electric generating plant in Wolverhampton, England (Project), that began operating in late 1993. In 1992, Elm entered into a contract with TBV Power Limited (TBV), a company jointly owned by affiliates of the Tarmac PLC Group and Black & Veatch, for the design, construction and commissioning of the Project. Pursuant to that contract and other agreements between Elm and TBV, TBV committed to complete certain work and pass certain performance and reliability tests for the Project no later than June 30, 1995, which would have allowed the independent Project engineer to issue an Acceptance and Completion Certificate by that date.

On July 3, 1995, the Project engineer notified TBV that an Acceptance and Completion Certificate had not been issued as of June 30, 1995. Elm then notified TBV that it was rejecting the Project in accordance with the terms of the contract between it and TBV. As a result, on July 3, 1995, Barclays Bank, as agent for the banks which had provided financing for the Project, issued a notice of an event of default to Elm. On July 4, 1995, the Project engineer notified TBV that, in accordance with the contract between Elm and TBV, all monies previously paid by Elm to TBV ((Pounds)29.6 million) were to be reimbursed by TBV to Elm. The certificate issued by the Project engineer was adjudicated under a procedure provided in the construction contract, and the adjudicator confirmed the full (Pounds)29.6 million as owing to Elm. TBV has filed suit in the English courts to enjoin enforcement of the adjudicator's decision, to challenge again the Project engineer's decision and to allege breaches of the underlying construction contract by Elm. Elm has counterclaimed and is aggressively pursuing its remedies.

Elm and Development are also seeking additional remedies at law, in both the United States and the United Kingdom, for further damages and/or sanctions against TBV and/or Tarmac PLC Group and Black & Veatch. Development believes that these additional remedies, in conjunction with Elm's rights under the construction

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

contract, will be sufficient to mitigate any losses which Elm and/or Development may otherwise incur as a result of TBV's failure to complete the Project in accordance with the contract.

Development believes that it and Elm have sustainable and adequate remedies under the construction contract such that rejection will not have a material adverse effect on Industries. Elm is continuing to operate the plant. The banks which provided the financing for the plant are continuing to support its operations, but have the right to ask that the operation of the plant be terminated and the assets sold. In that event, some or all of Industries' investments in Elm may be at risk. Industries' investments in Elm were approximately \$18 million at December 31, 1995.

RATE MATTERS

TAKE-OR-PAY PIPELINE GAS COSTS

The FERC has allowed certain interstate pipeline suppliers to pass on to their customers a portion of costs for contracted gas not purchased (take-or-pay), contract reformation and associated interest charges through direct billing to their customers, including the Utilities.

Northern Indiana records take-or-pay costs as they are billed by the respective pipeline, and in an order dated September 28, 1988, the Commission allowed Northern Indiana to recover these additional gas costs on a volumetric basis from all customers, including transport customers. The Utilities have recovered approximately \$196.9 million of take-or-pay costs and interest from their customers through December 31, 1995. As of December 31, 1995, an additional \$4.5 million was scheduled to be billed to the Utilities and recovered from customers over a period of one to four years.

FERC ORDER NO. 636

On April 8, 1992, the FERC issued its Order No. 636 which required interstate pipelines to restructure their services. Under the Order, existing pipeline sales services have been "unbundled" such that gas supplies are being sold separately from interstate transportation services. The Utilities' interstate pipeline suppliers have filed new tariffs with the FERC to implement Order No. 636, and the Utilities have contracted for a mix of transportation and storage services which will allow them to meet the needs of their customers. Customers, such as the Utilities, are expected to benefit from enhanced access to competitively priced gas supplies, as well as from more flexible transportation services. Pipelines are seeking to recover from their customers certain transition costs associated with restructuring under the Order No. 636 regulation. Any such recovery is subject to established review procedures at the FERC. Also, mandated changes in pipeline rate design could increase the cost of firm transportation service on interstate pipelines. All interstate pipelines are now operating under Order No. 636 regulation.

The Utilities' pipeline suppliers have made certain filings with the FERC to begin collecting their respective transition costs. The Utilities expect that the total transition costs from all suppliers will approximate \$139 million. However, the ultimate level of costs will depend on future events, including the market price of natural gas. Approximately \$89 million of such costs have been recorded, a portion of which has been paid to the pipeline suppliers, subject to refund. On November 2, 1994, the Commission issued an order which approved the recovery of these FERC-allowed transition costs on a volumetric basis from Northern Indiana's sales and transportation customers (which is consistent with what the Commission authorized for the recovery of take-or-pay pipeline gas costs). Certain industrial customers appealed the November 2, 1994 order to the Indiana Court of Appeals. The Court granted Northern Indiana's motion to dismiss the appeal for want of subject matter jurisdiction. Subsequently the transportation customers filed a Petition for Transfer with the Indiana Supreme Court seeking review of the Indiana Court of Appeals' decision. On December 15, 1995, the Indiana Supreme Court denied the Petition for Transfer which terminated the transportation customers' appeal. Regulatory assets, in amounts corresponding to the costs recorded, have been recorded to reflect the ultimate recovery of these costs.

ENVIRONMENTAL MATTERS

The Utilities have an ongoing program to remain aware of laws and regulations involved with hazardous waste and other environmental matters. It is the Utilities' intent to continue to evaluate their facilities and properties with respect to these rules and identify any sites that would require corrective action. The Utilities have recorded a reserve of \$5.0 million to cover probable corrective actions as of December 31, 1995. However, environmental regulations and remediation techniques are subject to future change. Based upon management's understanding of current laws and regulations, the Utilities believe that any corrective actions required, after consideration of insurance coverages, will not have a significant impact on the financial position or results of operations of Industries.

Because of major investments made in modern environmental control facilities and the use of low sulfur coal, all of Northern Indiana's electric production facilities now comply with the sulfur dioxide limitations contained in the acid deposition provisions of the Clean Air Act Amendments of 1990 (CAAA). Northern Indiana estimates that total costs of compliance with the CAAA sulfur dioxide regulations will impact

electric rates by less than 5% in the future.

The CAAA contain provisions that could lead to limitations on emissions of nitrogen oxides and hazardous air pollutants, which may require significant capital expenditures for control of these emissions. Northern Indiana is pursuing a nitrogen oxide control program to meet future requirements. Northern Indiana cannot predict the costs of complying with CAAA requirements, but Northern Indiana believes that any such mandated costs would be recoverable through the rate making process.

The Environmental Protection Agency (EPA) has notified Northern Indiana that it is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and may be required to share in the cost of cleanup of several waste disposal sites identified by the EPA. The sites are in various stages of investigation, analysis and remediation. At each of the sites, Northern Indiana is one of several PRPs, and it is expected that remedial costs, as provided under CERCLA, will be shared among them. At some sites Northern Indiana and/or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

the other named PRPs are presently working with the EPA to clean up the sites and avoid the imposition of fines or added costs.

The Utilities have instituted a program to investigate former manufactured gas plants where one of them is the current or former owner. The Utilities have identified twenty-seven of these sites and made visual inspections of these sites. The Utilities have conducted initial samplings at thirteen sites. Follow-up investigations have been conducted at five sites and potential remedial measures are being evaluated. The Utilities will continue their program to assess sites. During the follow-up investigation of the former manufactured gas plant in Elkhart, Indiana, Northern Indiana noted the presence of hydrocarbons in the Elkhart River. Northern Indiana reported this finding to the Indiana Department of Environmental Management (IDEM) and the EPA. Northern Indiana has placed the Elkhart site in the IDEM Voluntary Remediation Program (VRP). The goal of placing the site in the VRP is to obtain IDEM approval of the determination and subsequent implementation of what remedial measures, if any, may be needed.

