

NIPSCO Industries, Inc.

FORM 10-K

1993

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, 1993 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 35-1719974
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

5265 HOHMAN AVENUE
HAMMOND, INDIANA 46320
(ADDRESS OF PRINCIPAL EXECUTIVE (ZIP CODE)
OFFICES)

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

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

EXCHANGE	TITLE OF EACH CLASS -----	NAME OF EACH ON WHICH REGISTERED
	COMMON	NEW YORK AND CHICAGO
	PREFERRED SHARE PURCHASE RIGHTS	NEW YORK AND CHICAGO

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.

AS OF FEBRUARY 28, 1994 65,507,643 COMMON SHARES (NOT INCLUDING 8,384,466 SHARES HELD IN TREASURY), WERE OUTSTANDING. THE AGGREGATE MARKET VALUE OF THE COMMON SHARES (BASED UPON THE FEBRUARY 28, 1994 CLOSING PRICE OF \$30 1/4 ON THE NEW YORK STOCK EXCHANGE) HELD BY NONAFFILIATES WAS APPROXIMATELY \$1,973,615,000.

DOCUMENTS INCORPORATED BY REFERENCE

1993 NIPSCO INDUSTRIES, INC. ANNUAL REPORT TO SHAREHOLDERS INCORPORATED FOR PARTS I, II AND IV OF THE FORM 10-K, AND PORTIONS OF THE REGISTRANT'S NOTICE OF ANNUAL MEETING AND PROXY STATEMENT DATED MARCH 11, 1994 FOR ANNUAL MEETING TO BE HELD APRIL 13, 1994 FOR PART III OF THE FORM 10-K.

PART 1

ITEM 1. BUSINESS

NIPSCO INDUSTRIES, INC. AND ITS SUBSIDIARIES. NIPSCO Industries, Inc. (Industries) was incorporated in Indiana on September 22, 1987, as a wholly-owned subsidiary of Northern Indiana Public Service Company (Northern Indiana). Industries became the parent of Northern Indiana on March 3, 1988, after the shareholders of Northern Indiana approved the formation of a holding company in December, 1987. Northern Indiana's outstanding common shares were exchanged on a share-for-share basis with common shares of Industries effective March 3, 1988. The other securities of Northern Indiana, including its First Mortgage Bonds, pollution control notes and bonds, other debt securities and each series of preferred stock, were not changed by the restructuring and continue to be outstanding obligations and securities of Northern Indiana. Northern Indiana is a public utility operating company supplying electricity and gas to the public in the northern third of Indiana.

At December 31, 1993, Industries had five direct, wholly-owned subsidiaries in addition to Northern Indiana, which are all Indiana corporations: NIPSCO Development Company, Inc. (Development), NIPSCO Energy Services, Inc. (Services), NIPSCO Capital Markets, Inc. (Capital Markets), Kokomo Gas and Fuel Company (Kokomo Gas) and Northern Indiana Fuel and Light Company, Inc. (NIFL).

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, 1993, Northern Indiana serves approximately 622,500 customers with gas and approximately 395,100 with electricity.

Northern Indiana has two subsidiaries, Shore Line Shops, Inc. (Shore Line) and NIPSCO Exploration Company, Inc. (Exploration). Shore Line undertakes the purchase and sale of transferred employees' residences on behalf of Northern Indiana. Exploration has investment interests, which are subject to Indiana Utility Regulatory Commission (Commission) rate treatment, in off-shore Gulf of Mexico oil and gas leases.

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 serves approximately 31,000 customers at December 31, 1993. The Kokomo Gas service territory is contiguous to Northern Indiana's gas service territory.

On March 31, 1993, Industries acquired NIFL, a natural gas utility headquartered in Auburn, Indiana, that serves approximately 28,700 customers at December 31, 1993, in the northeast corner of the state, contiguous to Northern Indiana's service territory. Industries issued 1,112,862 common shares and \$26,311 cash in exchange for all of the common shares of NIFL.

Development makes various investments, including real estate. Services coordinates the energy-related diversification ventures and has four wholly-owned subsidiaries: NIPSCO Fuel Company, Inc. (Fuel) which makes investments in gas and oil exploration and development ventures; NIPSCO Energy Trading Corp. (NETCO) which is engaged in gas and other energy brokering businesses; NI-TEX, Inc. (NI-TEX) which is an intrastate natural gas transmission and supply company and Crossroads Pipeline Company (Crossroads), a natural gas transmission company. Capital Markets handles financing for ventures of Industries and its subsidiaries other than Northern Indiana.

Development is a 95% shareholder in Elm Energy and Recycling (UK) Ltd. (Elm Energy), which was formed to develop, own and operate a waste-to-energy generating plant in Wolverhampton, England. The 30 megawatt tire-fueled generating station is expected to use about 8-10 million automobile and truck tires a year and began operations in late 1993.

The majority of the "Business" discussion of this report relates to Northern Indiana, Kokomo Gas, NIFL and Crossroads (Utilities). See "Selected Supplemental Information--Gas Statistics and Electric Statistics" in the 1993 Annual Report to Shareholders, which information is incorporated by reference, (see Exhibit 13) regarding classes of customers served.

BUSINESS OF THE COMPANY.

ELECTRIC OPERATIONS. Northern Indiana owns and operates four coal fired electric generating stations with net capability of 3,179,000 kilowatts (kw). Northern Indiana also owns and operates two hydroelectric generating plants with rated net capability of 10,000 kw, and four gas fired combustion turbine generating units with net capability of 203,000 kw. During the year ended December 31, 1993, Northern Indiana generated 92% and purchased 8% of its electric energy requirements.

Northern Indiana's 1993 electric control area peak of 2,953,600 kw, which includes Wabash Valley Power Association, Inc. (WVPA) and Indiana Municipal Power Agency (IMPA) for which Northern Indiana controls interchange operation, was set on August 27, 1993. The 1993 peak established a new all-time peak, exceeding the old peak of 2,738,550 kw established on September 6, 1990. The electric system 1993 peak internal load, which excludes WVPA and IMPA, was 2,736,100 kw on August 27, 1993. This also established a new internal peak for Northern Indiana.

Northern Indiana's electric system is interconnected with that of Indiana Michigan Power Company, Commonwealth Edison Company, PSI Energy, Inc., Consumers Power Company, WVPA, IMPA, and Central Illinois Public Service Company. Electric energy is purchased from, sold to, or exchanged with these and other utilities.

Northern Indiana provides WVPA with transmission and distribution service, operating reserve requirements and capacity deficiency service, and provides IMPA with transmission, operating reserve requirements and capacity deficiency service, in Northern Indiana's control area. Northern Indiana also engages in sales and services under the 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 executed a supplemental agreement in 1990 which provides WVPA with intermediate-term capacity and energy service, and unit peaking capacity and energy service. Under the unit peaking capacity and energy service, WVPA purchased 90,000 kw per month beginning January, 1992, which purchases will extend through December 2001.

Northern Indiana has full requirements agreements with each of its eight municipal wholesale customers. These full requirements 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. 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 1993 were supplied as follows:

Coal.....	97.3%
Natural Gas.....	2.7%

In 1993, Northern Indiana used approximately 7.1 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 1998 are estimated to range from 7.1 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 -----
0.75	Low	1994
1.0	High	1998
Requirements (a)	High	1998
1.3	Low	2001

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

The average cost of coal consumed in 1993 was \$32.90 per ton or 16.65 mills per kilowatt-hour (kwh) generated as compared to \$33.66 per ton or 16.82 mills per kwh generated in 1992. 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 the coal is burned to produce electricity.

FUEL ADJUSTMENT CLAUSE. See "Fuel Adjustment Clause" in the Notes to Consolidated Financial Statements in the 1993 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 Btu per cubic foot. In a 24-hour period ending February 18, 1993, Northern Indiana's 1993 maximum day sendout was 1,444,714 dekatherms (dth). The maximum day's sendout of gas to date in 1994, is preliminarily estimated to be 1,775,227 dth during the 24-hour period ending at noon, January 19, 1994.

In 1993, most of the gas supplied by Northern Indiana was purchased from Natural Gas Pipeline Company of America (Natural), Midwestern Gas Transmission Company (Midwestern), Panhandle Eastern Pipe Line Company (Panhandle), Trunkline Gas Company (Trunkline), ANR Pipeline Company (ANR) and various producers under separate service agreements with each of these suppliers. Approximately 28% of Northern Indiana's 1993 gas supply was purchased on the spot market, generally on a 30-day agreement.

The average price per dth (including take-or-pay charges) in 1993 decreased from \$3.32 to \$3.25, and the average cost of purchased gas, after adjustment for take-or-pay charges billed to transport customers, was \$3.21 per dth as compared to \$3.16 per dth in 1992.

The wholesale rates of Natural, Midwestern, Panhandle, Trunkline and ANR to Northern Indiana are subject to change either in accordance with purchased gas adjustment procedures established by the Federal Energy Regulatory Commission (FERC), or in rate proceedings filed with the FERC, or both.

Northern Indiana has had service agreements with the pipeline suppliers which provide for daily purchases of natural gas in specified quantities. New agreements have been negotiated with the 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 1993 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 third party gas through a pipeline's transmission system. Northern Indiana also has producer agreements which allow for the purchase of gas either from gas marketers or directly from companies that drill and process gas for commercial use.

Northern Indiana has a curtailment plan approved by the Commission. Effective on August 11, 1981, the plan allows unrestricted gas sales by Northern Indiana. In 1993, Northern Indiana added 8,971 new gas customers. There were no firm sales curtailments in 1993 and none are expected during 1994.

Northern Indiana has in operation 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 1993-94 winter of up to 73,586 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 daily withdrawal volumes and the timing thereof. These contracts provide in the aggregate for approximately 32,287,004 dth of annual stored volume, and allow for approximately 637,529 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), 400,000 dth per day.

GAS EXPLORATION. Northern Indiana has participated in successful gas exploration projects which have produced additional gas supplies.

NIPSCO Exploration Company, Inc., a wholly-owned subsidiary of Northern Indiana, was formed in 1973. As of December 31, 1993, Northern Indiana had a remaining investment of \$1,400,000 in the subsidiary for two projects. The first project is participation by Exploration with others in the acquisition of interests in leases sold by the Department of Interior in the Gulf of Mexico. Exploration originally invested \$7.6 million, of \$16.8 million authorized by the Commission, in this project and has an interest in several tracts. The second project is participation by Exploration in an off-shore oil and gas development venture with Natural, Chevron U.S.A., Inc. and other distribution customers of Natural. This venture also involves exploring and developing oil and gas leases in the Gulf of Mexico. Exploration was authorized to invest \$15 million in this project and has invested \$8.4 million.

KOKOMO GAS. Kokomo Gas' total gas send-out for 1993 was 8,122,208 dth, compared to 7,586,788 dth for 1992. Total transportation volumes handled for industrial customers in 1993 were 1,785,329 dth, compared to 1,675,546 dth in 1992. Kokomo Gas purchased gas on the spot market from a number of suppliers including NI-TEX, a subsidiary of Services, to satisfy some of its system requirements; the balance was purchased from Panhandle. Spot market purchases accounted for 99% of total system requirements in 1993. The wholesale rates of Panhandle to Kokomo Gas are subject to change either in accordance with purchased gas adjustment procedures established by the FERC, in rate proceedings filed with the FERC, or both.

NIFL. NIFL's total gas send-out for 1993 was 7,881,513 dth. Total transportation volumes handled for industrial customers in 1993 were 3,227,853 dth. NIFL purchased gas on the spot market from a number of suppliers including NI-TEX, a subsidiary of Services, to satisfy some of its system requirements; the balance was purchased from ANR and Panhandle. Spot market purchases accounted for 50% of total system requirements in 1993. The wholesale rates of ANR and Panhandle to NIFL are subject to change either in accordance with purchased gas adjustment procedures established by the FERC, in rate proceedings filed with the FERC, or both.

GAS COST ADJUSTMENT CLAUSE. See "Gas Cost Adjustment Clause" in the Notes to Consolidated Financial Statements in the 1993 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 1993 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 1993 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13).

BUSINESS OF OTHER SUBSIDIARIES

CAPITAL MARKETS. Capital Markets was formed in 1989 to serve 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, 1993, there were no borrowings outstanding under this agreement. Capital Markets also has \$50 million of money market lines of credit. As of December 31, 1993, there were no borrowings under these lines of credit. As of December 31, 1993 Capital Markets had \$47.0 million in commercial paper outstanding, having a weighted average interest rate of 3.48%.

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, is approximately \$299.1 million at December 31, 1993.

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 was formed to develop, own and operate a waste-to-energy generating plant in Wolverhampton, England. The 30 megawatt tire-fueled generating station is expected to use about 8-10 million automobile and truck tires a year and began operations in late 1993.

In conjunction with EER, Ltd., Development is evaluating similar tires-to-energy projects in Scotland and Belgium.

In 1993, Development, through its various real estate partnerships, completed three multiple-family residential housing communities in Hammond, Fort Wayne and Mishawaka, while similar joint projects are being considered in Portage, East Chicago and other communities in Northern Indiana's service territories. These projects are part of a 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.

Harbor Coal Company (Harbor Coal), a wholly-owned subsidiary of Development, 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 blast furnaces for use in the operation of their 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.

Development is also evaluating 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, in amounts which could fuel up to 250 megawatts of new generation, are produced at industries served by Northern Indiana.

SERVICES. Services coordinates energy-related diversification and has four wholly-owned subsidiaries:

NETCO. NETCO provides natural gas brokering and transportation management services to customers within Northern Indiana's service territory. During the last quarter of 1993, NETCO expanded its transportation management services to include imbalance exchange services for its customers. Operating revenues for the year totalled \$1.9 million.

NI-TEX. NI-TEX is an intrastate natural gas transmission and supply company providing gas sales, transportation and storage services. NI-TEX continues to provide 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 16.2 million dth of natural gas in 1993. Its Coastline Gas Storage Company affiliate operates a salt dome gas storage facility with a Phase I operating capacity of 2.9 billion cubic feet, and provides contract storage services to Northern Indiana and other third parties. Phase II, which is projected to increase total storage capacity to 5.3 billion cubic feet, is expected to be completed during the fourth quarter of 1995. Operating income from NI-TEX sales arrangements, combined with joint venture earnings, totalled \$3.0 million for the year.

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, 1993, \$35.8 million has been invested in exploration and development projects. Fuel's share of estimated proved reserves at year-end totalled 1.2 million barrels of oil and 23.8 million dth of natural gas.

CROSSROADS. In April 1993, NI purchased a 20-inch crude-oil pipeline that extends from the Illinois-Indiana state line east 202 miles to Cygnet, Ohio. The Crossroads line has been converted from oil to natural gas and was approved by the Commission as an intrastate pipeline. The line provides: (1) access to major gas supplies in the United States; (2) enhanced ability to negotiate for gas supplies at the most competitive price; (3) a northern hub in the Midwest gas market; and (4) increased reliability for customers in extreme weather conditions such as those occurring in January 1994.

TRIUMPH NATURAL GAS, INC. (TRIUMPH). Services also owns a 51 percent interest in Triumph, a Dallas-based full service natural gas marketing company. Triumph specializes in the purchase, transportation and sale of natural gas to utility, industrial and commercial customers in the upper midwest region of the United States, as well as supply and transportation management services to Northern Indiana. Triumph also owns interests in gas gathering facilities in Oklahoma.

In December 1993, Services entered into a Letter of Intent with Eastex Energy Inc. (Eastex) to sell its entire ownership interest in NETCO and its 51 percent ownership interest in Triumph in exchange for a combination of Eastex common and preferred stock, representing an equity ownership of approximately 25 percent. Eastex is a nationwide natural gas merchant specializing in purchase, gathering, transportation, storage and sale of natural gas, and related services. On March 4, 1994, Services entered into a definitive agreement with Eastex for the sale and exchange of its ownership interests in NETCO and Triumph, subject to certain conditions precedent to closing. Services was unable to meet the conditions precedent to closing and, as a result, the definitive agreement will expire March 31, 1994.

REGULATION

Holding Company Act. Industries is exempt from registration with the Securities and Exchange Commission (the "SEC") as a "registered holding company" under the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"). Prior approval of the SEC under the Holding Company Act is, however, required if Industries proposes to acquire, directly or indirectly, additional utility securities. 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 Commission regulation with respect to transactions and contracts with the Utilities, and are subject to certain reporting and information access requirements under Indiana law.

The 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 1993 Annual Report to Shareholders, which note is incorporated herein by reference (see Exhibit 13). The 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 1993, about 3% 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, NIFL and Crossroads are also exempt from the provisions of the Natural Gas Act.

RATE MATTERS. For information regarding Northern Indiana's gas rates, and the Utilities' take-or-pay pipeline gas costs and potential gas transition costs, see "Rate Matters" and "FERC Order No. 636" in the Notes to Consolidated Financial Statements in the 1993 Annual Report to Shareholders, which notes are incorporated herein by reference (see Exhibit 13).

CONSTRUCTION BUDGET. The Utilities 1994-98 construction budget (including allowance for funds used during construction) is estimated at approximately \$748 million, including \$178 million in 1994, \$160 million in 1995, \$137 million in 1996, \$132 million in 1997 and \$141 million in 1998. The Utilities construction estimates include adjustments for anticipated inflation. No new electric generating units are planned in the 1994-98 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 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 their ability, under Northern Indiana's rate provisions, to make their own purchases of gas and have Northern Indiana transport the gas to the customers. During 1993, 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.

