VERIFIED DIRECT TESTIMONY OF JONATHAN BASS

Q1. Please state your name, business address and title.

A1. My name is Jonathan Bass. My business address is 290 W. Nationwide Blvd., Columbus, Ohio 43215. I am the Director of Income Tax Planning & Controversy for NiSource Corporate Services Company ("NCSC"), a wholly owned subsidiary of NiSource Inc. ("NiSource").

Q2. On whose behalf are you submitting this direct testimony?

A2. I am submitting this testimony on behalf of Joint Petitioners Northern Indiana Public Service Company LLC ("NIPSCO") and Gibson Solar Generation LLC ("Gibson").

Q3. Please describe your educational and employment background.

A3. I received a Bachelor of Arts in Economics from the College of William & Mary in 1998 and pursued post-baccalaureate studies in Accounting at Virginia Commonwealth University while working full-time in the accounting and tax departments at LandAmerica Financial Group, Inc. through 2005. In 2005 I joined Deloitte & Touche LLP as an Audit Senior and was promoted to Audit Manager in 2008. I joined Dominion Energy's

Tax Department in 2011 and held various roles in tax research and income tax compliance prior to being promoted to Financial Accounting Tax Strategic Advisor in 2017. In that role, I was responsible for the financial accounting and reporting for income taxes at Dominion Energy and its subsidiaries, including many state and FERC-regulated utilities. I am a licensed Certified Public Accountant in the Commonwealth of Virginia. In May 2023, I joined NCSC in my current position.

Q4. What are your responsibilities as Director of Income Tax Planning & Controversy?

A4. As Director of Tax Planning and Controversy, I am responsible for the review and implementation of tax reform and final guidance issued by the Internal Revenue Service ("IRS") and development of federal and state income tax planning strategies and defense of those strategies through audit by taxing authorities for NiSource and its subsidiaries, including NIPSCO. My responsibilities include oversight and review of federal and state income tax audits, technical income tax research and preparation of income tax data and related testimony for rate proceedings.

Q5. Have you previously testified before the Indiana Utility Regulatory Commission (the "Commission") or any other regulatory agency?

A5. Yes. I filed testimony in NIPSCO's gas rate case proceeding in Cause No. 45967. I previously filed testimony before the Commission supporting the request of (1) NIPSCO and Gibson Solar Generation LLC for the issuance of a certificate of public convenience and necessity ("CPCN") to purchase and acquire (indirectly through a joint venture structure) a 200 MW solar joint venture (the Gibson Project) in Cause No. 45926, and (2) NIPSCO, Dunns Bridge II Solar Generation LLC and Cavalry Solar Generation LLC for an Order modifying the May 5, 2021 Order in Cause No. 45462 in Cause No. 45926. I am currently testifying in Cause No. 46028 on behalf of NIPSCO and Fairbanks Solar Generation LLC in support of their request for a modification of the Commission's Cause No. 45511 order.

Q6. What is the purpose of your direct testimony in this proceeding?

A6. The purpose of my direct testimony is to support Joint Petitioners' request for an Order modifying, pursuant to Ind. Code § 8-1-2-72, its November 22, 2023 Order in Cause No. 45926 (the "45926 Order") to: (1) approve changes to the CPCN granted therein to approve necessary changes to the ratemaking and accounting treatment for the Gibson Project and approve depreciation rates for the Gibson Project. Specifically, I describe NIPSCO's proposal to directly purchase and own the Gibson Project and how that ownership structure provides value to NIPSCO's customers by passing through tax credits, which NIPSCO proposes to conduct through its Fuel Adjustment Clause ("FAC") beginning in 2026.

Q7. Please describe Joint Petitioners' proposal for NIPSCO to directly purchase and own the Gibson Project.

A7. NIPSCO is proposing to wholly-own the Gibson Project rather than form a partnership with a tax equity partner (making it a joint venture) as approved in the 45926 Order. NIPSCO anticipates using the entity formed in contemplation of the joint venture structure (the Gibson LLC) to wholly-own the Gibson Project. This entity is disregarded for federal income tax purposes because NIPSCO is the sole owner of the single-member limited liability company, and that tax treatment would continue. NIPSCO may modify or amend the agreements to effectuate a direct purchase of the facility instead of using the Gibson LLC. These modifications or amendments would provide legal entity simplification but not impact NIPSCO's ownership of the Gibson Project.

Q8. Why is NIPSCO proposing to wholly-own the Gibson Project?

A8. In Cause No. 45926, Joint Petitioners began evaluating the applicability of the Inflation Reduction Act of 2022 ("IRA") and the benefits to customers on a project-by-project basis to determine which ownership structure and tax monetization strategy would drive the best customer value for each project, as well as how the proposed structure and monetization strategy would fit into its overall, diverse portfolio of projects. Based on this analysis, NIPSCO concluded that owning the Gibson Project, along with certain other recently approved solar projects, is in the best interest of customers.