Northern Indiana was notified by IDEM of the release of a petroleum substance into the St. Mary's River in Fort Wayne, Indiana, from the site of a former manufactured gas plant formerly owned by Northern Indiana. In cooperation with IDEM, Northern Indiana has taken steps to investigate and contain the substance. Northern Indiana has remediated part of the Fort Wayne site. The remainder of the site is being evaluated to determine what further remedial measures, if any, may be needed.

Northern Indiana and Indiana Gas Company, Inc. (Indiana Gas) have entered into an agreement covering cost sharing and management of investigation and remediation programs at five former manufactured gas plant sites at which both companies or their predecessors were former operators or owners. One of these sites is the Lafayette site which Indiana Gas had previously notified Northern Indiana is being investigated and remediated pursuant to an administrative order with IDEM. Northern Indiana also notified PSI Energy, Inc. that it was a former owner or operator of seven former manufactured gas plants at which Northern Indiana had conducted or was planning investigation or remediation activities.

The Utilities have met with various companies that provided insurance coverage which the Utilities believe covers costs related to actions taken at former manufactured gas plants. In September 1995, certain insurance companies initiated a suit in Indiana state court against Northern Indiana to deny coverage. Later in September 1995, Northern Indiana filed a more comprehensive suit in Federal Court in Indiana against those insurers and several other insurance companies, seeking coverage for costs associated with several former manufactured gas plant sites. The state court action is stayed pending resolution of the Northern Indiana suit in Federal Court.

The possibility that exposure to electric and magnetic fields emanating from power lines, household appliances and other electric sources may result in adverse health effects has been the subject of public, governmental and media attention. A considerable amount of scientific research has been conducted on this topic without definitive results. Research is continuing to resolve scientific uncertainties.

INCOME TAXES

Effective January 1, 1993, Industries adopted SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method of accounting for income taxes. Under the liability method, deferred income taxes are recognized, at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial statement and tax bases of assets and liabilities.

To implement SFAS No. 109, certain adjustments were made to deferred income taxes. To the extent such income taxes are recoverable or payable through future rates, regulatory assets and liabilities have been recorded in the Consolidated Balance Sheet. These adjustments include the amounts reflecting the Utilities' obligation to credit to ratepayers deferred income taxes provided at rates higher than the current federal tax rate which are currently being credited to ratepayers using the average rate assumption method required by the Tax Reform Act of 1986 and the Commission. The Consolidated Balance Sheet at December 31, 1995 and 1994 reflects a net regulatory income tax liability of \$9.8 million and \$18.6 million, respectively. The net regulatory income tax liability is derived from regulatory assets primarily attributable to undepreciated AFUDC-equity and the cumulative net amount of other income tax timing differences for which deferred taxes had not been provided in the past, when regulators did not recognize such taxes as costs in the rate making process, and regulatory liabilities primarily attributable to deferred taxes provided at rates in excess of the current statutory rate, as discussed above, and unamortized deferred investment tax credits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

The components of the net deferred income tax liability at December 31, 1995, and 1994, are as follows:

	1995	1994

	(Dollars in thousands)	
Deferred tax liabilities--		
Accelerated depreciation and other property differences.....	\$ 706,715	\$ 691,319
AFUDC-equity.....	40,083	42,447
Adjustment clauses.....	4,613	10,596
Take-or-pay gas costs.....	1,550	2,045
Other regulatory assets.....	28,930	22,125
Reacquisition premium on debt.....	20,397	20,580
Deferred tax assets--		
Deferred investment tax credits.....	(43,854)	(46,703)
Removal costs.....	(118,064)	(105,671)
FERC Order No. 636 transition costs.....	(4,400)	(5,461)
Other postretirement/postemployment benefits.....	(32,512)	(22,712)
Regulatory income tax liability.....	(3,734)	(7,054)
Other, net.....	(8,841)	(20,231)
	-----	-----
	590,883	581,280
	-----	-----
Less: Deferred income taxes related to current assets and liabilities...	(6,057)	(586)
	-----	-----
Deferred income taxes--noncurrent.....	\$ 596,940	\$ 581,866
	=====	=====

Federal and state income taxes as set forth in the Consolidated Statement of Income are comprised of the following:

	1995	1994	1993

	(Dollars in thousands)		
Current income taxes--			
Federal.....	\$103,224	\$100,321	\$ 89,022
State.....	15,421	15,398	13,132
	-----	-----	-----
	118,645	115,719	102,154
	-----	-----	-----
Deferred income taxes, net--Federal and state--			
Accelerated depreciation and other property differences.....	9,516	8,328	13,211
Removal costs.....	(12,081)	(12,093)	(8,760)
Adjustment clauses.....	7,899	(17,025)	(2,466)
FERC Order No. 636 transition costs and cost recovery.....	(12,875)	11,393	-
Take-or-pay gas costs.....	(495)	(2,189)	(5,799)
Reacquisition premium on debt.....	(1,279)	2,787	2,824
Other.....	6,634	(2,689)	3,112
	-----	-----	-----
	(2,681)	(11,488)	2,122
	-----	-----	-----
Deferred investment tax credits, net.....	(7,515)	(6,499)	(7,446)
	-----	-----	-----
Total utility operating income taxes.....	108,449	97,732	96,830
Income tax applicable to non-operating activities and income of non-utility subsidiaries.....	(9,250)	(16,333)	(5,537)
	-----	-----	-----
Total income taxes.....	\$ 99,199	\$ 81,399	\$ 91,293
	=====	=====	=====

A reconciliation of total tax expense to an amount computed by applying the statutory federal income tax rate to pretax income is as follows:

	1995	1994	1993
	(Dollars in thousands)		
Net income.....	\$175,465	\$163,987	\$156,140
Add--Income taxes.....	99,199	81,399	91,293
Dividend requirements on preferred stocks of subsidiary.....	9,046	9,913	10,341
	-----	-----	-----
Income before preferred dividend requirements of subsidiary and income taxes.....	\$283,710	\$255,299	\$257,774
	=====	=====	=====
Amount derived by multiplying pretax income by statutory rate....	\$ 99,299	\$ 89,355	\$ 90,221
Reconciling items multiplied by the statutory rate:			
Book depreciation over related tax depreciation.....	4,018	4,044	3,893
Amortization of deferred investment tax credits.....	(7,515)	(7,466)	(7,446)
State income taxes, net of federal income tax benefit.....	9,479	8,835	8,568
Fair market value of property donated in excess of book value..	--	(7,753)	--
Reversal of deferred taxes provided at rates in excess of the current federal income tax rate.....	(5,665)	(5,807)	(5,080)
Other, net.....	(417)	191	1,137
	-----	-----	-----
Total income taxes.....	\$ 99,199	\$ 81,399	\$ 91,293
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

PENSION PLANS

Industries and its subsidiaries have three noncontributory, defined benefit retirement plans covering substantially all employees. Benefits under the plans reflect the employees' compensation, years of service and age at retirement.

The plans' funded status as of December 31, 1995 and 1994 are as follows:

	1995	1994
----- ----- (Dollars in thousands)		
Vested benefit obligation.....	\$549,234	\$449,043
Nonvested benefit.....	104,814	97,138
Accumulated benefit obligation.....	\$654,048	\$546,181
	=====	=====
Projected benefit obligation for service rendered to date.....	\$759,681	\$613,094
Plan assets at fair market value.....	706,320	571,624
	-----	-----
Projected benefit obligation in excess of plan assets.....	53,361	41,470
Unrecognized transition obligation at December 31, being recognized over 17 years.....	(43,484)	(48,906)
Unrecognized prior service cost.....	(27,242)	(29,847)
Unrecognized gains.....	4,217	47,788
	-----	-----
Accrued (prepaid) pension costs.....	\$(13,148)	\$ 10,505
	=====	=====

The accumulated benefit obligation is the present value of future pension benefit payments and is based on the plan benefit formula without considering expected future salary increases. The projected benefit obligation considers estimated future salary increases. Discount rates of 7.25% and 8.75% and rates of increase in compensation levels of 5.5% were used to determine the accumulated benefit obligation and projected benefit obligation at December 31, 1995 and 1994, respectively. The increase in the accumulated benefit obligation as of December 31, 1995, is mainly caused by the decrease in the discount rate from 8.75% to 7.25%.