EMPLOYEE RELATIONS. Northern Indiana had 4,417 employees at December 31, 1993. Approximately 65% of the Company'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 new four-year agreements which continue until June 1, 1997. The new 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 an early signing bonus of four percent and a variable compensation plan linked to improvements in productivity. Certain officers of Northern Indiana are also officers of Industries. Industries currently has 30 employees in its diversified operations.

Kokomo Gas had 75 full-time employees at December 31, 1993. Of these, 55 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 1992 and will expire February 15, 1995.

NIFL had 80 full-time employees at December 31, 1993.

ENVIRONMENTAL MATTERS. Northern Indiana is subject to regulation with regard to environmental matters by various federal, state and local authorities. Northern Indiana cannot forecast the effect of all such regulation upon its generating, transmission and other facilities, or its operations. Northern Indiana intends to comply with all applicable governmental requirements but also intends to contest any it deems to be unreasonable or impossible of compliance or otherwise invalid or contrary to the public interest.

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 limit or prevent operations, or substantially increase the cost of operation of Northern Indiana's facilities, and may also require substantial investments above the amounts presently estimated for proposed new projects and may delay or prevent authorization and completion of the projects.

Northern Indiana's total capital expenditures from January 1, 1989, through December 31, 1993, for pollution control facilities were approximately \$75 million, which have been financed in part by the sale of Pollution Control Notes and Bonds--Jasper County. Northern Indiana anticipates expenditures of approximately \$40 million for pollution control equipment in the 1994-98 period which includes anticipated expenditures of \$8 million for the year 1994 and \$8 million for the year 1995.

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. As part of the sulfur dioxide SIP, the IDEM adopted a short-term compliance methodology that could make compliance with the applicable standards more difficult from time to time. The result could be the potential increase in costs of fuel incurred by Northern Indiana.

Attainment-Nonattainment. Under the Clean Air Act Amendments of 1977, the State has identified various areas which are in compliance with the National Ambient Air Quality Standards (NAAQS) (attainment areas), and those that are not (nonattainment areas), with respect to sulfur dioxide, particulate matter and other pollutants. Portions of Lake, Porter and LaPorte Counties in which Northern Indiana operates electric generating facilities remain designated as nonattainment for sulfur dioxide. The control plans for each county are being implemented. Any reductions required by Northern Indiana have been made and no increased costs are anticipated for compliance.

Lake County, Indiana, is designated as a nonattainment area for particulate or PM-10. The State of Indiana promulgated a new PM-10 SIP rule, which became effective on June 11, 1993. The regulations require 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 new PM-10 emission limits. The cost of compliance with the fugitive dust control requirements in the PM-10 rules cannot be firmly established at this time, but is expected to require minimal additional cost beyond those incurred for fugitive dust control measures historically undertaken at the Mitchell Generating Station. 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. Transportation control measures required by the Employee Commute Options (ECO) rules will affect seven Northern Indiana facilities by late 1996. These measures will include plans to reduce the number of vehicles used by employees during their daily commutes to work and programs that promote the use of alternative fuel vehicles. 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 proactively undertaking efforts to evaluate potential least-cost methods to reduce emissions of nitrogen oxides from the generating stations. 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. According to the regulations, Bailly Units 7 and 8 and Michigan City Unit 12 will be required to reduce their sulfur dioxide emissions below 2.5 pounds per million British thermal units (lbs/mmBtu) by January 1, 1995. These units, along with the remainder of Northern Indiana's coal-fired units, will require sulfur dioxide reductions below 1.2 lbs/mmBtu by January 1, 2000.

Presently, all of Northern Indiana's eleven coal-fired generating units except Unit 12 utilize low sulfur fuel or flue gas desulfurization units to control sulfur dioxide emissions below the 1.2 lbs/mmBtu level.

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 has successfully tested the use of low sulfur coal at Unit 12 and expects that unit to be able to meet the limits with low sulfur coal. 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.

Additional Air Issues. The CAAA contain provisions that could lead to strict limitations on emissions of nitrogen oxides and "air toxics," which may require significant capital expenditures for control of these emissions. Northern Indiana cannot predict the costs of complying with them, but Northern Indiana 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 the Air Pollution Control Board. The program contains fee increases which will be charged when the program is promulgated during the first half of 1994.

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 effective as follows: Schahfer Station, November 1, 1993; Mitchell Station, November 1, 1993 and Michigan City Generating Station, November 1, 1993. The renewed Bailly Station NPDES permit is expected to be issued in the early portion of 1994. 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. Northern Indiana has received notices from the EPA that it is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and the Superfund Amendment and Reauthorization Act (SARA) 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 to determine the amount of remedial costs necessary to clean up the sites. At each of the sites Northern Indiana is one of several PRP's, and it is expected that remedial costs, as provided under CERCLA and SARA, will be shared among them. At some sites Northern Indiana and/or the other named PRP's are presently working with the EPA to clean up the site and avoid the imposition of fines or added costs. While remedial costs at these sites are not presently determinable, Northern Indiana's preliminary analysis indicates its share of such costs should not have a significant impact on the results of future operations.

Manufactured Gas Plant Sites. 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 is continuing to monitor and investigate the site to determine what further remedial action, if any, is required to be taken by it.

Northern Indiana was notified by Indiana Gas Company, Inc. (Indiana Gas) that the site of a former manufactured gas plant in Lafayette, Indiana, believed to have been formerly owned by

Northern Indiana, was being investigated and partially remediated by Indiana Gas pursuant to an administrative order issued by IDEM. Northern Indiana is investigating its potential liability and evaluating appropriate action.

Northern Indiana has commenced a voluntary program of investigating its former manufactured gas plant sites in order to determine what, if any, remediation of any potential remaining waste materials may be required. Since this program is in its early stages, it is not possible at this time to estimate what, if any, remediation costs may be incurred.

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 increased 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.

The Utilities have an ongoing program to remain aware of laws and regulations involved with hazardous waste. 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.

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. Crossroads owns a 202-mile natural gas pipeline running from northwest Indiana to Cygnet, Ohio. Only the Indiana portion of the line is presently in service as an intrastate gas pipeline.

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; and commercial real estate joint ventures, half-owned by KOGAF Enterprises, located in Kokomo, Indiana.

ELECTRIC. Northern Indiana owns and operates four electric generating stations, with generating units using fossil fuels, with net capability of 3,179,000 kw. Northern Indiana also owns and operates two hydroelectric generating plants with rated net capability of 10,000 kw, and four gas fired combustion turbine generating units with net capability of 203,000 kw, an aggregate of 3,392,000 kw.

Northern Indiana has 290 substations with an aggregate transformer capacity of 22,449,000 kva. Its transmission system with voltages from 34,500 to 345,000 consists of approximately 3,050 circuit miles of line, of which 2,073 miles are on wood poles, 823 miles are on steel towers, 133 miles are on steel poles, 19 miles are on concrete poles and 2 miles are in underground conduits. The electric distribution system extends into 21 counties and consists of approximately 7,669 circuit miles of overhead and approximately 1,108 cable miles of underground primary distribution lines operating at various voltages from 2,400 to 12,500 volts. Of approximately 306,097 poles on which Northern Indiana has transmission and distribution circuits, about 49,502 poles are owned by other utilities. Northern Indiana has distribution transformers having an aggregate capacity of approximately 10,597,576 kva and 425,031 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 described under "Item 1. Business--Gas Operations." Northern Indiana has approximately 12,266 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 approximately 709 miles of gas mains.

NIFL has approximately 732 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.

PENDING DONATION OF PROPERTY. Northern Indiana announced during 1991 the planned donation of approximately 2,150 acres of land, including 60 miles of lake and river frontage, to 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 is continuing to pursue the donation of this property to ensure the land is managed to enhance its preservation and recreational value. The dams and hydroelectric plants will be 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 it 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 routine litigation and proceedings incident to the kind of business conducted by Northern Indiana, except as set forth above under "Item 1. Business--subcaption Environmental Matters," and as described under the captions "Pending Tax Matter" and "Environmental Matters" in the

Notes to Consolidated Financial Statements in the 1993 Annual Report to Shareholders, which notes are incorporated herein by reference (see Exhibit 13). No other proceedings against Industries, Northern Indiana or their subsidiaries are contemplated by governmental authorities to the knowledge of Industries.

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	54	Chairman, President, Chief Executive Officer and Director	March 1, 1993
Stephen P. Adik	50	Executive Vice President, Chief Financial Officer and Treasurer	January 1, 1994
Patrick J. Mulchay	52	Executive Vice President, Chief Operating Officer, Electric	January 1, 1994
Jeffrey W. Yundt	48	Executive Vice President, Chief Operating Officer, Gas	January 1, 1994
Owen C. Johnson	47	Vice President, Human Resources	January 1, 1994
David A. Kelly	55	Vice President, Real Estate and Taxes	January 1, 1994
Jerry M. Springer 1987	61	Controller	September 22,
Dennis E. Senchak	48	Assistant Treasurer	January 1, 1994
Nina M. Rausch	50	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 August 15, 1989, Gary L. Neale was Chairman, President and Chief Executive Officer of Planmetrics, Inc., a consulting and computer software firm; prior to July 30, 1990, Owen C. Johnson was Senior Vice President, Administration of LIT America, Inc. and prior to December 31, 1991, David A. Kelly was Partner, Tax Division of Arthur Andersen & Co.

PART II

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

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

	1993		1992	
	HIGH	LOW	HIGH	LOW
First Quarter..... 1/2	30 1/4	26 1/8	26 3/8	22
Second Quarter..... 5/8	32 7/8	29 1/8	25 1/8	22
Third Quarter.....	34 7/8	31 5/8	26 5/8	25
Fourth Quarter..... 7/8	34 1/4	30 1/2	26 1/2	24

As of February 28, 1994, Industries had 40,793 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 \$0.31 per share during 1992; and quarterly common dividends of \$0.33 per share during 1993. At its December 20, 1993 meeting Industries' Board of Directors increased the quarterly common dividend to \$0.36 per share, payable February 18, 1994.

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 applies 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, 1993, Northern Indiana had approximately \$144.1 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, 1993, 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 1993 Annual Report to Shareholders, which note is incorporated herein by reference (See Exhibit 13).

ITEM 6. SELECTED FINANCIAL DATA.

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
Operating revenues (000's).....	\$1,677,872	\$1,582,356	\$1,535,161	\$1,520,995	\$1,559,565
Net income (000's).....	\$ 156,140	\$ 136,648	\$ 133,388	\$ 125,361	\$ 72,112(a)
Earnings per average common share	\$2.31	\$2.00	\$1.94	\$1.81	\$1.00(a)
Total assets (000's)....	\$3,912,324	\$3,807,941	\$3,647,557	\$3,625,181	\$3,657,718
Long-term obligations and redeemable pre- ferred stock (000's)...	\$1,295,962	\$1,160,122	\$1,157,686	\$1,260,040	\$1,328,069
Cash dividends declared per common share.....	\$1.35	\$1.26	\$1.18	\$1.07	\$0.89

(a) 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.

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

Information regarding results of operations, liquidity and capital resources and environmental matters is reported in the 1993 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 1993 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, 1993, 1992 and 1991
 - Consolidated Balance Sheet at December 31, 1993 and 1992
 - Consolidated Statement of Capitalization at December 31, 1993 and 1992
 - Consolidated Statement of Long-term Debt at December 31, 1993 and 1992
 - Consolidated Statement of Cash Flows for the years ended December 31, 1993, 1992 and 1991
 - Consolidated Statement of Common Shareholders' Equity for the years ended December 31, 1993, 1992 and 1991
 - Notes to Consolidated Financial Statements
 - Report of Independent Public Accountants (includes an explanatory paragraph referring to changes in the methods of accounting for postretirement benefits other than pensions and income taxes)
- (2) Supplementary Data--
 - Selected Supplemental Information

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

Not applicable.

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 11, 1994, for Annual Meeting to be held April 13, 1994, which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is included at pages 11-17 in the Notice of Annual Meeting and Proxy Statement dated March 11, 1994, for Annual Meeting to be held April 13, 1994, 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 pages 6-7 in the Notice of Annual Meeting and Proxy Statement dated March 11, 1994, for Annual Meeting to be held April 13, 1994, 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 16.

(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 1993 10-K -----
21	III Condensed Financial Information of Registrant..	18, 19, 20 &
	V Utility Plant and Other Property at Original Cost.....	22, 23 & 24
	VI Accumulated Depreciation and Amortization.....	25, 26 & 27
	VIII Valuation and Qualifying Accounts.....	28, 29 & 30
	IX Short-Term Borrowings.....	31
	X Supplementary Income Statement Information.....	32

(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 35-37. 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 III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET

	DECEMBER 31,	
	1993	1992
	(DOLLARS IN THOUSANDS)	
ASSETS		

Property:		
Property in service.....	\$ 2,464	\$ 2,428
Construction work in progress.....	97	30
Less: accumulated depreciation.....	266	256
	-----	-----
Total property.....	2,295	2,202
	-----	-----
Investments (principally investments in wholly-owned subsidiaries).....	1,080,460	1,059,671
	-----	-----
Current Assets:		
Cash and cash equivalents.....	2,371	1,581
Amounts receivable from subsidiaries.....	60,809	47,297
Prepayments.....	2,781	2,758
	-----	-----
Total current assets.....	65,961	51,636
	-----	-----
Other (principally notes receivable--associated companies).....	135,947	109,599
	-----	-----
	\$1,284,663	\$1,223,108
	=====	=====
CAPITALIZATION AND LIABILITIES		

Capitalization:		
Common shares.....	\$ 870,930	\$ 870,930
Cumulative preferred shares with mandatory redemption provisions.....	35,000	35,000
Additional paid-in capital.....	27,631	20,775
Retained earnings.....	380,888	317,195
Less: Treasury shares.....	180,212	168,990
Unearned compensation.....	1,684	3,034
Currency translation adjustment.....	2,881	2,346
	-----	-----
Total capitalization.....	1,129,672	1,069,530
	-----	-----
Current Liabilities:		
Dividends declared on common and preferred stock.....	24,345	22,375
Other.....	16,434	15,443
	-----	-----
Total current liabilities.....	40,779	37,818
	-----	-----
Other (principally notes payable to associated companies).....	114,212	115,760
	-----	-----
Commitments and Contingencies (Note 3):	\$1,284,663	\$1,223,108
	=====	=====

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

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(DOLLARS IN THOUSANDS)		
Equity in net earnings of subsidiaries.....	\$ 158,222	\$ 141,115	\$ 135,531
Other income (deductions):			
Administrative and general expense.....	(6,031)	(4,469)	
(3,350)			
Interest income.....	9,576	5,345	5,959
Interest expense.....	(9,339)	(7,919)	
(6,235)			
Other, net.....	203	(75)	
(920)			
	(5,591)	(7,118)	
(4,546)			
Net income before income taxes.....	152,631	133,997	130,985
Income taxes.....	(3,509)	(2,651)	
(2,403)			
Net income.....	156,140	136,648	133,388
Dividend requirements on preferred shares...	3,063	3,063	3,063
Balance available for common shareholders...	\$ 153,077	\$ 133,585	\$ 130,325
Average common shares outstanding.....	66,136,396	66,715,941	67,035,495
Earnings per average common share.....	\$ 2.31	\$ 2.00	\$ 1.94

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

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(DOLLARS IN THOUSANDS)		
Net cash provided by operating activities.....	\$153,788	\$133,392	\$147,263
Cash flows used in investing activities:			
Purchase of Kokomo Gas and Fuel Co., net of cash acquired.....	--	(43,752)	--
Purchase of Northern Indiana Fuel and Light Company, Inc., net of cash acquired.....	(30,137)	--	--
Capital expenditures.....	(103)	(418)	
(1,738)			
Net cash used in investing activities.....	(30,240)	(44,170)	
(1,738)			
Cash flows provided by (used in) financing activities:			
Issuance of common shares.....	36,364	53,911	10,453
Increase (decrease) in notes payable to subsidiaries.....	(703)	67,031	
(14,478)			
Increase in notes receivable from subsidiaries.....	(26,412)	(53,768)	
(20,732)			
Cash dividends paid on common shares.....	(88,214)	(83,379)	
(77,832)			
Cash dividends paid on preferred shares.....	(3,063)	(3,063)	
(2,690)			
Acquisition of treasury shares.....	(40,730)	(76,281)	
(55,606)			
Other.....	--	(1,467)	
(1,191)			
Net cash used in financing activities.....	(122,758)	(97,016)	
(162,076)			
Net increase (decrease) in cash and cash equivalents.....	790	(7,794)	
(16,551)			
Cash and cash equivalents at beginning of year...	1,581	9,375	25,926
Cash and cash equivalents at end of year.....	\$ 2,371	\$ 1,581	\$ 9,375
	=====	=====	=====

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

NIPSCO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE III

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): \$155,224, \$138,676 and \$155,813 in 1993, 1992 and 1991, 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, is approximately \$299.1 million at December 31, 1993.