The following items are the components of provisions for pensions for the years ended December 31, 1995, 1994 and 1993:

	1995	1994

	(Dollars in thousands)	
Retirees.....	\$ 99,453	\$ 96,676
Fully eligible active plan participants.....	23,084	20,008
Other active plan participants.....	136,322	105,991
	-----	-----
Accumulated postretirement benefit obligation....	258,859	222,675
Unrecognized transition obligation at December 31, being recognized over 20 years....	(197,088)	(208,681)
Unrecognized actuarial gain.....	23,439	45,496
	-----	-----
Accrued liability for postretirement benefits....	\$ 85,210	\$ 59,490
	=====	=====

A discount rate of 7.25% and a pre-Medicare medical trend rate of 10% declining to a long-term rate of 6% and a discount rate of 8.75% and a pre-Medicare medical trend rate of 11% declining to a long-term rate of 7% were used to determine the accumulated postretirement benefit obligation at December 31, 1995 and 1994, respectively.

The transition obligation at January 1, 1993, for accumulated postretirement benefits earned and not recognized is being amortized over twenty years as allowed by SFAS No. 106.

Net periodic postretirement benefit costs for the year ended December 31, 1995 and 1994, include the following components:

	1995	1994

	(Dollars in thousands)	
Service costs.....	\$ 6,076	\$ 8,272
Interest costs.....	19,031	19,945
Amortization of transition obligation over 20 years.....	11,593	11,593
Amortization of unrecognized actuarial (gain)....	(2,179)	0
	-----	-----
	\$34,521	\$39,810
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

The net periodic postretirement benefit costs for 1995 were determined assuming an 8.75% discount rate, a 5% rate of compensation increase and a pre-Medicare medical trend rate of 11% declining to a long-term rate of 7%. The net periodic postretirement benefit costs for 1994 were determined by assuming a 7.5% discount rate, a 5% rate of compensation increase and a pre-Medicare medical trend rate of 12% declining to a long-term rate of 7%. The effect of a 1% increase in the assumed health care cost trend rates for each future year would increase the accumulated postretirement benefit obligation at December 31, 1995, by approximately \$40.9 million and increase the aggregate of the service and interest cost components of plan costs by approximately \$5.0 million for the year ended December 31, 1995. Amounts disclosed above could be changed significantly in the future by changes in health care costs, work force demographics, interest rates or plan changes.

On December 30, 1992, the Commission authorized the accrual method of accounting for postretirement benefits for rate making purposes and authorized the deferral, as a regulatory asset to be recovered through future revenues, of the net increase in cost until such time as the new accrual cost method may be reflected in the rate making process. The Commission stated that a deferral period of four years or less would be rebuttably presumed to be reasonable and also indicated each utility would have to demonstrate its postretirement benefit costs were prudent and reasonably incurred at the time such costs were proposed to be recovered in the rate making process. Northern Indiana will request the recovery of such costs within that period and, accordingly, is deferring as a regulatory asset the difference between the amount that would have been charged to expense under pay-as-you-go accounting and the amount accrued in accordance with the new standard. This conclusion could change as competitive factors influence pricing decisions.

POSTEMPLOYMENT BENEFITS

Effective January 1, 1994, Industries adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which requires Industries to accrue the estimated cost of benefits provided to former or inactive employees after employment but before retirement. Adoption of SFAS No. 112 did not have a material impact on Industries' financial position or results of operations.

PREFERRED AND PREFERENCE STOCKS

Industries is authorized to issue 20,000,000 shares of Preferred Stock, without par value. Effective March 2, 1990, 2,000,000 shares of the Industries' Series A Junior Participating Preferred Shares were reserved for issuance pursuant to the Share Purchase Rights Plan described in Common Shares. In November, 1990, Industries issued and sold 350,000 shares of 8.75% Series Cumulative Preferred Shares through a private placement for \$35 million. Pursuant to mandatory redemption provisions, the shares were redeemed in whole by Industries on January 12, 1996, for \$100 per share plus accrued dividends.

The authorized classes of par value and no par value cumulative preferred and preference stocks of Northern Indiana are as follows: Cumulative Preferred--\$100 par value--2,400,000 shares; Cumulative Preferred--no par value--3,000,000 shares; Cumulative Preference--\$50 par value--2,000,000 shares (none outstanding); and Cumulative Preference--no par value--3,000,000 shares (none issued).

The Preferred shareholders of Industries and Northern Indiana have no voting rights except in the event of default on the payment of four consecutive quarterly dividends, or as required by Indiana law to authorize additional preferred shares, or by the Articles of Incorporation in the event of certain merger transactions.

The redemption prices at December 31, 1995, for the cumulative preferred stock, which is redeemable solely at the option of Northern Indiana, in whole or in part, at any time upon 30 days' notice, are as follows:

	Series	Redemption Price Per Share

Cumulative preferred stock--		
\$100 par value--	4-1/4%	\$101.20
	4-1/2%	\$100.00
	4.22%	\$101.60
	4.88%	\$102.00
	7.44%	\$101.00
	7.50%	\$101.00
Cumulative preferred stock--		
no par value--adjustable rate		
(6.00% at December 31, 1995), Series A		
(stated value \$50 per share)		\$ 50.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

The redemption prices at December 31, 1995, as well as sinking fund provisions for the cumulative preferred stock subject to mandatory redemption requirements, or whose redemption is outside the control of Northern Indiana are as follows:

Series	Redemption Price Per Share	Sinking Fund Or Mandatory Redemption
Cumulative preferred stock--\$100 par value--		
8.85%	\$101.85, reduced periodically	12,500 shares on or before April 1.
8.35%	\$104.18, reduced periodically	3,000 shares on or before July 1; increasing to 6,000 shares beginning in 2004; noncumulative option to double amount each year.
7 3/4%	\$104.58, reduced periodically	2,777 shares on or before December 1; noncumulative option to double amount each year.
Cumulative preferred stock--no par value--		
6.50%	\$100.00 on October 14, 2002	430,000 shares on October 14, 2002.

Sinking fund requirements with respect to redeemable preferred stocks outstanding at December 31, 1995, for each of the four years subsequent to December 31, 1996, are as follows:

Year Ending December 31,

1997.....	\$1,827,700
1998.....	\$1,827,700
1999.....	\$1,827,700
2000.....	\$1,827,700

COMMON SHARE DIVIDEND

During the next few years, Industries expects that the great majority of earnings available for distribution of dividends will depend upon dividends paid to Industries by Northern Indiana. Northern Indiana's Indenture provides that it will not declare or pay any dividends on any class of capital stock (other than preferred or preference stock) except out of earned surplus or net profits of Northern Indiana. At December 31, 1995, Northern Indiana had approximately \$144.8 million of retained earnings (earned surplus) available for the payment of dividends. Future dividends will depend upon adequate retained earnings, adequate future earnings and the absence of adverse developments.

COMMON SHARES

Industries has authorized 200,000,000 common shares without par value.

SHARE PURCHASE RIGHTS PLAN

On February 27, 1990, the Board of Directors of Industries declared a dividend distribution of one Right for each outstanding common share of Industries to shareholders of record on March 12, 1990. The Rights are not currently exercisable. Each Right, when exercisable, would initially entitle the holder to purchase from Industries one one-hundredth of a Series A Junior Participating Preferred Share, without par value, of Industries at a price of \$60 per one one-hundredth of a share. In certain circumstances, if an acquirer obtained 25% of Industries' outstanding shares, or merged into Industries or merged Industries into the acquirer, the Rights would entitle the holders to purchase Industries' or the acquirer's common shares for one-half of the market price. The Rights will not dilute Industries' common shares nor affect earnings per share unless they become exercisable for common shares. The Plan was not adopted in response to any specific attempt to acquire control of Industries.

COMMON SHARE REPURCHASES

The Board of Directors of Industries has authorized the repurchase of Industries' common shares. At December 31, 1995, Industries had purchased approximately 16.0 million shares at an average price of \$24.16 per share. Approximately 1.6 million additional common shares may

be repurchased under the Board's authorization.

LONG-TERM INCENTIVE PLAN

Industries' Long-Term Incentive Plan (1988 Plan) for key management employees, which was approved by shareholders on April 13, 1988, provides for the issuance of up to 2.5 million of Industries' common shares to key employees through 1998. On April 13, 1994, shareholders adopted Industries' 1994 Long-Term Incentive Plan (1994 Plan). It is similar to the 1988 Plan and provides an additional 2.5 million common shares available for issuance to key employees through 2004. At December 31, 1995, there were 152,461 shares and 2,331,550 shares reserved for future awards under the 1988 Plan and 1994 Plan, respectively. The 1988 Plan and 1994 Plan permit the following types of grants, separately or in combination:

nonqualified stock options, incentive stock options, restricted stock awards, stock appreciation rights and performance units. No incentive stock options or performance units were outstanding at December 31, 1995.

The stock appreciation rights (SARs) may be exercised only in tandem with stock options on a one-for-one basis and are payable in cash, Industries stock or a combination thereof. Restricted stock awards are restricted as to transfer and subject to forfeiture for specific periods from the date of grant. Restrictions on the shares awarded during 1990 and 1991 lapse five years from date of grant and vest subject to specific share price appreciation conditions. Restrictions on shares awarded in 1995 vest five years from date of grant and vest subject to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

specific earnings per share and stock appreciation goals. If a participant's employment is terminated other than by reason of death, disability or retirement, restricted shares are forfeited. There were 157,500, 150,500 and 330,500 restricted shares outstanding at December 31, 1993, 1994 and 1995, respectively.

Changes in outstanding shares under option and SARs for 1993, 1994 and 1995, are as follows:

	Nonqualified Stock Options		Nonqualified Stock Options With SARs	
Year Ended December 31, 1993	Options	Option Price	Options	Option Price
Balance at beginning of year.....	869,150	\$10.94-\$26.06	11,500	\$10.94
Granted.....	288,500	\$33.19	--	--
Exercised.....	(261,150)	\$10.94-\$26.06	--	--
Cancelled.....	(5,700)	\$26.06	(1,600)	\$10.94
	-----		-----	
Balance at end of year.....	890,800	\$10.94-\$33.19	9,900	\$10.94
	=====		=====	
Shares exercisable.....	602,300	\$10.94-\$26.06	9,900	\$10.94
Year Ended December 31, 1994	Options	Option Price	Options	Option Price
Balance at beginning of year.....	890,800	\$10.94-\$33.19	9,900	\$10.94
Granted.....	294,650	\$28.75	--	--
Exercised.....	(61,850)	\$10.94-\$26.06	--	--
Cancelled.....	(26,050)	\$28.75-\$33.19	--	--
	-----		-----	
Balance at end of year.....	1,097,550	\$10.94-\$33.19	9,900	\$10.94
	=====		=====	
Shares exercisable.....	807,150	\$10.94-\$33.19	9,900	\$10.94
Year Ended December 31, 1995	Options	Option Price	Options	Option Price
Balance at beginning of year.....	1,097,550	\$10.94-\$33.19	9,900	\$10.94
Granted.....	282,450	\$30.31-\$32.44	--	--
Exercised.....	(259,850)	\$10.94-\$33.19	(4,300)	\$10.94
Cancelled.....	(12,400)	\$10.94-\$33.19	--	--
	-----		-----	
Balance at end of year.....	1,107,750	\$10.94-\$33.19	5,600	\$10.94
	=====		=====	
Shares exercisable.....	830,300	\$10.94-\$33.19	5,600	\$10.94

The Industries Nonemployee Director Stock Incentive Plan, which was approved by shareholders, provides for the issuance of up to 100,000 of Industries' common shares to nonemployee directors of Industries. The Plan provides for awards of common shares which vest in 20% per year increments, with full vesting after five years. The Plan also allows the award of nonqualified stock options in the future. If a director's service on the Board is terminated for any reason other than death or disability, any common shares not vested as of the date of termination are forfeited. As of December 31, 1995, 27,750 shares were issued under the Plan.

LONG-TERM DEBT

The sinking fund requirements of long-term debt outstanding at December 31, 1995 (including the maturity of Northern Indiana's first mortgage bonds: Series O, 6-3/8%, due September 1, 1997; and Series P, 6-7/8%, due October 1, 1998; Northern Indiana's medium-term notes due from April 6, 1998, to June 1, 2000; Capital Markets' Zero Coupon Notes due December 1, 1997; Lake Erie Land Company's notes payable due May

23, 1997, to June 30, 1998; and NDC Douglas Properties, Inc. notes payable due December 22, 1999), for each of the four years subsequent to December 31, 1996, are as follows:

Year Ending December 31,

1997.....	\$ 76,705,830
1998.....	\$132,772,940
1999.....	\$ 10,848,427
2000.....	\$166,170,510

Unamortized debt expense, premium and discount on long-term debt, applicable to outstanding bonds are being amortized over the lives of such bonds. Reacquisition premiums are being deferred and amortized.

Northern Indiana's Indenture dated August 1, 1939, as amended and supplemented, securing the first mortgage bonds issued by Northern Indiana, constitutes a direct first mortgage lien upon substantially all property and franchises, other than expressly excepted property, owned by Northern Indiana.

On March 4, 1994, the Commission authorized Northern Indiana to issue up to \$289,275,000 of its Medium-Term Notes, Series D, due from 1 year to 30 years, for purposes of refinancing certain first mortgage bonds and paying short-term debt used to pay at maturity

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

medium-term notes due in January and April, 1994. On May 23, 1994, Northern Indiana exercised its option to redeem all the outstanding First Mortgage Bonds, Series S, Y and AA, aggregating \$125.5 million, through the use of working capital and the proceeds of short-term debt. During 1994, \$120.0 million of the Medium-Term Notes, Series D, were issued to complete the permanent refinancing of those first mortgage bonds. On June 12, 1995, the remaining \$169,275,000 of Medium-Term Notes, Series D, were issued, and part of the proceeds were used to redeem all of the outstanding First Mortgage Bonds, Series U and Z, aggregating \$94.8 million on July 3, 1995.

On August 25, 1994, Jasper County, Indiana issued Pollution Control Refunding Revenue Bonds, Series 1994 (Northern Indiana Public Service Company Project) (the Series 1994 Bonds), including \$10 million of Series 1994A Bonds, due August 1, 2010; \$18 million of Series 1994B Bonds, due June 1, 2013; and \$41 million of Series 1994C Bonds, due April 1, 2019. The proceeds of these issuances were loaned to Northern Indiana under similar terms. The initial interest rate on Series 1994 Bonds was 3.10%, which resets daily. The proceeds of the Series 1994A and Series 1994C were used to retire on October 15, 1994, \$10 million of Series MM First Mortgage Bonds, 7-1/2%, due October 15, 2004, and \$41 million of Series LL First Mortgage Bonds, 7-1/2%, due October 15, 2014. The proceeds of the Series 1994B Bonds were used to retire the \$18 million Series 1978 Note, 6.70%, due November 1, 2008, on August 25, 1994. The Series 1994 Bonds are secured by Letters of Credit from Union Bank of Switzerland.