3. CONTINGENCIES

No proceedings against Industries or any of its subsidiaries other than Northern Indiana are pending or contemplated to the knowledge of Industries. The Company is a party to various pending proceedings, including suits and claims against it for personal injury, death and property damage, but, in the opinion of counsel for Northern Indiana, 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 business conducted by Northern Indiana.

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.

See also Notes to Consolidated Financial Statements in the 1993 Annual Report to Shareholders, which are incorporated herein by reference. (See Exhibit 13).

SCHEDULE V

NIPSCO INDUSTRIES, INC.

SCHEDULE V--UTILITY PLANT AND OTHER PROPERTY AT ORIGINAL COST

TWELVE MONTHS ENDED DECEMBER 31, 1993

NOTES:

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

(b) Includes acquisition and construction expenditures related to Crossroads Pipeline Company of \$24,361,000.

SCHEDULE V

NIPSCO INDUSTRIES, INC.

SCHEDULE V--UTILITY PLANT AND OTHER PROPERTY AT ORIGINAL COST

TWELVE MONTHS ENDED DECEMBER 31, 1992

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	
	ADDITIONS AT COST					
CLASSIFICATION OF PROPERTY	BALANCE JAN. 1, 1992	KOKOMO GAS AND FUEL CO. (A)	OTHER	RETIREMENTS AT ORIGINAL COST	OTHER CHANGES	BALANCE DEC. 31, 1992
(DOLLARS IN THOUSANDS)						
Utility Plant:						
Electric Utility Plant						
In Service--						
Intangible.....	\$ 1	\$ --	\$ --	\$ --	\$ --	\$ 1
Production.....	2,104,992	--	--	(10,092)	--	2,094,900
Transmission.....	525,960	--	--	(3,262)	--	522,698
Distribution.....	600,638	--	(259)	(4,300)	--	596,079
General.....	80,639	--	--	(90)	--	80,549
Property Held for Future Use.....	4,741	--	--	--	--	4,741
Completed Construction not Classified.....	144,743	--	111,356	--	--	256,099
Construction Work in Progress.....	65,372	--	(14,878)	--	21,682	72,176
Coal Reserves.....	71,551	--	--	--	--	71,551
Total Electric.....	3,598,637	--	96,219	(17,744)	21,682 (b)	3,698,794
Gas Utility Plant						
In Service--						
Intangible.....	21	6	--	--	--	27
Production.....	--	19	--	--	--	19
Storage.....	104,977	7,272	--	(315)	--	111,934
Transmission.....	131,965	940	--	(145)	--	132,760
Distribution.....	641,715	29,240	1,477	(1,656)	--	670,776
General.....	62,786	3,299	223	(297)	--	66,011
Property Held for Future Use.....	151	--	--	--	--	151
Completed Construction not Classified.....	35,311	--	29,711	--	--	65,022
Construction Work in Progress.....	13,963	--	4,896	--	--	18,859
Gas Stored Underground.....	8,371	--	120	--	--	8,491
Plant Acquisition Adjustment.....	--	22,417	--	--	--	22,417
Total Gas.....	999,260	63,193	36,427	(2,413)	--	1,096,467
Common Utility Plant						
In Service--						
Intangible.....	734	--	--	--	--	734
Land and Structures..	88,194	--	--	(230)	(9,625)	78,339
General Equipment....	65,548	--	--	(595)	--	64,953
Property Held for Future Use.....	28	--	--	--	--	28
Completed Construction not Classified.....	47,595	--	13,443	--	--	61,038
Construction Work in Progress.....	28,692	--	26,240	--	(1,739)	53,193
Total Common.....	230,791	--	39,683	(825)	(11,364) (c)	258,285
Total Utility Plant.....	\$4,828,688	\$63,193	\$172,329	\$(20,982)	\$ 10,318	\$5,053,546
Other Property.....	\$ 57,492	\$ 1,434	\$ 49,019	\$ --	\$ 11,364 (c)	\$ 119,309

NOTES:

(a) Kokomo Gas and Fuel Company purchased on February 10, 1992.

(b) Reconstruction costs associated with Bailly Generating Station pipe collapse, net of insurance recoveries.

(c) Office building transferred to non-utility property.

SCHEDULE V

NIPSCO INDUSTRIES, INC.

SCHEDULE V--UTILITY PLANT AND OTHER PROPERTY AT ORIGINAL COST

TWELVE MONTHS ENDED DECEMBER 31, 1991

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
-----	-----	-----	-----	-----	-----
			RETIREMENT		
			AT		
CLASSIFICATION OF PROPERTY	BALANCE	ADDITIONS	ORIGINAL	OTHER	BALANCE
-----	JAN. 1, 1991	AT COST	COST	CHANGES	DEC. 31, 1991
-----	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)				
Utility Plant:					
Electric Utility Plant					
In Service--					
Intangible.....	\$ 1	\$ --	\$ --	\$--	\$ 1
Production.....	2,078,580	29,650	(3,238)	--	2,104,992
Transmission.....	521,222	6,640	(1,902)	--	525,960
Distribution.....	571,296	32,157	(2,815)	--	600,638
General.....	77,174	4,381	(916)	--	80,639
Property Held for Fu-					
ture Use.....	3,771	970	--	--	4,741
Completed Construction					
not Classified.....	144,586	157	--	--	144,743
Construction Work in					
Progress.....	40,714	24,658	--	--	65,372
Coal Reserves.....	71,551	--	--	--	71,551
	-----	-----	-----	-----	-----
Total Electric.....	3,508,895	98,613	(8,871)	--	3,598,637
	-----	-----	-----	-----	-----
Gas Utility Plant					
In Service--					
Intangible.....	21	--	--	--	21
Storage.....	101,947	3,068	(38)	--	104,977
Transmission.....	124,918	7,212	(165)	--	131,965
Distribution.....	614,012	29,599	(1,896)	--	641,715
General.....	56,410	7,257	(881)	--	62,786
Property Held for Fu-					
ture Use.....	151	--	--	--	151
Completed Construction					
not Classified.....	43,503	(8,192)	--	--	35,311
Construction Work in					
Progress.....	18,182	(4,219)	--	--	13,963
Gas Stored Under-					
ground--Non-current...	8,248	123	--	--	8,371
	-----	-----	-----	-----	-----
Total Gas.....	967,392	34,848	(2,980)	--	999,260
	-----	-----	-----	-----	-----
Common Utility Plant					
In Service--					
Intangible.....	127	607	--	--	734
Land and Structures..	87,398	920	(124)	--	88,194
General Equipment....	62,485	3,618	(555)	--	65,548
Property Held for Fu-					
ture Use.....	28	--	--	--	28
Completed Construction					
not Classified.....	36,124	11,471	--	--	47,595
Construction Work in					
Progress.....	9,811	18,881	--	--	28,692
	-----	-----	-----	-----	-----
Total Common.....	195,973	35,497	(679)	--	230,791
	-----	-----	-----	-----	-----
Total Utility					
Plant.....	\$4,672,260	\$168,958	\$(12,530)	\$--	\$4,828,688
	=====	=====	=====	=====	=====
Other Property.....	\$ 42,574	\$ 14,918	\$ --	\$--	\$ 57,492
	=====	=====	=====	=====	=====

SCHEDULE VI

NIPSCO INDUSTRIES, INC.

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION

TWELVE MONTHS ENDED DECEMBER 31, 1993

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	
-----	-----	-----	-----	-----	-----	
DESCRIPTION	BALANCE JAN. 1, 1993	NORTHERN INDIANA FUEL AND LIGHT COMPANY, INC. (A)	OTHER (NOTE A)	RETIREMENTS (NOTE B)	OTHER CHANGES (NOTE C)	BALANCE DEC. 31, 1993
-----	-----	-----	-----	-----	-----	-----
		ADDITIONS CHARGED TO COSTS AND EXPENSES				

		(DOLLARS IN THOUSANDS)				
Utility Plant:						
Electric.....	\$1,369,516	\$ --	\$125,315	\$(29,285)	\$ 7,713	\$1,473,259
Gas.....	455,351	12,105	52,714	(8,119)	1,871	513,922
Common.....	55,030	--	7,792	(1,270)	1,818	63,370
Retirement work in progress.....	(3,279)	--	--	4,949	--	1,670
Total Utility Plant..	\$1,876,618	\$12,105	\$185,821	\$(33,725)	\$11,402	\$2,052,221
Other Property.....	\$ 22,839	\$ 158	\$ 4,730	\$(247)	\$ --	\$ 27,480
Note A:						
Depreciation and amortization per consolidated statement of income.....						\$ 187,000
Add: Bailly Generating Station deferred depreciation.....						2,336
Amortization of utility plant acquisition adjustment.....						702
Less: Amortization of Schahfer Generating Station Unit 17 and 18 car- rying charges and deferred depreciation.....						4,217

						\$ 185,821
						=====
Note B:						
Retirements credited to Utility Plant.....						\$ (28,063)
Less: Retirements charged to other accounts.....						(14)
Retirements charged to Accumulated Depreciation and Amortization.....						(28,049)
Add: Cost of removal less salvage.....						(10,625)
Fluctuation in retirement work in progress.....						4,949

						\$ (33,725)
						=====
Note C:						
Additions:						
Charged to clearing accounts.....						\$ 5,801
Depletion expense of coal reserves.....						5,601

						\$ 11,402
						=====

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

SCHEDULE VI

NIPSCO INDUSTRIES, INC.

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION

TWELVE MONTHS ENDED DECEMBER 31, 1992

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	
-----	-----	-----	-----	-----	-----	
DESCRIPTION	BALANCE JAN. 1, 1992	KOKOMO		RETIREMENTS (NOTE B)	OTHER CHANGES (NOTE C)	BALANCE DEC. 31, 1992
		GAS & FUEL CO. (A)	OTHER (NOTE A)			
-----	-----	-----	-----	-----	-----	-----
		ADDITIONS CHARGED TO COSTS AND EXPENSES				

		(DOLLARS IN THOUSANDS)				
Utility Plant:						
Electric.....	\$1,260,685	\$ --	\$122,878	\$(22,441)	\$ 8,394	\$1,369,516
Gas.....	387,463	20,018	49,233	(3,341)	1,978	455,351
Common.....	49,897	--	6,591	(1,176)	(282)	55,030
Retirement work in progress.....	(4,818)	--	--	1,539	--	(3,279)
	-----	-----	-----	-----	-----	-----
Total Utility Plant..	\$1,693,227	\$20,018	\$178,702	\$(25,419)	\$10,090	\$1,876,618
	=====	=====	=====	=====	=====	=====
Other Property.....	\$ 17,733	\$ 504	\$ 3,017	\$ --	\$ 1,585	\$ 22,839
	=====	=====	=====	=====	=====	=====
Note A:						
Depreciation and amortization per consolidated statement of income.....						\$ 182,717
Add: Bailly Generating Station deferred depreciation.....						202
Less: Amortization of Schahfer Generating Station Unit 17 and 18 car- rying charges and deferred depreciation.....						4,217

						\$ 178,702
						=====
Note B:						
Retirements credited to Utility Plant.....						\$ (20,982)
Less: Retirements charged to other accounts.....						--

Retirements charged to Accumulated Depreciation and Amortization.....						(20,982)
Add: Cost of removal less salvage.....						(5,976)
Fluctuation in retirement work in progress.....						1,539

						\$ (25,419)
						=====
Note C:						
Additions:						
Charged to clearing accounts.....						\$ 5,847
Depletion expense of coal reserves.....						5,747
Accumulated provision for depreciation of utility plant transferred to accumulated provision for depreciation of non-utility property...						(1,585)
Other.....						81

						\$ 10,090
						=====

(a) Kokomo Gas and Fuel Company purchased on February 10, 1992.

SCHEDULE VI

NIPSCO INDUSTRIES, INC.

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION

TWELVE MONTHS ENDED DECEMBER 31, 1991

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F	
-----	-----	-----	-----	-----	-----	
DESCRIPTION	BALANCE JAN. 1, 1991	ADDITIONS CHARGED TO COSTS AND EXPENSES (NOTE A)	RETIREMENTS (NOTE B)	OTHER CHANGES (NOTE C)	BALANCE DEC. 31,	
-----	-----	-----	-----	-----	-----	
		(DOLLARS IN THOUSANDS)				
Utility Plant:						
Electric.....	\$1,143,359	\$119,225	\$(11,700)	\$ 9,801	\$1,260,685	
Gas.....	343,257	46,240	(4,318)	2,284	387,463	
Common.....	43,736	6,039	(882)	1,004	49,897	
Retirement work in progress.....	(3,420)	--	(1,398)	--	(4,818)	
	-----	-----	-----	-----	-----	
	\$1,526,932	\$171,504	\$(18,298)	\$13,089	\$1,693,227	
	=====	=====	=====	=====	=====	
Other Property.....	\$ 16,022	\$ 1,711	\$ --	\$ --	\$ 17,733	
	=====	=====	=====	=====	=====	
Note A:						
Depreciation and amortization per consolidated statement of in- come.....					\$ 175,721	
Less: Amortization of Schahfer Generating Station Unit 17 and 18 carrying charges and deferred depreciation.....					4,217	

					\$ 171,504	
					=====	
Note B:						
Retirements credited to Utility Plant.....					\$ (12,530)	
Less: Retirements charged to other accounts.....					--	

Retirements charged to Accumulated Depreciation and Amortization...					(12,530)	
Add: Cost of removal less salvage.....					(4,370)	
Fluctuation in retirement work in progress.....					(1,398)	

					\$ (18,298)	
					=====	
Note C:						
Additions:						
Charged to clearing accounts.....					\$ 6,018	
Depletion expense of coal reserves.....					6,222	
Other.....					849	

					\$ 13,089	
					=====	

SCHEDULE VIII

NIPSCO INDUSTRIES, INC.

SCHEDULE VIII--VALUATION AND QUALIFYING ACCOUNTS

TWELVE MONTHS ENDED DECEMBER 31, 1992

COL. A	COL. B	COL. C	COL. D	COL. E	
-----	-----	-----	-----	-----	
DESCRIPTION	BALANCE JAN. 1, 1992	ADDITIONS		DEDUCTIONS FOR PURPOSES FOR WHICH RESERVES WERE CREATED	BALANCE DEC. 31, 1992
		KOKOMO GAS AND FUEL CO. (A)	CHARGED TO COSTS AND EXPENSES		
-----	-----	-----	-----	-----	-----
		(DOLLARS IN THOUSANDS)			
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivables.....	\$3,387	\$ 175	\$7,315	\$--	\$5,756
Reserve for investments, at equity.....	\$1,200	\$ --	\$ --	\$--	\$ --
Reserves Classified Under Reserve Section of Consolidated Balance Sheet:					
Injuries and damages reserve.....	\$4,008	\$ --	\$2,975	\$--	\$2,616
Miscellaneous operating reserves.....	\$4,132	\$1,319	\$1,146	\$--	\$2,173

(a) Kokomo Gas and Fuel Company purchased on February 10, 1992.

SCHEDULE IX

NIPSCO INDUSTRIES, INC.

SCHEDULE IX--SHORT-TERM BORROWINGS

TWELVE MONTHS ENDED DECEMBER 31, 1993, 1992 AND 1991

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
CATEGORY OF AGGREGATE SHORT- TERM BORROWINGS (1)	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE AT END OF PERIOD	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (2)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (3)
(DOLLARS IN THOUSANDS)					
YEAR 1993					
Commercial paper...	\$ 74,895	3.50%	\$157,800	\$ 46,265	3.48%
Bank notes.....	\$110,000	3.78%	\$386,301	\$194,840	3.85%
YEAR 1992					
Commercial paper...	\$ 76,500	4.15%	\$111,260	\$ 74,913	4.08%
Bank notes.....	\$243,701	4.09%	\$346,401	\$190,926	4.22%
YEAR 1991					
Commercial paper...	\$ 97,540	5.40%	\$140,115	\$ 62,634	6.37%
Bank notes.....	\$122,800	5.48%	\$129,800	\$ 36,869	5.93%

NOTE:

(1) Commercial paper is generally issued for short-term working capital requirements. Individual issues of commercial paper generally remain outstanding for less than thirty days. Bank notes represent borrowing under Credit Agreements and Lines of Credit with a consortium of local, domestic and international banks.

(2) The average amount of short-term borrowing is determined by a weighted monthly average based on number of days outstanding.

(3) The weighted average interest rates, except for commercial paper, represent the actual fixed rates applicable during the time period the borrowings were outstanding. The commercial paper interest rate was determined by dividing the aggregate annualized commercial paper interest expense by the actual aggregate principal outstanding during the period.

SCHEDULE X

NIPSCO INDUSTRIES, INC.

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

TWELVE MONTHS ENDED DECEMBER 31, 1993, 1992 AND 1991

The amounts of maintenance and repairs and depreciation which are charged to expenses, other than those set forth in the Consolidated Statement of Income, or are charged to other accounts, are not significant. Advertising is not considered to be significant, and Northern Indiana pays no royalties.

Provisions for taxes, other than payroll and income taxes, are summarized as follows:

	1993	1992	1991
-----	-----	-----	
	(Dollars in Thousands)		
Real estate and personal property.....	\$37,059	\$35,611	
\$32,514			
Indiana gross income.....	20,218	18,921	
18,259			
Other.....	1,909	2,893	
3,255			
-----	-----	-----	
	\$59,186	\$57,425	
\$54,028			
-----	-----	-----	
-----	-----	-----	

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, 1993, incorporated by reference in this Form 10-K, and have issued our report thereon dated January 26, 1994. 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 17, 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 postretirement benefits other than pensions and income taxes.