On January 12, 1996, Industries redeemed all 350,000 shares of its 8.75% Preferred Shares, pursuant to mandatory redemption provisions, for \$100 per share plus accrued dividends. The redemption was accomplished through the use of short-term debt issued by Capital Markets. Capital Markets expects to refinance the short-term debt through an issue of long-term debt during the first quarter of 1996.

The obligations of Capital Markets are subject to a Support Agreement between Industries and Capital Markets, under which Industries has committed to make payments of interest and principal on Capital Markets' securities in the event of a failure to pay by Capital Markets. Restrictions in the Support Agreement prohibit recourse on the part of Capital Markets' investors against the stock and assets of Northern Indiana. Under the terms of the Support Agreement, in addition to the cash flow of cash dividends paid to Industries by any of its consolidated subsidiaries, the assets of Industries, other than the stock and assets of Northern Indiana, are available as recourse to holders of Capital Markets' securities. The carrying value of those assets other than Northern Indiana, reflected in the consolidated financial statements of Industries, is approximately \$393.3 million at December 31, 1995.

SHORT-TERM BORROWINGS

Northern Indiana has a \$250 million revolving Credit Agreement with several banks which terminates August 19, 1998, unless extended by its terms. As of December 31, 1995, there were no borrowings outstanding under this agreement. In addition, Northern Indiana has \$14.2 million in lines of credit which run to May 31, 1996. The credit pricing of each of the lines varies from either the lending banks' commercial prime or market rates. Northern Indiana has agreed to compensate the participating banks with arrangements that vary from no commitment fee to a combination of fees which are mutually satisfactory to both parties. As of December 31, 1995, there were no borrowings under these lines of credit. The Credit Agreement and lines of credit are also available to support the issuances of commercial paper.

Northern Indiana also has \$268.5 million of money market lines of credit. As of December 31, 1995, \$118.8 million of borrowings were outstanding under these lines of credit.

Northern Indiana has a \$50 million uncommitted finance facility. At December 31, 1995, there were no borrowings outstanding under this facility.

Northern Indiana uses commercial paper to fund short-term working capital requirements. As of December 31, 1995, Northern Indiana had \$44.8 million in commercial paper outstanding, having a weighted average interest rate of 6.01%.

Capital Markets has a \$150 million revolving Credit Agreement which will terminate August 19, 1998, unless extended by its terms. This facility provides short-term financing flexibility to Industries and also serves as the back-up instrument for a commercial paper program. As of December 31, 1995, there were no borrowings outstanding under this agreement.

Capital Markets also has \$105 million of money market lines of credit. As of December 31, 1995, \$17.4 million of borrowings were outstanding under these lines of credit.

As of December 31, 1995, Capital Markets had \$76.7 million in commercial paper outstanding, having a weighted average interest rate of 6.08%.

OPERATING LEASES

On April 1, 1990, Northern Indiana entered into a 20-year agreement for the rental of office facilities from Development at a current annual rental payment of approximately \$3.2 million.

The following is a schedule, by years, of future minimum rental payments, excluding those to associated companies, required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1995:

Year Ending December 31,	(Dollars in thousands)
-----	-----
1996.....	\$ 8,576
1997.....	7,960
1998.....	6,657
1999.....	5,825
2000.....	5,729
Later years.....	76,785

Total minimum payments required.....	\$111,532
	=====

The consolidated financial statements include rental expense for all operating leases as follows:

Year Ending December 31,	(Dollars in thousands)
-----	-----
1995.....	\$8,450
1994.....	\$7,890
1993.....	\$7,251

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

COMMITMENTS

Northern Indiana estimates that approximately \$764 million will be expended for construction purposes for the period from January 1, 1996, to December 31, 2000. Substantial commitments have been made by Northern Indiana in connection with this program.

Northern Indiana has entered into a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and Mitsubishi Heavy Industries America, Inc., under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at Bailly Generating Station. Services under this contract commenced on June 15, 1992, with annual charges of approximately \$20 million. The agreement provides that, assuming various performance standards are met by Pure Air, a termination payment would be due if Northern Indiana terminates the agreement prior to the end of the 20- year contract period.

Northern Indiana has entered into an agreement with Integrated Systems Solutions Corporation (ISSC), a wholly-owned subsidiary of IBM, to out source its information technology function to ISSC. ISSC will perform all data center, application development and maintenance and desktop management.

Effective on January 1, 1996, Primary, a recently formed direct subsidiary of Industries, became the parent of certain other subsidiaries, including Harbor Coal Company (Harbor Coal), North Lake Energy Corporation (North Lake) and Lakeside Energy Corporation (LEC).

Harbor Coal has invested in a partnership to finance, construct, own and operate a \$65 million pulverized coal injection facility which began commercial operation in August, 1993. The facility receives raw coal, pulverizes it and delivers it to Inland Steel Company for use in the operation of its blast furnaces. Harbor Coal is a 50% partner in the project with an Inland Steel affiliate. Industries has guaranteed the payment and performance of the partnership's obligations under a sale and leaseback of a 50% undivided interest in the facility.

North Lake has entered into a lease for the use of a 75 megawatt energy facility to be located at Inland Steel Company. The facility will use steam generated by Inland Steel to produce electricity to be delivered to Inland Steel. The facility is expected to begin operations in late summer of 1996. Industries has guaranteed North Lake's obligations relative to the lease and certain obligations to Inland Steel relative to the project.

LEC has entered into an agreement with USX Corporation--US Steel Group to utilize a new 161 megawatt energy facility to process high pressure steam into electricity and low pressure process steam for a 15 year period. LEC will lease this facility, once constructed, from a third party. Additionally, LEC has entered into an interim agreement, which expires when the lease is established with the third party lessor, under which LEC is acting as the agent for the lessor to design, construct and start-up the energy facility. Industries anticipates guaranteeing LEC's security deposit obligations relative to the anticipated lease.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents: The carrying amount approximates fair value because of the short maturity of those instruments.

Investments: The fair value of some investments is estimated based on market prices for those or similar investments.

Long-term debt/Preferred stock: The fair value of long-term debt and preferred stock is estimated based on the quoted market prices for the same or similar issues or on the rates offered to Industries for securities of the same remaining maturities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value.

The carrying values and estimated fair values of Industries' financial instruments are as follows:

	December 31, 1995		December 31, 1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)			
Cash and cash equivalents.....	\$ 28,496	\$ 28,496	\$ 40,441	\$ 40,441
Investments.....	\$ 25,893	\$ 27,045	\$ 19,689	\$ 20,619
Long-term debt (including current portion).....	\$1,273,376	\$1,274,079	\$1,207,936	\$1,102,019
Preferred stock.....	\$ 181,804	\$ 164,306	\$ 189,274	\$ 156,591

The majority of the long-term debt relates to utility operations. The Utilities are subject to regulation and gains or losses may be included in rates over a prescribed amortization period, if in fact settled at amounts approximating those above.

CUSTOMER CONCENTRATIONS

Industries' public utility subsidiaries supply natural gas and electrical energy within the northern third of Indiana. Although these public utilities have a diversified base of residential and commercial customers, a substantial portion of their electric and gas industrial deliveries are dependent upon the basic steel industry. The following table shows the basic steel industry percentage of gas revenue (including transportation services) and electric revenue for 1995, 1994 and 1993.