Arthur Andersen & Co.

Chicago, Illinois
January 26, 1994

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, 1994
By _____

and

/s/ Gary L. Neale

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.

DATE	SIGNATURE	TITLE
-----	-----	-----
	/s/ Gary L. Neale	Chairman, President, Principal
	-----	Executive Officer and
	Gary L. Neale	Director
	/s/ Stephen P. Adik	Executive Vice President and
	-----	Principal Financial Officer
	Stephen P. Adik	
	/s/ Jerry M. Springer	Controller and Principal
	-----	Accounting Officer
	Jerry M. Springer	
	/s/ Steven C. Beering	Director

	Steven C. Beering	
	/s/ Arthur J. Decio	Director

	Arthur J. Decio	
	/s/ Ernestine M. Raclin	Director

	Ernestine M. Raclin	
	/s/ Denis E. Ribordy	Director

	Denis E. Ribordy	
	/s/ Ian M. Rolland	Director

	Ian M. Rolland	
	/s/ Edmund A. Schroer	Director

	Edmund A. Schroer	
	/s/ John W. Thompson	Director

	John W. Thompson	
	/s/ Robert J. Welsh, Jr.	Director

	Robert J. Welsh, Jr.	

March 28, 1994

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF ITEM	SEQUENTIALLY NUMBERED PAGE
(3.(i))	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.(ii))	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 Registrant and Trustees (incorporated by reference to Exhibit 7 to Northern Indiana Public Service Company ("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)	Fifteenth Supplemental Indenture dated April 15, 1963 (incorporated by reference to Exhibit 2.03 to Northern Indiana Registration Statement (Registration No. 2-21125)).	
(4.4)	Seventeenth Supplemental Indenture dated May 15, 1965 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated June 8, 1965).	
(4.5)	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).	
(4.6)	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).	
(4.7)	Twenty-second Supplemental Indenture dated May 1, 1971 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated June 8, 1971).	
(4.8)	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).	
(4.9)	Twenty-fourth Supplemental Indenture dated July 15, 1973 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated August 7, 1973).	
(4.10)	Twenty-eighth Supplemental Indenture dated October 15, 1976 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Form 8-K dated November 8, 1976).	
(4.11)	Twenty-ninth Supplemental Indenture dated August 15, 1977 (incorporated by reference to Exhibit 1 to Northern Indiana Current Report on Quarterly Report on Form 10-Q for the quarter ended September 30, 1977).	
(4.12)	Thirtieth Supplemental Indenture dated November 1, 1977 (incorporated by reference to Exhibit 1 to Northern Indiana Annual Report on Form 10-K for year ended December 31, 1977).	

- (4.13) 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).
- (4.14) Fortieth Supplemental Indenture dated July 1, 1989 (incorporated by reference to Exhibit 3 to Northern Indiana Current Report on Form 8-K dated March 14, 1990).
- (4.15) 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).
- (4.16) 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)).
- (4.17) 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)).
- (4.18) Memorandum of Agreement with City of Michigan City, Indiana (incorporated by reference to Exhibit 7 to Northern Indiana Registration Statement (Registration No. 2-48531)).
- (4.19) Loan Agreement dated November 1, 1978 with Jasper County, Indiana (incorporated by reference to Exhibit 1 to Northern Indiana Annual Report on Form 10-K for year ended December 31, 1978).
- (4.20) 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).
- (4.21) Financing Agreement dated July 1, 1989, with Jasper County, Indiana regarding \$41,000,000 Series 1989A Collateralized Pollution Control Refunding Revenue Bonds. An identical financing agreement between Registrant and Jasper County provides for the issuance of \$10,000,000 Series 1989B Collateralized Pollution Control Refunding Revenue Bonds (incorporated by reference to Exhibit 2 to Northern Indiana Current Report on Form 8-K dated March 25, 1992).
- (4.22) 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).
- (4.23) 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).

EXHIBIT
NUMBER

DESCRIPTION OF ITEM

SEQUENTIALLY
NUMBERED
PAGE

- (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).*
- (11) Computation of Per Share Earnings.
- (13) 1993 Annual Report to Shareholders for pages 26-53.
- (21) List of Subsidiaries.
- (23) Consent of Arthur Andersen & Co.
- (99) Amended Articles of Incorporation of Northern Indiana Public Service Company (incorporated by reference to Exhibit 1 to the Northern Indiana Current Report of 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, 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 11

NIPSCO INDUSTRIES, INC.

COMPUTATION OF PER SHARE EARNINGS

TWELVE MONTHS ENDED DECEMBER 31, 1992

	PRIMARY	FULLY DILUTED
	-----	-----
Weighted Average Number of Shares		
Average Common Shares Outstanding at 12/31/92....	66,715,941	66,715,941
Dilutive Effect for Nonqualified Stock Options at 12/31/92.....	115,467	144,072
	-----	-----
Weighted Average Shares at 12/31/92.....	66,831,408	66,860,013
	=====	=====
Net Income to be Used to Compute Earnings Per Average Common Share		
	(DOLLARS IN THOUSANDS)	
Net Income.....	\$ 136,648	\$ 136,648
Dividend Requirements on Preferred Shares.....	3,063	3,063
	-----	-----
Balance Available for Common Shareholders.....	\$ 133,585	\$ 133,585
	=====	=====
Earnings Per Average Common Share.....	\$ 1.99(a)	\$
1.99(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, 1991

	PRIMARY	FULLY DILUTED
	-----	-----
Weighted Average Number of Shares		
Average Common Shares Outstanding at 12/31/91 Before Conversion.....	67,035,495	67,035,495
Common Shares Reserved for Conversion of 4 1/4% Convertible Debentures at 12/31/91.....	--	219,359
Dilutive Effect for Nonqualified Stock Options at 12/31/91.....	157,939	174,969
	-----	-----
Weighted Average Shares at 12/31/91.....	67,193,434	67,429,823
	=====	=====
Net Income to be Used to Compute Earnings Per Average Common Share		
		(DOLLARS IN THOUSANDS)
Net Income.....	\$ 133,388	\$ 133,388
Plus: Interest Expense--Net of Income Tax Effect.....	--	115
	-----	-----
Net Income.....	133,388	133,503
Dividend Requirements on Preferred Shares.....	3,063	3,063
	-----	-----
Balance Available for Common Shareholders.....	\$ 130,325	\$ 130,440
	=====	=====
Earnings Per Average Common Share.....	\$ 1.93(a)	\$
1.93(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 13

1993 FINANCIAL REVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations

HOLDING COMPANY

NIPSCO Industries, Inc. (Industries), an Indiana corporation, became a holding company on March 3, 1988. Northern Indiana Public Service Company (Northern Indiana), Northern Indiana Fuel and Light Company, Inc. (NIFL), Kokomo Gas and Fuel Company (Kokomo Gas), NIPSCO Development Company, Inc. (Development), NIPSCO Energy Services, Inc. (Services), and NIPSCO Capital Markets, Inc. (Capital Markets) are subsidiaries of Industries. The following discussion, except where noted, is attributable to the utility operations of Northern Indiana, Kokomo Gas, NIFL and Crossroads Pipeline Company (Utilities).

NET INCOME

For 1993, net income of Industries increased to \$156.1 million, or earnings of \$2.31 per average common share, compared to \$136.6 million, or earnings of \$2.00 per average common share, for 1992. In 1991, net income was \$133.4 million, or earnings of \$1.94 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 \$95.5 million, or 6.0%, from 1992. Operating revenues in 1992 increased \$47.2 million, or 3.1%, from 1991.

During 1993, gas deliveries in dekatherms (dth), which include transportation services, increased 9.8%. The increase in gas deliveries was largely attributable to increased deliveries to residential, commercial and transportation customers and the addition of 27,500 customers acquired through the purchase of NIFL in March, 1993. The Utilities had approximately 682,200 gas customers at December 31, 1993. During 1992, gas deliveries increased 8.9%, mainly due to the addition of 30,000 customers acquired through the purchase of Kokomo Gas in February, 1992, and increased deliveries to residential, commercial and industrial customers.

Gas revenues were \$714.2 million in 1993, an increase of \$48.0 million from 1992. The increase in gas revenues was mainly due to increased sales to residential and commercial customers due to the colder weather this year, and the inclusion of NIFL, and was partially offset by decreased transportation revenue per dth delivered due to lower take-or-pay costs. Gas revenues were \$666.2 million in 1992, an increase of \$64.3 million from 1991. The increase in gas revenues was mainly due to the inclusion of Kokomo customers, increased sales to residential and commercial customers due to the colder heating season and higher gas costs per dth and was partially offset by the replacement of sales with transportation service and lower revenue per dth transported. 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 167.9, 149.5 and 135.9 million dth in 1993, 1992 and 1991, respectively.

In 1993, sales of electricity in kilowatt-hours (kwh) increased 5.1% over 1992 mainly due to higher sales to residential and commercial customers due to warmer weather in the second and third quarters and increased industrial demands. Northern Indiana had approximately 395,100 electric customers at December 31, 1993. In 1992, sales of electricity in kwh increased 5.5% over 1991 mainly due to higher sales to industrial and wholesale customers partially offset by decreased sales to residential and commercial customers due to the significantly cooler summer of 1992 compared to 1991.

In 1993, electric revenues were \$963.7 million, an increase of \$47.5 million from 1992. The increase in electric revenue was mainly due to higher sales to residential and commercial customers due to warmer weather in the second and third quarters and increased industrial demands. In 1992, electric revenues were \$916.2 million, a decrease of \$17.1 million from 1991. The decrease in electric revenue was mainly due to reduced fuel costs per kwh. Decreased revenues due to lower sales to residential and commercial customers due to the much cooler summer weather were offset by increased sales to industrial and wholesale customers.

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

to

Year 1993
Compared to

Year 1992
Compared

Year 1992
Year 1991

(Dollars in millions)

	Year 1993	Year 1992
Gas Revenue		
Rate changes.....	\$ -	\$ 0.6
Pass through of net changes in purchased gas costs, gas storage and storage transportation costs.....	27.1	28.6
Take-or-pay costs.....	(27.0)	(11.8)
Changes in sales levels.....	19.3	15.0
Gas transported.....	2.9	1.8
Kokomo and NIFL acquisitions.....	25.7	30.1
	-----	-----
Gas Revenue Change.....	\$ 48.0	\$ 64.3
	-----	-----

to	Year 1993 Compared to	Year 1992 Compared
-----	Year 1992	Year 1991
-----	-----	
	(Dollars in millions)	
Electric Revenue		
Pass through of net changes in fuel costs.....	\$(10.4)	\$(17.6)
Changes in sales levels.....	57.9	0.5
	-----	-----
Electric Revenue Change.....	\$ 47.5	\$(17.1)
	-----	-----
Total Revenue Change.....	\$ 95.5	\$ 47.2
	=====	=====

See Rate Matters in Notes to Consolidated Financial Statements regarding changes in gas rates and gas take-or-pay costs.

The basic steel industry accounted for 39% of natural gas delivered (including volumes transported) and 39% of electric sales during 1993.

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.)

PURCHASED GAS

The Utilities purchased gas costs increased \$20.0 million (5.3%) in 1993 due to increased purchases resulting from the colder weather of 1993, and the inclusion of \$16.1 million of purchased gas costs related to NIFL. The average cost for the Utilities purchased gas in 1993, after adjustment for take-or-pay charges billed to transport customers, was \$3.23 per dth as compared to \$3.16 per dth in 1992. Purchased gas costs increased \$40.4 million (11.9%) in 1992, due to \$19 million of purchased gas costs related to Kokomo Gas and increased costs per dth. The average cost for the Utilities purchased gas in 1992, after adjustment for take-or-pay charges billed to transport customers, was \$3.16 per dth as compared to \$2.93 per dth in 1991.

FUEL AND POWER PURCHASED

Cost of fuel for electric generation in 1993 increased mainly as a result of increased production partially offset by decreased fuel costs per kwh produced. The average cost per kwh generated decreased 1.0% from 1992 to 16.65 mills. The cost of fuel for electric generation in 1992 decreased \$6.0 million as a result of lower fuel costs per kwh generated. The average cost per kwh generated decreased 5.8% from 1991 to 16.82 mills.

Purchased power costs increased \$7.2 million in 1993, as a result of increased power purchases from other utilities. Purchased power costs increased \$2.9 million in 1992, as a result of increased power purchases from other utilities.

OPERATING MARGINS

Operating margins increased \$66.1 million in 1993 to \$1.0 billion. The operating margin from gas deliveries increased \$28.0 million mainly due to the increased sales to residential and commercial customers due to colder weather during this year and the addition of 27,500 gas customers due to the purchase of NIFL. Operating margins from electric sales increased \$38.1 million mainly reflecting increased sales to residential and commercial customers due to warmer weather in the second and third quarters and increased industrial demands. Operating margins increased \$10.0 million in 1992 to \$949.4 million. The operating margin from gas deliveries increased \$23.9 million mainly due to the increased sales to residential and commercial customers and the addition of 30,000 gas customers due to the purchase of Kokomo Gas. Operating margins from electric sales decreased \$13.9 million due to reduced sales to residential and commercial customers during the second and third quarters and were partially offset by increased sales to industrial and wholesale customers.

OPERATING EXPENSES AND TAXES

Operating expenses and taxes in 1993 increased 7.1% from 1992 to \$753.5 million and in 1992 increased 2.6% from 1991 to \$703.2 million.

The increase in 1993 from 1992 is mainly due to a full year of the service agreement associated with the Bailly scrubber, increased gas storage costs reflecting changes in the Utilities' gas supply arrangements, higher employee related expenses and the addition of operating expenses of NIFL. The increase in 1992 from 1991 was mainly due to the service agreement associated with the Bailly scrubber, which went into service in June, 1992, increased gas storage and transmission costs reflecting changes in the Utilities' gas supply arrangements, higher employee related expenses and the addition of operating expenses of Kokomo Gas. Payroll costs charged to Operations and Maintenance were \$194 million in 1993, \$190 million in 1992 and \$187 million in 1991.

Depreciation and amortization expenses increased \$4.3 million compared to 1992 as a result of net plant additions.

Income and other tax provisions charged to operations amounted to \$168.5 million in 1993, \$149.9 million in 1992 and \$144.5 million in 1991 and represent 10.0% of operating revenues for 1993. Taxes, except income taxes, increased primarily due to higher property tax requirements in 1993.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (Continued)

The operating results of all non-utility subsidiaries are included in "Other, net" under the caption "Other Income (Deductions)" in the Consolidated Statement of Income (except for NIPSCO Exploration Company, Inc.'s [Exploration] net results of operations, which are reported as a component of gas purchased for resale, since Exploration is subject to Indiana Utility Regulatory Commission [Commission] rate treatment). Interest on long-term debt, other interest and amortization of debt discount and expense are reflected as a component of "Interest and Other Charges."

Interest and other charges decreased \$7.2 million and \$10.2 million in 1993 and 1992, respectively. The 1993 decrease reflects Northern Indiana's reduced interest rates on long-term debt outstanding and favorable interest rates on short-term borrowings. The 1992 decrease reflects reduced long-term debt outstanding and favorable interest rates on short-term borrowings. Preferred dividend requirements of Northern Indiana decreased \$1.0 million in 1992, primarily due to the redemption of 276,800 shares of 12.55% Series Cumulative Preferred Stock on October 15, 1992, with a portion of the proceeds from the issue of 430,000 shares of 6.50% Series Cumulative Preferred Stock on October 13, 1992.

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

ENVIRONMENTAL MATTERS

Because of major investments made in modern environmental control facilities and the use of low sulfur coal, substantially all of Northern Indiana's electric production facilities already comply with the future sulfur dioxide limitations contained in acid deposition provisions of the Clean Air Act Amendments of 1990 (CAAA), which became law on November 15, 1990.

Northern Indiana has successfully tested the use of low sulfur coal at Unit 12 at the Michigan City Generating Station, the only generating unit not in compliance with the future sulfur dioxide limitations, and expects that unit to be able to meet the limits with low sulfur coal. 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 strict limitations on emissions of nitrogen oxides and "air toxics," which may require significant capital expenditures for control of these emissions. Northern Indiana cannot predict the costs of complying with them, but Northern Indiana believes that any such mandated costs would be recoverable through the rate making process.

The Environmental Protection Agency (EPA) has promulgated a permit program to meet the requirements of the CAAA. This permit program, when enacted by Indiana, will increase the fees associated with operating permits for air emissions.

Northern Indiana has received notices from the EPA that it is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and the Superfund Amendment and Reauthorization Act (SARA) and may be required to share in the cost of cleanup of several waste disposal sites identified by EPA. The sites are in various stages of investigation and analysis to determine the amount of remedial costs necessary to clean up the sites. At each of the sites, Northern Indiana is one of several PRPs, and it is expected that remedial costs, as provided under CERCLA and SARA, 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. While remedial costs at these sites are not presently determinable, Northern Indiana's preliminary analysis indicates its share of such costs should not have a significant impact on the results of future operations.

Northern Indiana was notified by the Indiana Department of Environmental Management (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 is continuing to monitor and investigate the site to determine what further remedial action, if any, is required to be taken by it.

Northern Indiana was notified by Indiana Gas Company, Inc. (Indiana Gas) that the site of a former manufactured gas plant in Lafayette, Indiana, believed to have been formerly owned by Northern Indiana, was being investigated and partially remediated by Indiana Gas pursuant to an administrative order issued by IDEM. Northern Indiana is investigating its potential liability and evaluating appropriate action.

The Utilities have an ongoing program to remain aware of laws and regulations involved with hazardous waste. 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. Northern Indiana has commenced a voluntary program of investigating its former manufactured gas plant sites in order to determine what, if any, remediation of any potential

remaining waste materials may be required. Since this program is in its early stages, it is not possible at this time to estimate what, if any, remediation costs may be incurred.

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 increased 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.

Utility construction expenditures by Industries for 1993, 1992 and 1991 were approximately \$181 million, \$172 million and \$169 million, respectively. Industries' total utility plant investment on December 31, 1993, was \$5.3 billion.

On October 13, 1992, Northern Indiana issued and sold through an underwritten public offering 430,000 shares of 6.50% Series Cumulative Preferred Stock for \$43 million. A portion of the proceeds was used to redeem the 12.55% Series Cumulative Preferred Stock on October 15, 1992, with the remainder used for general corporate purposes. The 6.50% Preferred shares are subject to mandatory redemption in whole on October 14, 2002.

On April 5, 1993, Series V, First Mortgage Bonds, 8.90% of 2004, Series BB, First Mortgage Bonds, 9 7/8% of 2004 and the Series KK, First Mortgage Bonds, 9 1/4% of 2016 were redeemed in total at the option of Northern Indiana. Redemption was accomplished through the issuance of short-term debt.

In April 1993, Northern Indiana sold \$125,000,000 in Medium-Term Notes, Series B, due from 1 year to 30 years from date of issue. The proceeds from the sale of the notes were used to repay short-term debt which was incurred to pay at maturity certain of Northern Indiana's previously outstanding medium-term notes and First Mortgage Bonds.

On June 2, 1993, Northern Indiana received authorization from the Commission to issue up to \$349,750,000 of Medium-Term Notes, Series C, due from 1 year to 30 years from date of issue for refinancing purposes and paying outstanding long-term debt at maturity. A portion of the proceeds was used to repay short-term debt which was incurred in connection with the First Mortgage Bonds redeemed on April 5, 1993, and a portion was used for early redemption on August 2, 1993, of \$88 million of Northern Indiana's medium-term notes due in 1996. Through December 31, 1993, \$329.2 million of Medium-Term Notes, Series C, have been issued.

On December 9, 1992, Capital Markets issued \$72.5 million (at maturity) of Zero Coupon Notes, due December 1, 1997 which are not redeemable prior to maturity. The proceeds from the sale of the notes were used to repay Capital Markets' short-term bank borrowings. The notes are unsecured debt obligations of Capital Markets.

Capital Markets has a \$150 million revolving Credit Agreement which will terminate October 21, 1995, unless extended by its terms. This facility provides short-term financing flexibility at the holding company level and also serves as the back-up instrument for a commercial paper program. As of December 31, 1993, there were no borrowings outstanding under this agreement.

Capital Markets also has \$50 million of money market lines of credit. As of December 31, 1993, there were no borrowings outstanding under these lines of credit.

As of December 31, 1993, Capital Markets had \$47.0 million in commercial paper outstanding, having a weighted average interest rate of 3.48%.

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, is approximately \$299.1 million at December 31, 1993.

NIFL has an unsecured revolving credit agreement with a bank for \$2 million. Borrowings bear interest at the bank's prevailing prime rate. As of December 31, 1993, there were no borrowings under this agreement.

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, 1993, Northern Indiana had \$27.9 million in commercial paper outstanding, having a weighted average interest rate of 3.56%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (Concluded)

Northern Indiana has a \$250 million revolving Credit Agreement with several banks which terminates September 21, 1996, unless extended by its terms. As of December 31, 1993, 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, 1994. As of December 31, 1993, 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 \$173.5 million of money market lines of credit. As of December 31, 1993, \$40.0 million of borrowings were outstanding under these lines of credit.

Northern Indiana has a \$50 million uncommitted finance facility. At December 31, 1993, \$20.0 million of borrowings were outstanding under this facility.

On April 5, 1993, Northern Indiana executed a 364-day \$50 million private placement loan.

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.

(Selected Statistical Charts)

(Capitalization Ratios Chart)

YEAR	LONG-TERM DEBT	COMMON SHARE EQUITY	PREFERRED AND PREFERENCE STOCK	TOTAL
1984	48.9%	38.8%	12.3%	100.0%
1985	53.6%	34.8%	11.6%	100.0%
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%

(Cost of Fuel for Electric Generation Chart)

YEAR	(MILLS PER KWH)
1984	26.89
1985	27.85
1986	23.92
1987	21.02
1988	19.09
1989	18.01
1990	18.13
1991	17.86
1992	16.82
1993	16.65

(Cost of Gas Purchased for Resale Chart)

DOLLARS YEAR DTH ---- -----	PER
1984	3.37
1985	3.42
1986	3.20
1987	2.94
1988	3.03
1989	3.21
1990	3.40
1991	3.16
1992	3.31
1993	3.27

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31,	1993	1992	1991

Operating Revenues:	(Dollars in thousands)		
Gas.....	\$ 714,229	\$ 666,221	\$ 601,920
Electric.....	963,643	916,135	933,241
	1,677,872	1,582,356	1,535,161
Cost of Energy:			
Gas purchased for resale.....	399,590	379,564	339,206
Fuel for electric generation.....	244,552	242,385	248,428
Power purchased.....	18,225	11,028	8,151
	662,367	632,977	595,785
Operating Margin.....	1,015,505	949,379	939,376
Operating Expenses and Taxes (except income):			
Operation.....	314,461	285,131	271,298
Maintenance.....	83,548	85,451	93,508
Depreciation and amortization.....	187,000	182,717	175,721
Taxes (except income).....	71,621	69,555	65,731
	656,630	622,854	606,258
Operating Income Before Utility Income Taxes	358,875	326,525	333,118
Utility Income Taxes.....	96,830	80,308	78,764
Operating Income.....	262,045	246,217	254,354
Other Income (Deductions):			
Allowance for funds, other than borrowed funds, used during construction.....	1	30	(5)
Other, net.....	(2,071)	1,454	258
	(2,070)	1,484	253
Income Before Interest and Other Charges....	259,975	247,701	254,607
Interest and Other Charges:			
Interest on long-term debt.....	82,121	87,660	100,381
Other interest.....	9,238	9,955	7,094
Allowance for borrowed funds used during construction and carrying charges.....	(1,447)	(543)	(1,346)
Amortization of premium, reacquisition premium, discount and expense on debt, net.....	3,582	3,323	3,404
Dividend requirements on preferred stocks of subsidiary.....	10,341	10,658	11,686
	103,835	111,053	121,219
Net Income.....	156,140	136,648	133,388
Dividend requirements on preferred shares...	3,063	3,063	3,063
Balance available for common shareholders...	\$ 153,077	\$ 133,585	\$ 130,325
Average common shares outstanding.....	66,136,396	66,715,941	67,035,495
Earnings per average common share.....	\$2.31	\$2.00	\$1.94
Dividends declared per common share.....	\$1.35	\$1.26	\$1.18

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

CONSOLIDATED BALANCE SHEET

December 31,	1993	1992

ASSETS	(Dollars in thousands)	
Utility Plant, at original cost (including construction work in progress of \$189,634 and \$144,228, respectively):		
Electric.....	\$3,778,016	\$3,698,794
Gas.....	1,216,178	1,096,467
Common.....	289,242	258,285
	-----	-----
	5,283,436	5,053,546
Less--Accumulated provision for depreciation and amortization.....	2,052,221	1,876,618
	-----	-----
Total utility plant.....	3,231,215	3,176,928
	-----	-----
Other Property and Investments:		
Other property, at cost, less accumulated provision for depreciation.....	124,184	96,470
Investments, at equity.....	19,142	33,479
Investments, at cost.....	6,189	6,404
	-----	-----
Total other property and investments.....	149,515	136,353
	-----	-----
Current Assets:		
Cash and cash equivalents.....	16,140	41,357
Accounts receivable, less reserve of \$4,855 and \$5,121, respectively.....	115,129	99,673
Fuel adjustment clause.....	6,440	4,335
Gas cost adjustment clause.....	35,659	45,358
Materials and supplies, at average cost.....	67,120	73,883
Electric production fuel, at average cost.....	21,533	41,945
Natural gas in storage, at last-in, first-out cost.....	62,870	36,653
Prepayments and other.....	11,118	12,466
	-----	-----
Total current assets.....	336,009	355,670
	-----	-----
Deferred Charges:		
Unamortized reacquisition premium on debt and debt expenses.....	54,078	43,903
Unamortized R.M. Schahfer Unit 17 and Unit 18 carrying charges and deferred depreciation.....	79,198	83,415
Other.....	62,309	11,672
	-----	-----
Total deferred charges.....	195,585	138,990
	-----	-----
	\$3,912,324	\$3,807,941
	=====	=====

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

December 31, 1993 1992

CAPITALIZATION AND LIABILITIES (Dollars in thousands)

Capitalization:		
Common shareholders' equity.....	\$1,094,672	\$1,034,530
Preferred stocks--		
Northern Indiana Public Service Company:		
Series without mandatory redemption provisions....	97,753	97,917
Series with mandatory redemption provisions.....	68,462	70,668
NIPSCO Industries, Inc.:		
Series with mandatory redemption provisions.....	35,000	35,000
Long-term debt, excluding amounts due within one year.	1,192,500	1,054,454
	-----	-----
Total capitalization.....	2,488,387	2,292,569
	-----	-----

Current Liabilities:

Obligations due within one year--		
Northern Indiana Public Service Company:		
Commercial paper.....	27,895	76,500
First mortgage bonds--		
Series M, 4 1/2%--due April 15, 1993.....	--	21,916
Medium-term notes--		
Issued at interest rates between 9.15% and 9.50% with a weighted average interest rate of 9.18% and various maturities between January 14, 1994 and April 11, 1994.....	65,000	53,000
Notes payable--		
Issued at interest rates between 3.30% and 4.05% with a weighted average interest rate of 3.78% and various maturities between January 3, 1994 and April 4, 1994.....	110,000	208,701
NIPSCO Capital Markets, Inc.:		
Commercial paper.....	47,000	--
Note payable--		
4.06%--due January 25, 1993.....	--	35,000
Medium-term notes--		
Issued at interest rates between 8.95% and 9.45% with a weighted average interest rate of 9.12% and various maturities between July 28, 1993 and September 8, 1993.....	--	15,000
	-----	-----
	249,895	410,117
	-----	-----

Other current liabilities--

Accounts payable.....	192,543	166,832
Sinking funds due within one year.....	7,357	4,611
Dividends declared on common and preferred stocks.	26,165	24,241
Customer deposits.....	9,471	9,103
Taxes accrued.....	74,562	73,621
Interest accrued.....	12,253	13,991
Other accruals.....	45,118	39,556
	-----	-----
	367,469	331,955
	-----	-----

 Total current liabilities..... 617,364 742,072

Other:

Deferred income taxes.....	576,071	586,178
Deferred investment tax credits, being amortized over life of related property.....	129,681	136,428
Deferred credits.....	37,767	41,257
Regulatory income tax liability.....	25,371	--
Other noncurrent liabilities.....	37,683	9,437
	-----	-----
Total other.....	806,573	773,300
	-----	-----

Commitments and Contingencies (see notes)



2002. EDGAR Online, Inc. \$3,912,324 \$3,807,941

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CONSOLIDATED STATEMENT OF CAPITALIZATION

December 31,	1993		1992	
	(Dollars in thousands)			
Common shareholders' equity.....	\$1,094,672	44.0%	\$1,034,530	45.1%
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--211,298 and 211,341 shares outstanding, respectively.....	21,130		21,134	
4 1/2% series--79,996 shares outstanding.....	8,000		8,000	
4.22% series--106,200 shares outstanding.....	10,620		10,620	
4.88% series--100,000 shares outstanding.....	10,000		10,000	
7.44% series--41,900 shares outstanding.....	4,190		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, 1993)--				
Series A (stated value--\$50 per share), 801,500 and 804,700 shares outstanding, respectively.....	40,075		40,235	
	97,753	3.9%	97,917	4.3%
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--112,500 and 125,000 shares outstanding, respectively.....	11,250		12,500	
7 3/4% series--61,122 and 66,676 shares outstanding, respectively.....	6,112		6,668	
8.35% series--81,000 and 85,000 shares outstanding, respectively.....	8,100		8,500	
Cumulative preferred stock--no par value--				
6.50% series--430,000 shares outstanding.....	43,000		43,000	
	68,462	2.7%	70,668	3.1%
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	1.5%
Long-term debt.....	1,192,500	48.0%	1,054,454	46.0%
Total capitalization.....	\$2,488,387	100.0%	\$2,292,569	100.0%

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

CONSOLIDATED STATEMENT OF LONG-TERM DEBT

December 31,	1993	1992
	(Dollars in thousands)	
Northern Indiana Public Service Company		
First mortgage bonds--		
Series N, 4 5/8%--due May 15, 1995.....	\$ 22,436	\$ 22,436
Series O, 6 3/8%--due September 1, 1997.....	27,507	27,507
Series P, 6 7/8%--due October 1, 1998.....	15,671	15,671
Series S, 8 1/8%--due May 1, 2001.....	41,000	41,485
Series T, 7 1/2%--due April 1, 2002.....	40,643	40,643
Series U, 8 1/8%--due July 15, 2003.....	55,739	55,739
Series V, 8.90%--due April 1, 2004.....	--	56,584
Series Y, 8 3/8%--due October 15, 2006.....	50,575	50,575
Series Z, 8 1/8%--due August 15, 2007.....	43,069	43,069
Series AA, 8 1/2%--due November 1, 2007.....	33,407	33,407
Series BB, 9 7/8%--due June 15, 2004.....	--	13,500
Series KK, 9 1/4%--due December 1, 2016.....	--	114,500
Series LL, 7 1/2%--due October 15, 2014.....	41,000	41,000
Series MM, 7 1/2%--due October 15, 2004.....	10,000	10,000
Series NN, 7.10%--due July 1, 2017.....	55,000	55,000
	-----	-----
Total.....	436,047	621,116
	-----	-----
Pollution control notes and bonds--		
Series A note--		
City of Michigan City--5.70% due October 1, 2003.....	21,500	21,500
Series 1978 note--		
County of Jasper--6.70% due November 1, 2008.....	18,000	18,000
Series 1988 bonds--Jasper County--Series A, B and C		
2.44% weighted average at December 31, 1993, due November 1, 2016	130,000	130,000
Series 1988 bonds--Jasper County--Series D		
2.46% weighted average at December 31, 1993, due November 1, 2007	24,000	24,000
	-----	-----
Total.....	193,500	193,500
	-----	-----
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 April 6, 1998 and August 17, 2023.....	454,200	153,000
	-----	-----
Unamortized premium and discount on long-term debt, net.....	(4,663)	(3,156)
	-----	-----
Total long-term debt of Northern Indiana Public Service Company	1,079,084	964,460
	-----	-----
NIPSCO Capital Markets, Inc.		
Medium-term note--9.95%--due June 10, 1996.....	7,500	7,500
Unamortized discount.....	(16)	(31)
Zero Coupon Notes--7.57%, \$72,500 at maturity, due December 1, 1997	54,191	50,306
	-----	-----
Total long-term debt of NIPSCO Capital Markets, Inc.....	61,675	57,775
	-----	-----
NIPSCO Development Company, Inc.		
Lake Erie Land Company--Notes Payable--		
Interest rates between 6.00% and 7.00% with a weighted average interest rate of 6.42% and various maturities between July 5, 1996 and June 30, 1998.....	3,256	3,809
Elm Energy and Recycling (UK), Ltd.		
Term Loan Facility--6.79%--due December 31, 2004.....	41,577	28,292
Metals Technology Corporation--Notes Payable--		
Mortgage note, 6.50%--due September 25, 2005.....	108	118
	-----	-----
Total long-term debt of NIPSCO Development Company, Inc.....	44,941	32,219
	-----	-----
Northern Indiana Fuel and Light Company, Inc.		
Sinking Fund Debentures--		
Series G, 9.50%--due August 1, 2001.....	3,000	--
Series H, 10.80%--due August 1, 2008.....	3,800	--
	-----	-----
Total long-term debt of Northern Indiana Fuel and Light Company, Inc.....	6,800	--
	-----	-----
Total long-term debt, excluding amounts due in one year.....	\$1,192,500	\$1,054,454
	=====	=====

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31,	1993	1992	1991
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income.....	\$ 156,140	\$ 136,648	\$ 133,388
Adjustments to reconcile net income to net cash:			
Depreciation and amortization.....	187,000	182,717	175,721
Deferred federal and state operating income taxes, net.....	2,122	14,503	6,769
Deferred investment tax credits, net.....	(7,446)	(7,452)	(6,295)
Change in certain assets and liabilities*--			
Accounts receivable, net.....	(12,255)	18,284	(45,804)
Electric production fuel.....	20,412	(10,861)	5,376
Materials and supplies.....	7,344	2,394	2,513
Natural gas in storage.....	(24,685)	3,074	4,962
Accounts payable.....	23,507	(4,521)	(1,670)
Taxes accrued.....	541	16,593	(9,667)
Fuel adjustment clause.....	(2,105)	6,965	(12,571)
Gas cost adjustment clause.....	10,641	(43,565)	3,475
Other, net.....	11,462	3,638	(13,564)
Net cash provided by operating activities.....	372,678	318,417	242,633
Cash flows provided by (used in) investing activities:			
Utility construction expenditures.....	(180,852)	(172,329)	(168,958)
Acquisition and construction expenditures related to Crossroads Pipeline Company.....	(24,361)	--	--
Purchase of Kokomo Gas and Fuel Company, net of cash acquired	--	(43,752)	--
Purchase of Northern Indiana Fuel and Light Company, net of cash acquired.....	(30,137)	--	--
Return of Capital to Harbor Coal Company.....	32,435	--	--
Other, net.....	(53,061)	(78,566)	(13,658)
Net cash used in investing activities.....	(255,976)	(294,647)	(182,616)
Cash flows provided by (used in) financing activities:			
Issuance of long-term debt.....	468,269	82,456	55,000
Issuance of short-term debt.....	1,254,507	1,865,713	398,175
Issuance of preferred shares.....	--	43,000	--
Net change in commercial paper.....	(1,605)	(21,040)	24,036
Retirement of long-term debt.....	(377,069)	(91,319)	(155,408)
Retirement of short-term debt.....	(1,388,208)	(1,744,812)	(275,375)
Retirement of preferred stock.....	(2,170)	(30,478)	(5,833)
Issuance of common shares.....	36,364	53,911	10,453
Acquisition of treasury shares.....	(40,730)	(76,281)	(55,606)
Cash dividends paid on common shares.....	(88,214)	(83,379)	(77,832)
Cash dividends paid on preferred shares.....	(3,063)	(3,063)	(2,690)
Other, net.....	--	582	1,240
Net cash used in financing activities.....	(141,919)	(4,710)	(83,840)
Net increase (decrease) in cash and cash equivalents.....	(25,217)	19,060	(23,823)
Cash and cash equivalents at beginning of period.....	41,357	22,297	46,120
Cash and cash equivalents at end of period.....	\$ 16,140	\$ 41,357	\$ 22,297

*Net of effects from purchase of Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company.