Basic Steel Industry	1995	1994	1993
Gas revenue percent.....	5%	2%	2%
Electric revenue percent.....	22%	26%	24%

Continued

QUARTERLY FINANCIAL DATA

The following data summarize certain operating results for each of the quarters of 1995 and 1994:

	1995 Quarters Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(Dollars in thousands)			
Operating revenues.....	\$522,498	\$360,462	\$370,379	\$468,986
Operating expenses and taxes.....	436,425	307,272	306,456	387,260
Operating income.....	86,073	53,190	63,923	81,726
Other income (deductions).....	(831)	(143)	(1,246)	(2,021)
Interest and other charges.....	24,911	26,099	26,319	27,877
Net income.....	60,331	26,948	36,358	51,828
Dividend requirements on preferred shares.....	766	765	766	766
Balance available for common shareholders.....	\$ 59,565	\$ 26,183	\$ 35,592	\$ 51,062
Earnings per average common share/(a)/.....	\$ 0.92	\$ 0.41	\$ 0.56	\$ 0.81

	1994 Quarters Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(Dollars in thousands)			
Operating revenues.....	\$565,551	\$348,009	\$334,598	\$428,243
Operating expenses and taxes.....	473,595	300,512	281,548	359,597
Operating income.....	91,956	47,497	53,050	68,646
Other income (deductions).....	(1,066)	(1,855)	(7)	5,144
Interest and other charges.....	25,849	24,164	24,508	24,857
Net income.....	65,041	21,478	28,535	48,933
Dividend requirements on preferred shares.....	766	765	766	766
Balance available for common shareholders.....	\$ 64,275	\$ 20,713	\$ 27,769	\$ 48,167
Earnings per average common share/(a)/.....	\$ 0.97	\$ 0.31	\$ 0.43	\$ 0.75

/(a)/ Because of the combined mathematical effect of common shares repurchased and issued and the cyclical nature of net income during the year, the sum of earnings per share for any four quarterly periods may vary slightly from the earnings per share for the equivalent twelve-month period.

Concluded

SEGMENTS OF BUSINESS

Industries' primary business is the distribution of natural gas and electrical energy. The reportable items for the gas and electric segments for the years 1995, 1994 and 1993 are as follows:

	1995	1994	1993
	(Dollars in thousands)		
Operating information--			
Gas operations:			
Operating revenues.....	\$ 691,402	\$ 681,909	\$ 714,229
Operating expenses, excluding provision for utility income taxes.....	605,805	613,698	634,742
Operating income before utility income taxes.....	85,597	68,211	79,487
Allowance for funds used during construction (AFUDC) and carrying charges (CC)	1,606	2,067	875
Operating income before utility income taxes and including AFUDC and CC.....	87,203	70,278	80,362
Electric operations:			
Operating revenues.....	1,030,923	994,492	963,643
Operating expenses, excluding provision for utility income taxes.....	723,159	703,822	684,255
Operating income before utility income taxes.....	307,764	290,670	279,388
Allowance for funds used during construction (AFUDC) and carrying charges (CC)	2,072	2,307	573
Operating income before utility income taxes and including AFUDC and CC.....	309,836	292,977	279,961
Total.....	397,039	363,255	360,323
Other income, net.....	(4,241)	2,216	(2,071)
Less--interest and other charges.....	108,884	103,752	105,282
Less--provision for utility income taxes.....	108,449	97,732	96,830
Net income per Consolidated Statement of Income.....	175,465	163,987	156,140
Dividend requirements on preferred shares.....	3,063	3,063	3,063
Balance available for common shareholders.....	\$ 172,402	\$ 160,924	\$ 153,077
Other information--			
Depreciation and amortization expense:			
Electric.....	\$ 139,432	\$ 135,203	\$ 131,993
Gas.....	61,705	59,080	55,007
Total.....	\$ 201,137	\$ 194,283	\$ 187,000
Construction expenditures:			
Electric.....	\$ 132,273	\$ 145,095	\$ 125,449
Gas.....	60,693	57,450	55,403
Total.....	\$ 192,966	\$ 202,545	\$ 180,852
Investment information--			
Identifiable assets/(a)/:			
Electric.....	\$2,586,122	\$2,594,976	\$2,602,826
Gas.....	890,192	921,693	900,146
Total.....	3,476,314	3,516,669	3,502,972
Other corporate assets.....	523,206	430,469	409,352
Total assets.....	\$3,999,520	\$3,947,138	\$3,912,324

/(a)/ Utility plant less accumulated provision for depreciation and amortization, materials and supplies, electric production fuel, natural gas in storage, fuel and gas cost adjustment clauses, unamortized R. M. Schahfer Units 17 and 18 carrying charges and deferred depreciation, Bailly scrubber carrying charges and deferred depreciation and FERC Order No. 636 transition costs.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF NIPSCO INDUSTRIES, INC.:

We have audited the accompanying consolidated balance sheet and consolidated statements of capitalization and long-term debt of NIPSCO Industries, Inc. (an Indiana corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These consolidated financial statements are the responsibility of Industries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NIPSCO Industries, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in the notes to consolidated financial statements, effective January 1, 1993, NIPSCO Industries, Inc. and subsidiaries changed their methods of accounting for income taxes and postretirement benefits other than pensions.

Chicago, Illinois
January 26, 1996 Arthur Andersen LLP

SELECTED SUPPLEMENTAL INFORMATION

GAS STATISTICS

	Year Ended December 31,	1995	1994	1993
Operating Revenues (\$000's)				
Residential (including home heating).....	\$	407,233	\$ 449,391	\$ 452,176
Commercial.....		132,647	152,400	157,235
Industrial.....		63,355	76,321	73,815
Gas transported for others.....		64,255	33,977	32,503
Other*.....		23,912	(30,180)	(1,500)
Total.....	\$	691,402	\$ 681,909	\$ 714,229
Deliveries in dth (000's):				
Residential (including home heating).....		77,536	73,749	76,761
Commercial.....		29,268	28,324	29,754
Industrial.....		16,260	15,812	15,872
Gas transported for others.....		191,571	188,583	167,867
Other.....		1,301	707	793
Total.....		315,936	307,175	291,047
Customers Served--End of Year:				
Residential (including home heating).....		643,486	636,601	626,492
Commercial.....		52,471	52,245	51,386
Industrial.....		3,904	4,218	4,270
Other.....		71	68	67
Total.....		699,932	693,132	682,215

*Includes deferred gas cost revenue of \$11,351, \$(43,460) and \$(10,375), respectively.