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	Unearned Compensation	Currency Translation Adjustment	Common Shares	Treasury Shares
Balance, January 1, 1991...	\$1,005,982	\$860,776	\$11,323	\$217,636	\$ (81,670)	\$ (2,083)	\$ --	73,375,371	(4,501,142)
Net income.....	133,388			133,388					
Dividends:									
Preferred shares.....	(3,063)			(3,063)					
Common shares.....	(78,509)			(78,509)					
Treasury shares acquired...	(55,606)				(55,606)				(2,762,153)
Issued:									
Employee stock purchase plan.....	434				434				27,280
Long-term incentive plan.....	1,677		408		3,505	(2,236)			185,875
Conversion of 4 1/4% convertible debentures..	6,806	6,806						346,384	
Other.....	557		210	(291)		638			
Balance, December 31, 1991.	\$1,011,666	\$867,582	\$11,941	\$269,161	\$ (133,337)	\$ (3,681)	\$ --	73,721,755	(7,050,140)
Net income.....	136,648			136,648					
Dividends:									
Preferred shares.....	(3,063)			(3,063)					
Common shares.....	(84,437)			(84,437)					
Treasury shares acquired...	(76,281)				(76,281)				(3,135,902)
Issued:									
Employee stock purchase plan.....	327				327				20,614
Long-term incentive plan.....	3,307		51		3,705	(449)			183,125
Kokomo Gas acquisition...	46,828		10,232		36,596				1,848,588
Conversion of 4 1/4% convertible debentures..	3,348	3,348						170,354	
Other.....	(3,813)		(1,449)	(1,114)		1,096	(2,346)		(44)
Balance, December 31, 1992.	\$1,034,530	\$870,930	\$20,775	\$317,195	\$ (168,990)	\$ (3,034)	\$ (2,346)	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
Other.....	908					1,443	(535)		
Balance, December 31, 1993.	\$1,094,672	\$870,930	\$27,631	\$380,888	\$ (180,212)	\$ (1,684)	\$ (2,881)	73,892,109	(8,063,271)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HOLDING COMPANY STRUCTURE

NIPSCO Industries, Inc. (Industries) was incorporated in Indiana on September 22, 1987, and became the parent of Northern Indiana Public Service Company (Northern Indiana) on March 3, 1988, after the shareholders of Northern Indiana approved a corporate restructuring pursuant to which, Northern Indiana's outstanding common shares were exchanged on a share-for-share basis with common shares of Industries. The other securities of Northern Indiana, including its First Mortgage Bonds, pollution control notes and bonds, other debt securities and each series of preferred stock, were not changed by the restructuring and they continue to be outstanding obligations and securities of Northern Indiana. Northern Indiana is a public utility operating company supplying electricity and gas to the public in the northern third of Indiana.

At December 31, 1993, Industries had five direct, wholly-owned subsidiaries in addition to Northern Indiana, which are all Indiana corporations: NIPSCO Development Company, Inc. (Development), NIPSCO Energy Services, Inc. (Services), NIPSCO Capital Markets, Inc. (Capital Markets), Kokomo Gas and Fuel Company (Kokomo Gas) and Northern Indiana Fuel and Light Company, Inc. (NIFL).

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 serves approximately 31,000 customers at December 31, 1993. The Kokomo Gas service territory is contiguous to Northern Indiana's gas service territory.

On March 31, 1993, Industries acquired NIFL, a natural gas utility headquartered in Auburn, Indiana, that serves approximately 28,700 customers at December 31, 1993, in the northeast corner of the state, contiguous to Northern Indiana's service territory. Industries issued 1,112,862 common shares and \$26,311 cash in exchange for all of the common shares of NIFL.

Development makes various investments, including real estate. Services coordinates the energy-related diversifi-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

cation ventures and has four wholly-owned subsidiaries: NIPSCO Fuel Company, Inc. (Fuel) which makes investments in gas and oil exploration and development ventures; NIPSCO Energy Trading Corp. (NETCO) which is engaged in gas and other energy brokering businesses; NI-TEX, Inc. (NI-TEX) which is an intrastate natural gas transmission and supply company and Crossroads Pipeline Company (Crossroads), a natural gas transmission company. Capital Markets handles financing for the non-utility ventures of Industries and subsidiaries.

In December, 1993, Industries signed a letter of intent for the sale of NETCO and Services' 51 percent ownership in Triumph Natural Gas, Inc., to Houston based Eastex Energy, Inc., (Eastex). The proposed transaction will have an anticipated value in excess of \$10 million. Industries would acquire a 25 percent equity ownership of Eastex through common and preferred stock.

Development is a 95% shareholder in Elm Energy and Recycling (UK) Ltd. (Elm Energy), which was formed to develop, own and operate a waste-to-energy generating plant in Wolverhampton, England. The 30 megawatt tire-fueled generating station is expected to use about 8-10 million automobile and truck tires a year and began operations in late 1993.

Northern Indiana has two subsidiaries, Shore Line Shops, Inc. (Shore Line) and NIPSCO Exploration Company, Inc. (Exploration). Shore Line undertakes the purchase and sale of transferred employees' residences on behalf of Northern Indiana. Exploration has investment interests, which are subject to Indiana Utility Regulatory Commission (Commission) rate treatment, in off-shore Gulf of Mexico oil and gas leases.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of NIPSCO Industries, Inc., its utility subsidiaries Northern Indiana, Kokomo Gas, NIFL and Crossroads (Utilities), and all non-utility subsidiaries. In addition, the consolidated financial statements of Northern Indiana include its consolidated subsidiaries, Shore Line and Exploration. The operating results of all non-utility subsidiaries are included in "Other, net" under the caption "Other Income (Deductions)" in the Consolidated Statement of Income (except for Exploration's net results of operations, which are reported as a component of "Gas purchased for resale," since Exploration is subject to Commission rate treatment). 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. 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 4.0% for year 1993, 4.0% for year 1992 and 3.9% for year 1991. The depreciation rates for electric and gas properties are 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 3.2% for the years 1993 and 1992.

NIFL provides depreciation on the original cost of utility plant in service using straight-line rates that averaged approximately 2.75%.

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 that repairs of transportation and service equipment 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.

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

Fuel 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."

ACCOUNTS RECEIVABLE

At December 31, 1993, Northern Indiana had sold \$100 million of certain 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 years reported for income taxes and interest was as follows:

1991	1993	1992
-----	-----	-----
	(Dollars in thousands)	
Income taxes.....	\$ 93,155	\$ 65,532
90,136		\$
Interest, net of amounts		
capitalized.....	\$ 88,353	\$ 96,909
\$104,985		

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

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 a semi-annual hearing 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) for a discussion of take-or-pay charges.

NATURAL GAS IN STORAGE

Based on the average cost of gas purchased in December, 1993 and 1992, the estimated replacement cost of gas in storage (current and non-current) at December 31, 1993 and 1992, exceeded the stated LIFO cost by approximately \$55 million and \$65 million, respectively.

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, 1991, a pretax rate of 6.5% for all construction was being used; effective January 1, 1992, the rate decreased to 4.0% and effective January 1, 1993, the rate decreased to 3.7%.

CARRYING CHARGES AND DEFERRED DEPRECIATION

Upon completion of each of Units 17 and 18, Northern Indiana capitalized the carrying charges and deferred depreciation 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. Capitalization of carrying charges and deferral of depreciation and certain operating expenses will continue until the earlier of December 31, 1995, or the date a final order considering the costs in rates is approved by the Commission.

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.

INCOME TAXES

Effective January 1, 1993, Industries adopted Statement of Financial Accounting Standards (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. Such temporary differences are the 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.

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 initial application of this statement was reflected in the January 1, 1993, Consolidated Balance Sheet, with no impact on results of operations or cash flow. The effect of the implementation entry on regulated activities was to record a net decrease in deferred income taxes and provide a net regulatory income tax liability of approximately \$52 million. On August 10, 1993, the Federal statutory income tax rate

was increased to 35%, a change of 1%, effective January 1, 1993. The impact of this change and the change in temporary differences through December 31, 1993, has reduced the balance of the net regulatory liability to \$25 million at December 31, 1993. 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 January 1, 1993, and December 31, 1993, are as follows:

	Jan. 1, 1993	Dec. 31, 1993
	-----	-----
	(Dollars in thousands)	
Deferred tax liabilities--		
Accelerated depreciation and other property differences.....	\$641,209	\$677,493
AFUDC-equity.....	46,065	44,863
Adjustment clauses.....	19,281	16,876
Take-or-pay gas costs.....	10,033	4,234
Reacquisition premium on debt.....	14,020	16,844
Deferred tax assets--		
Deferred investment tax credits.....	(50,438)	
(49,174)		
Removal costs.....	(82,207)	
(93,279)		
Regulatory income tax liability.....	(19,128)	
(9,582)		
Other, net.....	(22,441)	
(20,757)		
	-----	-----
	556,394	587,518
Less: Deferred income taxes related to current assets and liabilities.....	17,390	11,447
	-----	-----
Deferred income taxes--noncurrent.....	\$539,004	\$576,071
	=====	=====

Deferred income taxes are recognized as costs in the rate making process by the commissions having jurisdiction over the rates charged by the Utilities. The deferred income taxes resulting from the above are reversed by a debit or credit to deferred income tax expense as the timing differences reverse. Federal and state income taxes as set forth in the Consolidated Statement of Income are comprised of the following:

	1993	1992	1991
	(Dollars in thousands)		
Current income taxes--			
Federal.....	\$ 89,022	\$ 61,557	\$ 67,013
State.....	13,132	11,700	11,277
	-----	-----	-----
	102,154	73,257	78,290
	-----	-----	-----
Deferred income taxes, net--Federal and State--			
Accelerated depreciation and other property differences.....	13,211	11,078	16,571
Removal costs.....	(8,760)	(11,352)	
(11,387)			
Adjustment clauses.....	(2,466)	14,086	3,363
Take-or-pay gas costs.....	(5,799)	(2,403)	
(8,749)			
Minimum tax credit deferral.....	--	9,798	7,316
Reacquisition premium on debt.....	2,824	(904)	
(678)			
Other.....	3,112	(5,800)	333
	-----	-----	-----
	2,122	14,503	6,769
	-----	-----	-----
Deferred investment tax credits, net.....	(7,446)	(7,452)	
(6,295)			
	-----	-----	-----
Total utility operating income taxes.....	96,830	80,308	78,764
	-----	-----	-----
Income tax applicable to non-operating activities and income of non-utility subsidiaries.....	(5,537)	(3,324)	
(3,241)			
	-----	-----	-----
Total income taxes.....	\$ 91,293	\$ 76,984	\$ 75,523
	=====	=====	=====

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

	1993	1992	1991
	-----	-----	-----
	(Dollars in thousands)		
Net Income.....	\$156,140	\$136,648	\$133,388
Add--Income taxes.....	91,293	76,984	75,523
Dividend requirements on preferred stocks of subsidiary.....	10,341	10,658	11,686
	-----	-----	-----
Income before preferred dividend requirements of subsidiary and income taxes.....	\$257,774	\$224,290	\$220,597
	=====	=====	=====
Amount derived by multiplying pretax income by statutory rate.....	\$ 90,221	\$ 76,259	\$ 75,003
Reconciling items multiplied by the statutory rate:			
Book depreciation over related tax depreciation.....	3,893	4,359	4,681
Amortization of deferred investment tax credits.....	(7,446)	(7,452)	
(6,423)			
State income taxes, net of federal income tax benefit.....	8,568	8,006	6,910
Reversal of deferred taxes provided at rates in excess of the current federal income tax rate.....	(5,080)	(5,468)	
(5,152)			
Other, net.....	1,137	1,280	504
	-----	-----	-----
Total income taxes.....	\$ 91,293	\$ 76,984	\$ 75,523
	=====	=====	=====

Investment tax credits have been deferred and are being amortized to income over the life of the related property.

PENSION PLANS

Industries and its subsidiaries have four 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, 1993, and 1992, are as follows:

	1993	1992
	-----	-----
	(Dollars in thousands)	
Vested benefit obligation.....	\$481,755	\$429,359
Nonvested benefit.....	86,373	75,815
	-----	-----
Accumulated benefit obligation.....	\$568,128	\$505,174
	=====	=====
Projected benefit obligation for service rendered to date.....	\$657,068	\$588,800
Plan assets at fair market value.....	605,379	539,387
	-----	-----
Projected benefit obligation in excess of plan assets.	51,689	49,413
Unrecognized transition obligation at December 31, being recognized over 17 years.....	(54,055)	
(59,933)		
Unrecognized prior service cost.....	(31,464)	
(23,100)		
Unrecognized gains.....	51,154	50,033
	-----	-----
Accrued pension costs.....	\$ 17,324	\$ 16,413
	=====	=====

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 7.50% and 7.75% 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, 1993, and 1992, respectively. The reduction of the discount rate, as discussed above, along with certain plan changes increased the accumulated benefit obligation as of December 31, 1993, by approximately \$31 million.

The following items are the components of provisions for pensions for the years ended December 31, 1993, 1992 and 1991:

	1993	1992	1991
	-----	-----	-----
	(Dollars in thousands)		
Service costs.....	\$ 13,086	\$ 13,277	\$ 10,607
Interest costs.....	46,019	43,408	41,128
Actual return on plan assets.....	(81,150)	(41,796)	
(100,133)			
Amortization of transition obligation.....	5,387	5,437	5,489
Other net amortization and deferral.....	39,567	1,599	65,623
	-----	-----	-----
	\$ 22,909	\$ 21,925	\$ 22,714
	=====	=====	=====

Assumptions used in the valuation and determination of 1993, 1992 and 1991 pension expenses were as follows:

	1993	1992	1991
Discount rate.....	7.75%	7.5%	8.5%
Rate of increase in compensation levels.....	5.5	6	6
Expected long-term rate of return on assets..	8.25	8.25	8.75

The plans' assets are invested primarily in common stocks, bonds, notes and real estate investment funds.

POSTRETIREMENT BENEFITS

Industries provides certain health care and life insurance benefits for retired employees. Substantially all of Industries employees may become eligible for those benefits if they reach retirement age while working for Industries. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits to active employees and retirees paid during the year. Prior to January 1, 1993, the Utilities recognized the cost of providing those benefits by expensing insurance premiums, which is consistent with current rate making practices. The annual cost of providing those benefits for retirees and/or their surviving spouses was \$6.3 and \$6.4 million for the years ended December 31, 1992 and 1991, respectively.

Effective January 1, 1993, Industries adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which establishes accounting and reporting standards for such postretirement benefits. The new standard requires the accrual of the expected cost of such benefits during the employee's years of service. The assumptions and calculations involved in determining the accrual closely parallel pension accounting requirements.

The following table sets forth the plans' accumulated postretirement benefit obligation as of December 31, 1993, and January 1, 1993:

1993	DEC. 31, 1993	JAN. 1,
	(Dollars in thousands)	
Retirees.....	\$ 89,650	\$ 86,318
Fully eligible active plan participants.....	30,501	26,748
Other active plan participants.....	150,215	118,802
Accumulated postretirement benefit obligation.....	270,366	231,868
Unrecognized transition obligation.....	(220,274)	(231,868)
Unrecognized prior period loss.....	(20,737)	\$ --
Accrued liability for postretirement health care benefit obligation.....	\$ 29,355	\$ --

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Discount rates of 7.5% and 8% at December 31, 1993, and January 1, 1993, respectively, and a pre-Medicare medical trend rate of 13% declining to a long-term rate of 7% were used to determine the accumulated postretirement benefit obligation at December 31, 1993, and January 1, 1993.

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, 1993, include the following components:

	1993

in	(Dollars
thousands)	
Service costs.....	\$ 6,863
Interest costs.....	18,224
Amortization of transition obligation over 20 years..	11,594

	\$36,681
	=====

The net periodic postretirement benefit costs were determined assuming an 8% discount rate, a 5% rate of compensation increase and a pre-Medicare medical trend rate of 13% in 1993 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, 1993, by approximately \$45 million and increase the aggregate of the service and interest cost components of plan costs by approximately \$4.8 million for the year ended December 31, 1993. Amounts disclosed above could be changed significantly in the future by changes in health care costs, work force demographics, interest rates or plan changes.

Northern Indiana joined with other Indiana utilities and requested that the Commission conduct generic hearings to approve the accrual method of accounting for postretirement benefits for rate making purposes and to authorize 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 in the next general rate proceeding. Generic hearings were conducted by the Commission during October, 1992, and, in an order issued on December 30, 1992, the Commission authorized the deferral accounting requested but stated such deferral period should not exceed four years; the Utilities expect to request recovery of such costs within that period. The Commission 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. In addition, while the Commission stated it was hopeful something less than full accrual of such costs in rates would be possible under generally accepted accounting principles, the Utilities believe the Commission recognizes the full accrual of such postretirement benefits may be required in future rate proceedings in order to avoid any negative impact on a utility's earnings. The Utilities will defer 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. Accordingly, the Utilities believe SFAS No. 106 will not have a material effect on future results of operations.

POSTEMPLOYMENT BENEFITS

In November, 1992, the FASB issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which will require Industries to accrue the estimated cost of benefits provided to former or inactive employees after employment but before retirement.

Industries will adopt SFAS No. 112 on January 1, 1994 and its adoption will not have a material impact on financial position or results of operations.

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

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 filed its petition challenging the assessment in the United States Tax Court. Northern Indiana's management and general counsel believe Northern Indiana will be successful in establishing that no tax withholding was required for the period.

ACQUISITION OF NIFL

On March 31, 1993, Industries acquired NIFL. Industries issued 1,112,862 common shares and \$26,311 cash in exchange for all of the common shares of NIFL. The acquisition was accounted for as a purchase in accordance with Accounting Principles Board Opinion No. 16. The excess of the total acquisition costs over the recorded value of net assets acquired (approximately \$17 million) was recorded as a plant acquisition adjustment.

RATE MATTERS

GAS RATES

On October 26, 1988, the Commission entered its order granting a retail gas rate increase of approximately \$59.2 million (10.32%) annually to Northern Indiana. The October 26, 1988, Commission order required Northern Indiana to refile rates two years after the initial rate order was issued, in order to move rates closer to the cost-of-service. The refiled rates were approved on January 7, 1991, and resulted in an increase in residential rates and lower industrial transportation rates.

TAKE-OR-PAY PIPELINE GAS COSTS

The Federal Energy Regulatory Commission (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 \$185.9 million of take-or-pay costs and interest from their customers through December 31, 1993. As of December 31, 1993, an additional \$11.7 million was

scheduled to be billed to the Utilities and recovered from customers over a period of one to five years.

FERC ORDER NO. 636

On April 8, 1992, the FERC issued its Order No. 636 which requires 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. On the other hand, pipelines are seeking to recover certain transition costs associated with restructuring from their customers. Any such recovery would be subject to a prudence hearing at the FERC. Also, mandated changes in pipeline rate design could increase the cost of firm transportation service on interstate pipelines. The FERC has subsequently issued Order Nos. 636-A and 636-B in which it denied for the most part requests for rehearing of Order No. 636. The Orders are now on court appeal.

The total magnitude of any transition costs charged to the Utilities can not yet be determined. The Utilities believe, however, that any transition costs which the FERC would allow the Utilities' pipeline suppliers to collect would be recoverable by the Utilities from their customers. Northern Indiana has filed a petition with the Commission seeking recovery of the transition costs from its sales and transport customers on a volumetric basis.

ENVIRONMENTAL MATTERS

Because of major investments made in modern environmental control facilities and the use of low sulfur coal, substantially all of Northern Indiana's electric production facilities already comply with the sulfur dioxide limitations contained in acid deposition provisions of the Clean Air Act Amendments of 1990 (CAAA), which became law on November 15, 1990.

Northern Indiana has successfully tested the use of low sulfur coal at Unit 12 at the Michigan City Generating Station, the only generating unit not in compliance with the future sulfur dioxide limitations, and expects that unit to be able to meet the limits with low sulfur coal. 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 strict limitations on emissions of nitrogen oxides and "air toxics," which may require significant capital expenditures for control of these emissions. Northern Indiana cannot predict the costs of complying with them, but Northern Indiana believes that any such mandated costs would be recoverable through the rate making process.

The Environmental Protection Agency (EPA) has promulgated a permit program to meet the requirements of the CAAA. This permit program, when enacted by Indiana, will increase the fees associated with operating permits for air emissions.

Northern Indiana has received notices from the EPA that it is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and the Superfund Amendment and Reauthorization Act (SARA) 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 to determine the amount of remedial costs necessary to clean up the sites. At each of the sites, Northern Indiana is one of several PRPs, and it is expected that remedial costs, as provided under CERCLA and SARA, 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. While remedial costs at these sites are not presently determinable, Northern Indiana's preliminary analysis indicates its share of such costs should not have a significant impact on the results of future operations.

Northern Indiana was notified by the Indiana Department of Environmental Management (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 is continuing to monitor and investigate the site to determine what further remedial action, if any, is required to be taken by it.

Northern Indiana was notified by Indiana Gas Company, Inc. (Indiana Gas) that the site of a former manufactured gas plant in Lafayette, Indiana, believed to have been formerly owned by Northern Indiana, was being investigated and partially remediated by Indiana Gas pursuant to an administrative order issued by IDEM. Northern Indiana is investigating its potential liability and evaluating appropriate action.

The Utilities have an ongoing program to remain aware of laws and regulations involved with hazardous waste. 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. Northern Indiana has commenced a voluntary program of investigating its former manufactured gas plant sites in order to determine what, if any, remediation of any potential remaining waste materials may be required. Since this program is in its early stages, it is not possible at this time to estimate what, if any, remediation costs may be incurred.

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 increased 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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. The shares are subject to mandatory redemption in whole by Industries on January 14, 1996. 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). On October 13, 1992, Northern Indiana issued and sold through an underwritten public offering 430,000 shares of 6.50% Series Cumulative Preferred Stock for \$43 million. The shares are subject to mandatory redemption in whole by Northern Indiana on October 14, 2002. On October 15, 1992, Northern Indiana redeemed all outstanding shares of the 12.55% Series Preferred Stock at \$105.94 per share.

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, 1993, for the cumulative preferred stock, which are 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, 1993), Series A (stated value \$50 per share)		\$50.00

The redemption prices at December 31, 1993, 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	Annual Sinking Fund Provisions
Cumulative Preferred Stock--\$100 par value--		
8.85%	\$102.59, reduced periodically	12,500 shares on or before April 1.
8.35%	\$104.67, reduced periodically	3,000 shares on or before July 1; 6,000 shares beginning in 2004; noncumulative option to double amount each year.
7 3/4%	\$104.94, reduced periodically	2,777 shares on or before December 1; noncumulative option to double amount each year.

Sinking fund requirements with respect to redeemable preferred stocks outstanding at December 31, 1993, for each of the four years subsequent to December 31, 1994, are as follows:

Year Ending December 31,	
1995	\$ 1,827,700
1996	36,827,700
1997	1,827,700
1998	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, 1993, Northern Indiana had approximately \$144.1 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 200,000,000 common shares authorized 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 share of Series A Junior Participating Preferred Shares, 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 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 up to approximately 10.7 million common shares in addition to those required in connection with the acquisitions of Kokomo Gas and NIFL. At December 31, 1993, Industries had purchased 11,897,029 shares at an average price of \$21.65 per share of which 1,848,588 shares and 1,112,862 shares were reissued in connection with the Kokomo Gas and NIFL acquisitions, respectively. Approximately 1.8 million additional common shares may be repurchased under the Board's authorizations.

LONG-TERM INCENTIVE PLAN

Industries Long-Term Incentive Plan (the Plan) for key management employees, which was approved by shareholders on April 13, 1988, provides for the issuance of up to 2,500,000 of Industries' common shares to key employees through 1998. The Plan permits 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, 1993.

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 condition. If a participant's employment is terminated other than by reason of death, disability or retirement, restricted shares are forfeited. There were 235,600 and 214,000 and 157,500 restricted shares outstanding at December 31, 1991, 1992, and 1993, respectively.

Changes in outstanding shares under option and SARs for 1991, 1992 and 1993, are as follows:

	Nonqualified Stock Options		Nonqualified Stock Options With SARs	
YEAR ENDED DECEMBER 31, 1991	Options	Option Price	Options	Option Price
Balance at beginning of year.....	538,500	\$10.94-\$17.94	47,900	\$10.94
Granted.....	331,100	\$22.94	-	
Exercised.....	(88,375)	\$10.94-\$17.94	(4,900)	\$10.94
Cancelled.....	(10,900)	\$10.94-\$17.06	(4,000)	\$10.94
Balance at end of year.....	770,325	\$10.94-\$22.94	39,000	\$10.94
Shares exercisable.....	439,225	\$10.94-\$17.94	39,000	\$10.94
YEAR ENDED DECEMBER 31, 1992	Options	Option Price	Options	Option Price
Balance at beginning of year.....	770,325	\$10.94-\$22.94	39,000	\$10.94
Granted.....	293,400	\$26.06	-	
Exercised.....	(163,375)	\$10.94-\$22.94	(27,500)	\$10.94
Cancelled.....	(31,200)	\$10.94-\$22.94	-	
Balance at end of year.....	869,150	\$10.94-\$26.06	11,500	\$10.94
Shares exercisable.....	575,750	\$10.94-\$22.94	11,500	\$10.94
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

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, 1993, 22,750 shares were issued under the Plan.

LONG-TERM DEBT

The sinking fund requirements of long-term debt outstanding at December 31, 1993 (including the maturity of Northern Indiana's first mortgage bonds: Series N, 4 5/8%, due May 15, 1995; Series O, 6 3/8%, due September 1, 1997;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Northern Indiana's medium-term notes due from April 6, 1998, to April 13, 1998:

NIPSCO Capital Market's medium-term note due June 10, 1996, and Zero Coupon Notes due December 1, 1997; and Lake Erie Land Company's notes payable due July 5, 1996, to June 30, 1998), for each of the four years subsequent to December 31, 1994, are as follows:

Year Ending December 31,	
1995.....	\$ 27,757,115
1996.....	17,032,951
1997.....	35,170,126
1998.....	115,620,126

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 April 5, 1993, Series V, First Mortgage Bonds, 8.90% of 2004, Series BB, First Mortgage Bonds, 9 7/8% of 2004 and the Series KK, First Mortgage Bonds, 9 1/4% of 2016 were redeemed in total at the option of Northern Indiana. Redemption was accomplished through the issuance of short-term debt.

In April, 1993, Northern Indiana sold \$125,000,000 in Medium-Term Notes, Series B, due from 1 year to 30 years from date of issue. The proceeds from the sale of the notes were used to repay short-term debt which was incurred to pay at maturity certain of Northern Indiana's previously outstanding medium-term notes and First Mortgage Bonds.

On June 2, 1993, Northern Indiana received authorization from the Commission to issue up to \$349,750,000 of Medium-Term Notes, Series C, due from 1 year to 30 years from date of issue for refinancing purposes and paying outstanding long-term debt at maturity. A portion of the proceeds was used to repay short-term debt which was incurred in connection with the First Mortgage Bonds redeemed on April 5, 1993, and a portion was used for early redemption on August 2, 1993, of \$88 million of Northern Indiana's medium-term notes due in 1996. Through December 31, 1993, \$329.2 million of Medium-Term Notes, Series C, have been issued.

On December 9, 1992, Capital Markets issued \$72.5 million (at maturity) of Zero Coupon Notes, due December 1, 1997, which are not redeemable prior to maturity. The proceeds from the sale of the notes were used to repay Capital Markets' short-term bank borrowings. The notes are unsecured debt obligations of Capital Markets.

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, is approximately \$299.1 million at December 31, 1993.

SHORT-TERM BORROWINGS

Northern Indiana has a \$250 million revolving Credit Agreement with several banks which terminates September 21, 1996, unless extended by its terms. As of December 31, 1993, 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, 1994. 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, 1993, 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 \$173.5 million of money market lines of credit. As of December 31, 1993, \$40.0 million of borrowings were

outstanding under these lines of credit.

Northern Indiana has a \$50 million uncommitted finance facility. At December 31, 1993, \$20.0 million of borrowings were outstanding under this facility.

On April 5, 1993, Northern Indiana executed a 364-day \$50 million private placement loan.

Northern Indiana uses commercial paper to fund short-term working capital requirements. As of December 31, 1993, Northern Indiana had \$27.9 million in commercial paper outstanding, having a weighted average interest rate of 3.56%.

Capital Markets has a \$150 million revolving Credit Agreement which will terminate October 21, 1995, 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, 1993, there were no borrowings outstanding under this agreement.

Capital Markets also has \$50 million of money market lines of credit. As of December 31, 1993, there were no borrowings outstanding under these lines of credit.

As of December 31, 1993, Capital Markets had \$47.0 million in commercial paper outstanding, having a weighted average interest rate of 3.48%.

NIFL has an unsecured revolving credit agreement with a bank for \$2 million. Borrowings bear interest at the bank's prevailing prime rate. As of December 31, 1993, there were no borrowings under this agreement.

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 \$3.0 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, 1993.

Year Ending December 31,	(Dollars in thousands)
1994.....	\$ 4,913
1995.....	3,251
1996.....	1,928
1997.....	1,794
1998.....	1,764
Later years.....	24,537

Total minimum payments required.....	\$38,187

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

Year Ending December 31,	(Dollars in thousands)
1993.....	\$7,251
1992.....	5,182
1991.....	7,199

COMMITMENTS

Northern Indiana estimates that approximately \$738 million will be expended for construction purposes for the period from January 1, 1994, to December 31 1998. 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 will provide 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 scrubber will receive \$14.4 million in government funding for operating and maintenance expenses during a three-year demonstration period. Pure Air is required to meet certain performance standards during the demonstration period commencing with the date above. During this period, either Northern Indiana or Pure Air can terminate this agreement unilaterally. 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 twenty-year contract period.

Harbor Coal Company (Harbor Coal), a wholly-owned subsidiary of Development, 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 blast furnaces for use in the operation of their 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.

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 at cost: The fair value of some investments are estimated based on market prices for those or similar investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONCLUDED)

CUSTOMER CONCENTRATIONS

Northern Indiana is a public utility operating company supplying natural gas and electrical energy in the northern third of Indiana. Although Northern Indiana has a diversified base of residential and commercial customers, a substantial portion of its 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 1993, 1992 and 1991.

Basic Steel Industry	1993	1992	1991
Gas revenue percent.....	2%	4%	6%
Electric revenue percent.....	24%	25%	23%

QUARTERLY FINANCIAL DATA

The following data summarize certain operating results for each of the quarters of 1993 and 1992:

	1993 Quarters Ended	March 31	June 30	Sept. 30	Dec. 31
		(Dollars in thousands)			
Operating revenues.....		\$521,647	\$348,795	\$342,538	\$464,892
Operating expenses and taxes.....		435,012	301,850	289,040	389,925
Operating income.....		86,635	46,945	53,498	74,967
Other income and deductions, net.....		(864)	(365)	172	(1,013)
Interest and other charges.....		27,213	24,922	26,377	25,323
Net income.....		58,558	21,658	27,293	48,631
Dividend requirements on preferred shares		766	765	766	766
Balance available for common shareholders		\$ 57,792	\$ 20,893	\$ 26,527	\$ 47,865
Earnings per average common share(a).....		\$0.87	\$0.31	\$0.40	\$0.72
	1992 Quarters Ended	March 31	June 30	Sept. 30	Dec. 31
		(Dollars in thousands)			
Operating revenues.....		\$474,017	\$329,260	\$316,503	\$462,576
Operating expenses and taxes.....		397,926	283,827	269,440	384,946
Operating income.....		76,091	45,433	47,063	77,630
Other income and deductions, net.....		361	935	1,246	(1,058)
Interest and other charges.....		28,205	27,799	27,548	27,501
Net income.....		48,247	18,569	20,761	49,071
Dividend requirements on preferred shares		766	765	766	766
Balance available for common shareholders		\$ 47,481	\$ 17,804	\$ 19,995	\$ 48,305
Earnings per average common share(a).....		\$0.70	\$0.26	\$0.30	\$0.73

(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.