ELECTRIC STATISTICS

	Year Ended December 31,	1995	1994	1993
Operating Revenues (\$000's)				
Residential.....	\$	276,575	\$ 259,708	\$ 257,033
Commercial.....		244,776	238,402	232,609
Industrial.....		430,579	449,623	413,485
Street lighting.....		8,428	8,363	8,254
Sales for resale.....		40,425	22,522	27,730
Other**.....		30,140	15,874	24,532
Total.....	\$	1,030,923	\$ 994,492	\$ 963,643
Sales in kilowatt-hours (000's)				
Residential.....		2,797,247	2,552,430	2,552,837
Commercial.....		2,863,879	2,736,683	2,705,751
Industrial.....		9,552,777	9,542,109	8,855,106
Street lighting.....		55,515	55,438	54,741
Sales for resale.....		1,574,041	564,166	912,773
Other.....		80,894	85,568	83,959
Total.....		16,924,353	15,536,394	15,165,167
Customers Served--End of Year:				
Residential.....		359,260	355,658	350,964
Commercial.....		41,275	41,308	40,634
Industrial.....		2,579	2,672	2,686
Other.....		829	831	828
Total.....		403,943	400,469	395,112

**Includes deferred fuel cost revenue of \$8,688, \$(4,826) and \$4,813, respectively.

SELECTED SUPPLEMENTAL INFORMATION

=====
 Concluded

	Year Ended December 31,	1995	1994	1993
Operating Revenues				
Gas (\$000's).....	\$ 691,402	\$ 681,909	\$ 714,229	
Electric (\$000's).....	\$ 1,030,923	\$ 994,492	\$ 963,643	
Total Operating Revenues (\$000's).....	\$ 1,722,325	\$ 1,676,401	\$ 1,677,872	
Operating Margin (\$000's).....	\$ 1,037,194	\$ 993,327	\$ 985,450	
Operating Income (\$000's).....	\$ 284,912	\$ 261,149	\$ 262,045	
Income Before Extraordinary Items (\$000's).....	\$ 175,465	\$ 163,987	\$ 156,140	
Net Income (\$000's).....	\$ 175,465	\$ 163,987	\$ 156,140	
Shares outstanding at year end.....	62,379,596	63,905,389	65,828,838	
Number of common shareholders.....	37,299	39,172	41,038	
Earnings (loss) per average common share.....	\$ 2.72	\$ 2.48	\$ 2.31	
Return on average common equity.....	15.5%	14.6%	14.4%	
Times interest earned (pre-tax).....	3.75	3.56	3.47	
Dividends paid per share.....	\$ 1.56	\$ 1.44	\$ 1.32	
Dividend payout ratio.....	57.4%	58.1%	57.1%	
Market values during the year:				
High.....	\$ 38.500	\$ 33.000	\$ 34.875	
Low.....	\$ 29.250	\$ 26.125	\$ 26.125	
Close.....	\$ 38.250	\$ 29.750	\$ 32.875	
Book value of common shares.....	\$ 17.99	\$ 17.34	\$ 16.63	
Market-to-book ratio at year end.....	212.6%	171.6%	197.7%	
Total Assets (\$000's).....	\$ 3,999,520	\$ 3,947,138	\$ 3,912,324	
Construction expenditures (\$000's)/a/.....	\$ 192,966	\$ 202,545	\$ 180,852	
Capitalization:				
Common shareholders' equity (\$000's).....	\$ 1,122,215	\$ 1,107,848	\$ 1,094,672	
Preferred and preference stock--				
Northern Indiana Public Service Company:				
Series without mandatory redemption provision (\$000's)..	\$ 81,325	\$ 86,389	\$ 97,753	
Series with mandatory redemption provisions (\$000's)....	\$ 63,651	\$ 66,057	\$ 68,462	
NIPSCO Industries, Inc.:				
Series with mandatory redemption provision (\$000's)....	\$ 35,000	\$ 35,000	\$ 35,000	
Long-Term debt (\$000's).....	\$ 1,175,728	\$ 1,180,338	\$ 1,192,500	
Total Capitalization (\$000's).....	\$ 2,477,919	\$ 2,475,632	\$ 2,488,387	
Number of employees.....	4,356	4,441	4,602	

Notes: /a/Including AFUDC.

/b/Excluding Extraordinary Loss related to Bailly N1 Plant Abandonment in 1985.

/c/Excluding Carbon County, return would have been 6.1%. /d/Excluding Carbon County Coal Settlement and related income taxes.

Concluded

	Year Ended December 31,	1992	1991	1990	1989
Operating Revenues					
Gas (\$000's).....	\$	666,221	\$ 601,920	\$ 625,159	\$ 677,262
Electric (\$000's).....	\$	916,135	\$ 933,241	\$ 895,836	\$ 882,303
Total Operating Revenues (\$000's).....	\$	1,582,356	\$ 1,535,161	\$ 1,520,995	\$ 1,559,565
Operating Margin (\$000's).....	\$	927,089	\$ 919,951	\$ 885,262	\$ 900,035
Operating Income (\$000's).....	\$	246,217	\$ 254,354	\$ 247,777	\$ 252,807
Income Before Extraordinary Items (\$000's).....	\$	136,648	\$ 133,388	\$ 125,361	\$ 72,112/f/
Net Income (\$000's).....	\$	136,648	\$ 133,388	\$ 125,361	\$ 72,112/f/
Shares outstanding at year end.....		65,758,350	66,671,615	68,874,229	69,369,492
Number of common shareholders.....		38,097	39,346	41,285	43,763
Earnings (loss) per average common share.....	\$	2.00	\$ 1.94	\$ 1.81	\$ 1.00/f/
Return on average common equity.....		13.1%	12.9%	12.7%	7.2%/f/
Times interest earned (pre-tax).....		3.17	2.93	2.81	2.02/f/
Dividends paid per share.....	\$	1.24	\$ 1.16	\$ 1.04	\$ 0.84
Dividend payout ratio.....		62.0%	59.8%	57.5%	84.0%/f/
Market values during the year:					
High.....	\$	26.625	\$ 27.000	\$ 19.250	\$ 19.625
Low.....	\$	22.500	\$ 18.500	\$ 15.750	\$ 13.125
Close.....	\$	26.500	\$ 25.750	\$ 18.875	\$ 19.375
Book value of common shares.....	\$	15.73	\$ 15.17	\$ 14.61	\$ 13.92
Market-to-book ratio at year end.....		168.5%	169.7%	129.2%	139.2%
Total Assets (\$000's).....	\$	3,807,941	\$ 3,647,557	\$ 3,625,181	\$ 3,657,718
Construction expenditures (\$000's)/a/.....	\$	172,329	\$ 168,958	\$ 152,280	\$ 150,786
Capitalization:					
Common shareholders' equity (\$000's).....	\$	1,034,530	\$ 1,011,666	\$ 1,005,982	\$ 965,437
Preferred and preference stock--					
Northern Indiana Public Service Company:					
Series without mandatory redemption provision (\$000's)..	\$	97,917	\$ 98,710	\$ 99,374	\$ 99,874
Series with mandatory redemption provisions (\$000's)....	\$	70,668	\$ 53,978	\$ 59,358	\$ 66,309
NIPSCO Industries, Inc.:					
Series with mandatory redemption provision (\$000's).....	\$	35,000	\$ 35,000	\$ 35,000	\$ --
Long-Term debt (\$000's).....	\$	1,054,454	\$ 1,068,708	\$ 1,165,682	\$ 1,261,760
Total Capitalization (\$000's).....	\$	2,292,569	\$ 2,268,062	\$ 2,365,396	\$ 2,393,380
Number of employees.....		4,648	4,600	4,547	4,825

Concluded

	Year Ended December 31,			
	1988	1987	1986	1985
Operating Revenues				
Gas (\$000's).....	\$ 620,723	\$ 581,130	\$ 741,021	\$ 943,855
Electric (\$000's).....	\$ 903,461	\$ 870,499	\$ 885,106	\$ 964,648
Total Operating Revenues (\$000's).....	\$ 1,524,184	\$ 1,451,629	\$ 1,626,127	\$ 1,908,503
Operating Margin (\$000's).....	\$ 863,213	\$ 777,573	\$ 756,712	\$ 803,864
Operating Income (\$000's).....	\$ 257,923	\$ 192,415	\$ 179,896	\$ 198,098
Income Before Extraordinary Items (\$000's).....	\$ 103,449	\$ 38,876	\$ (40,477)	\$ 79,085
Net Income (\$000's).....	\$ 103,449	\$ 38,876	\$ (40,477)	\$ (15,758)
Shares outstanding at year end.....	73,310,210	73,243,100	73,170,788	73,045,160
Number of common shareholders.....	47,324	50,074	56,466	74,303
Earnings (loss) per average common share.....	\$ 1.41	\$ 0.53	\$ (0.55)/e/	\$ 1.11/b/
Return on average common equity.....	10.4%	4.1%	(4.2%)/c/	7.5%/b/
Times interest earned (pre-tax).....	2.38	1.65	1.96/d/	2.24
Dividends paid per share.....	\$ 0.60	\$ 0.15	none	\$ 1.56
Dividend payout ratio.....	42.6%	28.3%	--	140.5%/b/
Market values during the year:				
High.....	\$ 14.125	\$ 13.00	\$ 13.50	\$ 12.875
Low.....	\$ 8.625	\$ 8.00	\$ 9.375	\$ 8.375
Close.....	\$ 13.875	\$ 8.50	\$ 11.75	\$ 9.875
Book value of common shares.....	\$ 14.03	\$ 13.13	\$ 12.90	\$ 13.46
Market-to-book ratio at year end.....	98.9%	64.7%	91.1%	73.4%
Total Assets (\$000's).....	\$ 3,684,721	\$ 3,821,690	\$ 3,944,637	\$ 3,833,302
Construction expenditures (\$000's)/a/.....	\$ 116,874	\$ 156,750	\$ 197,324	\$ 279,175
Capitalization:				
Common shareholders' equity (\$000's).....	\$ 1,028,554	\$ 961,562	\$ 943,933	\$ 983,127
Preferred and preference stock--				
Northern Indiana Public Service Company:				
Series without mandatory redemption provision (\$000's)..	\$ 99,937	\$ 191,392	\$ 191,392	\$ 191,392
Series with mandatory redemption provisions (\$000's)....	\$ 75,189	\$ 105,395	\$ 122,122	\$ 135,350
NIPSCO Industries, Inc.:				
Series with mandatory redemption provision (\$000's).....	\$ --	\$ --	\$ --	\$ --
Long-Term debt (\$000's).....	\$ 1,308,303	\$ 1,401,326	\$ 1,552,324	\$ 1,511,215
Total Capitalization (\$000's).....	\$ 2,511,983	\$ 2,659,675	\$ 2,809,771	\$ 2,821,084
Number of employees.....	4,946	5,172	5,695	5,774

/e/Earnings per share were reduced by \$1.39 due to the payment in satisfaction of the Carbon County Coal Company contract litigation.

/f/Earnings per share were reduced by \$0.72 due to the \$82.0 million refund, less associated tax benefits of \$30.3 million, related to the Bailly N1 generating unit.

EXHIBIT 21

**NIPSCO INDUSTRIES, INC.
LIST OF SUBSIDIARIES AS OF DECEMBER 31, 1995**

All subsidiaries are incorporated in Indiana, except for Elm Energy and Recycling (UK) Ltd., which is incorporated in United Kingdom; FuelMaker Corporation, which is incorporated in Canada; Inventory Management and Distribution Company, L.L.C. and NFC Acquisition Company, which are incorporated in Texas; N Squared Aviation L.L.C. and Triumph Natural Gas, Inc., which is incorporated in Delaware; and Southlake Energy, Inc., which is incorporated in Alberta. All subsidiaries are wholly-owned unless otherwise indicated.

801 East Corp.

Crossroads Pipeline Company

Hamilton Harbour Insurance Services, Ltd.

Kokomo Gas and Fuel Company

Lakeside Energy Corporation

NIPSCO Capital Markets, Inc.

NIPSCO Development Company, Inc.

Its subsidiaries are:

Analytic Systems Laboratories, Inc.(1)

Elm Energy and Recycling (UK) Ltd.(1) FuelMaker Corporation(4)

G. R. Clark Corporation

Green Fuels, Inc.

Harbor Coal Company

International Polymer Corp.

JOF Transportation Company

KOGAF Enterprise, Inc.

Lake Erie Land Company

Its subsidiary is:

SCC Services, Inc.

N Squared Aviation, L.L.C.(5)

NDC Douglas Properties, Inc.

NIPSCO International Power Systems Company

NIPSCO Security Services, Inc.

Portside Energy Corporation

Process and Control Technology Corporation RIC, Inc.

Its subsidiary is:

Cardinal Property Management, Inc.

Riverside Caloric Company

NIPSCO Energy Services, Inc.

Its subsidiaries are:

Inventory Management and Distribution Company, L.L.C.(6) NESI Energy Marketing, L.L.C.(3) NIPSCO Energy Trading Corp.

NIPSCO Fuel Company, Inc.

NFCO Acquisition Company

Southlake Energy, Inc.

NI-TEX, Inc.

Triumph Natural Gas, Inc.(3)

EXHIBIT 21

**NIPSCO INDUSTRIES, INC.
LIST OF SUBSIDIARIES AS OF DECEMBER 31, 1995**

North Lake Energy Corporation

Northern Indiana Fuel and Light Company, Inc.

Its subsidiary is:

Northern Indiana Trading Company

Northern Indiana Public Service Company

Its subsidiaries are:

NIPSCO Exploration Company, Inc.
NIPSCO ESP Services Corporation

Shore Line Shops, Incorporated

Primary Energy, Inc.

- (1) Majority-owned subsidiary of NIPSCO Development Company, Inc.
- (2) Majority-owned subsidiary of KOGAF Enterprises, Inc.
- (3) Majority-owned subsidiary of NIPSCO Energy Services, Inc.
- (4) 50% owned subsidiary of NIPSCO Development Company, Inc.
- (5) Minority-owned subsidiary of NIPSCO Development Company, Inc.
- (6) Minority-owned interest of NIPSCO Energy Service, Inc.

ARTICLE UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF NIPSCO INDUSTRIES, INC. FOR TWELVE MONTHS ENDED DECEMBER 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD START	JAN 01 1995
PERIOD END	DEC 31 1995
BOOK VALUE	PER BOOK
TOTAL NET UTILITY PLANT	3,213,264
OTHER PROPERTY AND INVEST	223,785
TOTAL CURRENT ASSETS	316,581
TOTAL DEFERRED CHARGES	33,399
OTHER ASSETS	212,491
TOTAL ASSETS	3,999,520
COMMON	577,707
CAPITAL SURPLUS PAID IN	27,601
RETAINED EARNINGS	516,907
TOTAL COMMON STOCKHOLDERS EQ	1,122,215
PREFERRED MANDATORY	98,651
PREFERRED	81,325
LONG TERM DEBT NET	354,716
SHORT TERM NOTES	139,170
LONG TERM NOTES PAYABLE	821,012
COMMERCIAL PAPER OBLIGATIONS	121,500
LONG TERM DEBT CURRENT PORT	97,649
PREFERRED STOCK CURRENT	1,828
CAPITAL LEASE OBLIGATIONS	0
LEASES CURRENT	0
OTHER ITEMS CAPITAL AND LIAB	1,161,454
TOT CAPITALIZATION AND LIAB	3,999,520
GROSS OPERATING REVENUE	1,722,325
INCOME TAX EXPENSE	108,449
OTHER OPERATING EXPENSES	1,328,964
TOTAL OPERATING EXPENSES	1,437,413
OPERATING INCOME LOSS	284,912
OTHER INCOME NET	(4,241)
INCOME BEFORE INTEREST EXPEN	280,671
TOTAL INTEREST EXPENSE	105,206
NET INCOME	175,465
PREFERRED STOCK DIVIDENDS	3,063
EARNINGS AVAILABLEFOR COMM	172,402
COMMON STOCK DIVIDENDS	100,232
TOTAL INTEREST ON BONDS	22,473
CASH FLOW OPERATIONS	391,492
EPS PRIMARY	2.72
EPS DILUTED	2.71

End of Filing