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 1993, 1992 and 1991 are as follows:(1)

	1993	1992	1991
	(Dollars in thousands)		
Operating information--			
Gas operations:			
Operating revenues.....	\$ 714,229	\$ 666,221	\$ 601,920
Operating expenses, excluding provision for utility income taxes.....	634,742	595,074	541,046
Operating income before utility income taxes.....	79,487	71,147	60,874
Allowance for funds used during construction (AFUDC).....	875	26	38
Operating income before utility income taxes and including AFUDC.....	80,362	71,173	60,912
Electric operations:			
Operating revenues.....	963,643	916,135	933,241
Operating expenses, excluding provision for utility income taxes.....	684,255	660,757	660,997
Operating income before utility income taxes.....	279,388	255,378	272,244
Allowance for funds used during construction (AFUDC).....	573	547	1,303
Operating income before utility income taxes and including AFUDC.....	279,961	255,925	273,547
Total.....	360,323	327,098	334,459
Other income, net.....	(2,071)	1,454	258
Less--interest and other charges.....	105,282	111,596	122,565
Less--provision for utility income taxes.....	96,830	80,308	78,764
Net income per Consolidated Statement of Income.....	156,140	136,648	133,388
Dividend requirements on preferred shares.....	3,063	3,063	3,063
Balance available for common shareholders.....	\$ 153,077	\$ 133,585	\$ 130,325
Other information--			
Depreciation and amortization expense:			
Electric.....	\$ 131,993	\$ 130,811	\$ 126,820
Gas.....	55,007	51,906	48,901
Total.....	\$ 187,000	\$ 182,717	\$ 175,721
Utility construction expenditures:			
Electric.....	\$ 125,449	\$ 126,648	\$ 126,059
Gas.....	55,403	45,681	42,899
Total.....	\$ 180,852	\$ 172,329	\$ 168,958
Investment information--			
Identifiable assets(a):			
Electric.....	\$2,602,826	\$2,644,133	\$2,645,029
Gas.....	900,146	818,384	735,796
Total.....	3,502,972	3,462,517	3,380,825
Other corporate assets.....	409,352	345,424	266,732
Total assets.....	\$3,912,324	\$3,807,941	\$3,647,557

(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 and gas supply exploration investments.

(1) Kokomo Gas is not included for the year 1991, and NIFL is not included for the years 1992 and 1991.

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, 1993 and 1992, 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, 1993. 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, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, 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 postretirement benefits other than pensions and income taxes.

Chicago, Illinois

January 26, 1994 Arthur Andersen & Co.

SELECTED SUPPLEMENTAL INFORMATION

GAS STATISTICS(1)

Year Ended December 31,	1993	1992	1991
Operating Revenues (\$000's)			
Residential (including home heating).	\$ 452,176	\$ 377,600	\$ 358,019
Commercial.....	157,235	127,203	117,198
Industrial.....	73,815	67,641	75,770
Gas transportation for others.....	32,503	40,086	46,656
Other*.....	(1,500)	53,691	4,277
Total.....	\$ 714,229	\$ 666,221	\$ 601,920
Deliveries in dth (000's):			
Residential (including home heating).	76,761	70,830	64,159
Commercial.....	29,754	27,280	24,051
Industrial (including transportation)	183,739	166,161	154,828
Other.....	793	838	484
Total.....	291,047	265,109	243,522
Customers Served--End of Year:			
Residential (including home heating).	626,492	592,201	554,972
Commercial.....	51,386	48,168	45,033
Industrial (including transportation)	4,270	3,901	3,871
Other.....	67	65	23
Total.....	682,215	644,335	603,899

*Includes deferred gas cost revenue of \$(10,375), \$46,005 and \$(3,475), respectively.

(1)Kokomo Gas is not included in 1991 Gas Statistics and NIFL is not in 1992 and 1991 Gas Statistics.

ELECTRIC STATISTICS

Year Ended December 31,	1993	1992	1991
Operating Revenues (\$000's):			
Residential.....	\$ 257,033	\$ 240,680	\$ 260,399
Commercial.....	232,609	227,707	230,782
Industrial.....	413,485	397,859	375,928
Street lighting.....	8,254	8,085	8,178
Sales for resale.....	27,730	29,697	23,663
Other**.....	24,532	12,107	34,291
Total.....	\$ 963,643	\$ 916,135	\$ 933,241
Sales in kilowatt-hours (000's):			
Residential.....	2,552,837	2,343,303	2,588,637
Commercial.....	2,705,751	2,608,614	2,653,226
Industrial.....	8,855,106	8,188,605	7,579,846
Street lighting.....	54,741	52,609	54,511
Sales for resale.....	912,773	1,162,005	726,557
Other.....	83,959	77,975	76,268
Total.....	15,165,167	14,433,111	13,679,045
Customers Served--End of Year:			
Residential.....	350,964	346,356	342,403
Commercial.....	40,634	40,101	39,985
Industrial.....	2,686	2,695	2,248
Other.....	828	823	821
Total.....	395,112	389,975	385,457

**Includes deferred fuel cost revenue of \$4,813, \$(6,965) and \$15,136, respectively.

SELECTED SUPPLEMENTAL INFORMATION (CONCLUDED)

Year Ended December 31,	1993	1992	1991
	-----	-----	-----
Operating Revenues:			
Gas (\$000's).....	\$ 714,229	\$ 666,221	\$ 601,920
Electric (\$000's).....	\$ 963,643	\$ 916,135	\$ 933,241
	-----	-----	-----
Total Operating Revenues (\$000's).....	\$ 1,677,872	\$ 1,582,356	\$ 1,535,161
Operating Margin (\$000's).....	\$ 1,015,505	\$ 949,379	\$ 939,376
Operating Income (\$000's).....	\$ 262,045	\$ 246,217	\$ 254,354
Income Before Extraordinary Items (\$000's).....	\$ 156,140	\$ 136,648	\$ 133,388
Net Income (\$000's).....	\$ 156,140	\$ 136,648	\$ 133,388
Shares outstanding at year end.....	65,828,838	65,758,350	66,671,615
Number of common shareholders.....	41,038	38,097	39,346
Earnings (loss) per average common share.....	\$ 2.31	\$ 2.00	\$ 1.94
Return on average common equity.....	14.4%	13.1%	
12.9%			
Times interest earned (pre-tax).....	3.63	3.18	2.93
Dividends paid per share.....	\$ 1.32	\$ 1.24	\$ 1.16
Dividend payout ratio.....	57.1%	62.0%	
59.8%			
Market values during the year:			
High.....	\$ 34.875	\$ 26.625	\$ 27.000
Low.....	\$ 26.125	\$ 22.500	\$ 18.500
Close.....	\$ 32.875	\$ 26.500	\$ 25.750
Book value of common shares.....	\$ 16.63	\$ 15.73	\$ 15.17
Market-to-book ratio at year end.....	197.7%	168.5%	
169.7%			
Total Assets (\$000's).....	\$ 3,912,324	\$ 3,807,941	\$ 3,647,557
Utility construction expenditures (\$000's)(a).....	\$ 180,852	\$ 172,329	\$ 168,958
Capitalization:			
Common shareholders' equity (\$000's).....	\$ 1,094,672	\$ 1,034,530	\$ 1,011,666
Preferred and preference stock:			
Northern Indiana Public Service Company:			
Series without mandatory redemption provision (\$000's).....	\$ 97,753	\$ 97,917	\$ 98,710
Series with mandatory redemption provisions (\$000's).....	\$ 68,462	\$ 70,668	\$ 53,978
NIPSCO Industries, Inc.:			
Series with mandatory redemption provision (\$000's).....	\$ 35,000	\$ 35,000	\$ 35,000
Long-term debt (\$000's).....	\$ 1,192,500	\$ 1,054,454	\$ 1,068,708
	-----	-----	-----
Total Capitalization (\$000's).....	\$ 2,488,387	\$ 2,292,569	\$ 2,268,062
Number of employees.....	4,602	4,648	4,600

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.

Year Ended December 31,	1990	1989	1988	1987
Operating Revenues:				
Gas (\$000's).....	\$ 625,159	\$ 677,262	\$ 620,723	\$ 581,130
Electric (\$000's).....	\$ 895,836	\$ 882,303	\$ 903,461	\$ 870,499
Total Operating Revenues (\$000's).....	\$ 1,520,995	\$ 1,559,565	\$ 1,524,184	\$ 1,451,629
Operating Margin (\$000's).....	\$ 902,185	\$ 916,429	\$ 879,825	\$ 777,573
Operating Income (\$000's).....	\$ 247,777	\$ 252,807	\$ 257,923	\$ 192,415
Income Before Extraordinary Items (\$000's).....	\$ 125,361	\$ 72,112/f/	\$ 103,449	\$ 38,876
Net Income (\$000's).....	\$ 125,361	\$ 72,112/f/	\$ 103,449	\$ 38,876
Shares outstanding at year end.....	68,874,229	69,369,492	73,310,210	73,243,100
Number of common shareholders.....	41,285	43,763	47,324	50,074
Earnings (loss) per average common share.....	\$ 1.81	\$ 1.00/f/	\$ 1.41	\$ 0.53
Return on average common equity.....	12.7%	7.2%/f/	10.4%	4.1%
Times interest earned (pre-tax).....	2.81	2.02/f/	2.38	1.65
Dividends paid per share.....	\$ 1.04	\$ 0.84	\$ 0.60	\$ 0.15
Dividend payout ratio.....	57.5%	84.0%/f/	42.6%	28.3%
Market values during the year:				
High.....	\$ 19.295	\$ 19.625	\$ 14.125	\$ 13.00
Low.....	\$ 15.750	\$ 13.125	\$ 8.625	\$ 8.00
Close.....	\$ 18.875	\$ 19.375	\$ 13.875	\$ 8.50
Book value of common shares.....	\$ 14.61	\$ 13.92	\$ 14.03	\$ 13.13
Market-to-book ratio at year end.....	129.2%	139.2%	98.9%	64.7%
Total Assets (\$000's).....	\$ 3,625,181	\$ 3,657,718	\$ 3,684,721	\$ 3,821,690
Utility construction expenditures (\$000's)(a).....	\$ 152,280	\$ 150,786	\$ 116,874	\$ 156,750
Capitalization:				
Common shareholders' equity (\$000's).....	\$ 1,005,982	\$ 965,437	\$ 1,028,554	\$ 961,562
Preferred and preference stock:				
Northern Indiana Public Service Company:				
Series without mandatory redemption provision (\$000's).....	\$ 99,374	\$ 99,874	\$ 99,937	\$ 191,392
Series with mandatory redemption provisions (\$000's).....	\$ 59,358	\$ 66,309	\$ 75,189	\$ 105,395
NIPSCO Industries, Inc.:				
Series with mandatory redemption provision (\$000's).....	\$ 35,000	\$ --	\$ --	\$ --
Long-term debt (\$000's).....	\$ 1,165,682	\$ 1,261,760	\$ 1,308,303	\$ 1,401,326
Total Capitalization (\$000's).....	\$ 2,365,396	\$ 2,393,380	\$ 2,511,983	\$ 2,659,675
Number of employees.....	4,547	4,825	4,946	5,172

Year Ended December 31,	1986	1985	1984	1983
Operating Revenues:				
Gas (\$000's).....	\$ 741,021	\$ 943,855	\$ 1,011,716	\$ 1,021,781
Electric (\$000's).....	\$ 885,106	\$ 964,648	\$ 989,356	\$ 934,579
Total Operating Revenues (\$000's).....	\$ 1,626,127	\$ 1,908,503	\$ 2,001,072	\$ 1,956,360
Operating Margin (\$000's).....	\$ 756,712	\$ 803,864	\$ 854,320	\$ 760,178
Operating Income (\$000's).....	\$ 179,896	\$ 198,098	\$ 236,302	\$ 207,208
Income Before Extraordinary Items (\$000's).....	\$ (40,477)	\$ 79,085	\$ 89,747	\$ 107,786
Net Income (\$000's).....	\$ (40,477)	\$ (15,758)	\$ 89,747	\$ 107,786
Shares outstanding at year end.....	73,170,788	73,045,160	69,516,560	66,724,405
Number of common shareholders.....	56,466	74,303	86,298	91,504
Earnings (loss) per average common share.....	\$ (0.55)/e/	\$ 1.11/b/	\$ 1.32	\$ 1.73
Return on average common equity.....	(4.2)%/c/	7.5%/b/	8.7%	11.2%
Times interest earned (pre-tax).....	1.96/d/	2.24	2.50	2.74
Dividends paid per share.....	none	\$ 1.56	\$ 1.55	\$ 1.50
Dividend payout ratio.....	--	140.5%/b/	117.0%	86.7%
Market values during the year:				
High.....	\$ 13.50	\$ 12.875	\$ 15.125	\$ 15.50
Low.....	\$ 9.375	\$ 8.375	\$ 11.125	\$ 12.125
Close.....	\$ 11.75	\$ 9.875	\$ 11.75	\$ 14.625
Book value of common shares.....	\$ 12.90	\$ 13.46	\$ 15.03	\$ 15.34
Market-to-book ratio at year end.....	91.1%	73.4%	78.2%	95.4%
Total Assets (\$000's).....	\$ 3,944,637	\$ 3,833,302	\$ 3,786,643	\$ 3,695,965
Utility construction expenditures (\$000's)(a).....	\$ 197,324	\$ 279,175	\$ 285,297	\$ 280,196
Capitalization:				
Common shareholders' equity (\$000's).....	\$ 943,933	\$ 983,127	\$ 1,044,555	\$ 1,023,366
Preferred and preference stock:				
Northern Indiana Public Service Company:				
Series without mandatory redemption provision (\$000's).....	\$ 191,392	\$ 191,392	\$ 191,392	\$ 191,392
Series with mandatory redemption provisions (\$000's).....	\$ 122,122	\$ 135,350	\$ 141,500	\$ 147,650
NIPSCO Industries, Inc.:				
Series with mandatory redemption provision (\$000's).....	\$ --	\$ --	\$ --	\$ --
Long-term debt (\$000's).....	\$ 1,552,324	\$ 1,511,215	\$ 1,317,948	\$ 1,383,606
Total Capitalization (\$000's).....	\$ 2,809,771	\$ 2,821,084	\$ 2,695,395	\$ 2,746,014
Number of employees.....	5,695	5,774	5,886	5,943

/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.

GRAPHIC MATERIAL CROSS-REFERENCE PAGE

CAPITALIZATION RATIO CHART SHOWS PERCENT OF LONG-TERM DEBT, COMMON SHARE EQUITY AND PREFERRED AND PREFERENCE STOCK FOR YEARS 1984-1993.

COST OF FUEL FOR ELECTRIC GENERATION CHART SHOWS IN MILLS PER KWH THE COST OF FUEL FOR ELECTRIC GENERATION FOR YEARS 1984-1993.

COST OF GAS PURCHASED FOR RESALE CHART SHOWS IN DOLLARS PER DEKATHERM THE COST OF GAS PURCHASED FOR RESALE FOR YEARS 1984-1993.

EXHIBIT 21

NIPSCO INDUSTRIES, INC.

LIST OF SUBSIDIARIES AS DECEMBER 31, 1993

All subsidiaries are incorporated in Indiana, except for Elm Energy and Recycling (UK) Ltd., which is incorporated in United Kingdom and Triumph Natural Gas, Inc., which is incorporated in Delaware. All subsidiaries are wholly-owned unless otherwise indicated.

Northern Indiana Public Service Company

Its subsidiaries are:

NIPSCO Exploration Company, Inc.

Shore Line Shops, Incorporated

Kokomo Gas and Fuel Company

Its subsidiary is:

KGF Trading Company

Northern Indiana Fuel and Light Company, Inc.

Its subsidiary is:

Northern Indiana Trading Company

NIPSCO Capital Markets, Inc.

NIPSCO Development Company, Inc.

Its subsidiaries are:

Analytic Systems Laboratories, Inc. (1) Elm Energy and Recycling (UK) Ltd. (1) G. R. Clark Corporation

Harbor Coal Company

JOF Transportation Company

KOGAF Enterprises, Inc.

Its subsidiary is:

Metals Technology Corporation (2)

Lake Erie Land Company

Its subsidiary is:

SCC Services, Inc.

NDC Douglas Properties, Inc.

NIPSCO International Power Systems Company NIPSCO Security Services, Inc.

Process and Control Technology Corporation RIC, Inc.

Its subsidiary is:

Cardinal Property Management, Inc.

Riverside Caloric Company

NIPSCO Energy Services, Inc.

Its subsidiaries are:

Crossroads Pipeline Company

NIPSCO Energy Trading Corp.

NIPSCO Fuel Company, Inc.

NI-TEX, Inc.

Triumph Natural Gas, Inc. (3)

(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.

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-3 Registration Statement, No. 33-22569; Form S-8 Registration Statement, No. 33-30619; and Form S-8 Registration Statement, No. 33-30621.

Arthur Andersen & Co.

Chicago, Illinois
March 28, 1994

End of Filing