The IRA contains significant extensions, expansions, and enhancements of energy-related tax credits for the clean production of electricity. Importantly, the IRA revives the Section 45 Production Tax Credit ("PTC") for solar energy (which had previously sunset in 2006) for facilities that commence construction before January 1, 2025, providing flexibility to elect either the Investment Tax Credit ("ITC") or the PTC on the energy produced and sold by the solar energy property, depending on economics and customer benefits. The IRA also provides taxpayers an option to sell all or a portion of certain of the ITCs or PTCs associated with a particular project to unrelated taxpayers, providing additional flexibility to accelerate the monetization of these credits. The U.S. Department of Treasury and the IRS continue to issue guidance in this and other areas, including eligibility for bonus credits related to energy communities and domestic content requirements, that NIPSCO is closely monitoring and evaluating with respect to the Gibson Project.

Q9. When is the Gibson Project expected to be in-service?

A9. The Gibson Project is expected to be completed and in-service no later than mid-2025.

Q10. Please explain the solar ITC and PTC structures under the IRA.

A10. The IRA structures both the solar ITC and PTC as two-tiered incentives with a "base rate" and a "bonus rate." The bonus rate equals five times the base rate and applies to projects that meet certain wage and apprenticeship requirements. A taxpayer (such as NIPSCO) must satisfy both the wage and apprenticeship requirements to receive the bonus credit rate;

otherwise, the taxpayer may claim the relevant credit at the base rate. The ITC vests over a 5-year period, and if the property generating the credit is disposed of within that 5-year period, all or a portion of the credit must be recaptured.[1] The IRA provides additional bonus credits for projects using domestic content (+10%)[2] and/or those projects located in an "energy community" (+10%).[3]

Q11. Please briefly explain the difference between the ITC and PTC.

A11. Solar projects are eligible for either an ITC or a PTC (if construction commences prior to January 1, 2025), both of which provide a dollar-for-dollar reduction in the federal income taxes that a company claiming the credit would otherwise pay. The ITC is based on the amount of investment

---

1 Internal Revenue Code Section 50(a)(1).

2 On May 12, 2023, the IRS and the U.S. Department of Treasury issued Notice 2023-38, which provides interim guidance in advance of proposed regulations on the "domestic content" bonus credit. To qualify for the domestic content bonus credit, a taxpayer must certify that any steel, iron, or manufactured product that is a component of a project was produced in the U.S. Manufactured products are deemed to have been manufactured in the U.S. if 40% of the total cost of the components are attributable to components that are mined, produced, or manufactured in the U.S.

3 Energy communities are (i) census tracts containing or adjoining to tracts containing retired coal mines or coal-fired electric generating units; (ii) areas with historical employment in fossil industries and a higher unemployment rate than the national average; or (iii) properties with the potential presence of hazardous substances, pollutants, or contaminants.

in solar energy property. The ITC base credit is 6% of the qualifying solar energy property, and if the wage and apprenticeship requirements are met, the credit is increased to 30% of the qualifying solar energy property. Taxpayers must reduce their tax basis in the energy property by 50% of the ITC and maintain compliance with the ITC normalization rules when claiming this credit. Under the ITC regime, the wage and apprenticeship requirements must be met each year of the five-year recapture period to qualify for the full credit.

In contrast, the PTC is based on the amount of energy produced and sold over a ten-year period commencing when the solar project is placed in service. The PTC rate is updated annually subject to an annual inflation adjustment factor. For example, the base 2023 PTC rate for projects placed in service after 2022 is $5.50/MWh, and if the wage and apprenticeship requirements are met, the credit is increased to $27.50/MWh. Under the PTC regime, the wage and apprenticeship requirements must be met each year of the ten-year credit period to qualify for the full credit.

Q12. Please briefly describe the credits the Gibson Project expects to claim under the IRA.

A12. The Gibson Project expects to claim the PTC on the energy produced and sold by the solar energy property.

Q13. Has NIPSCO estimated the amount of PTC it expects the Gibson Project will qualify for?

A13. Yes. The Gibson Project is expected to qualify for the full $27.50/MWh PTC on the solar energy property (using 2023 as an example), as NIPSCO expects to meet the wage and apprenticeship requirements over the 5-year (ITC) and 10-year (PTC) periods, respectively.[4] The Gibson Project is also expected to qualify for a 10% energy communities bonus credit based on its location that would increase the PTC to $30.25/MWh (using 2023 as an example) on the energy produced and sold by the solar energy property.

Q14. Based on the above, what dollar amount of PTC is the Gibson Project expected to qualify for?

A14. Using the 2023 PTC rate, adjusted for projected inflation, the Gibson Project is expected to generate approximately [redacted] of PTCs over the first ten years of its operation, compared to approximately [redacted] using

---

[4] For the wage and apprenticeship timeframe requirements referenced, please see Internal Revenue Code Sections 48(a)(10) for the ITC and 45(b)(7) for PTC.

the ITC on the solar installation. Based on its analysis, NIPSCO believes the PTC is more advantageous and provides a greater benefit to customers than claiming the ITC on this Gibson Project.

Q15. Please describe how NIPSCO intends to pass the benefit of the PTCs generated from the Gibson Project to customers.

A15. NIPSCO is proposing to pass the benefit of these credits to customers through a rate adjustment mechanism pursuant to Ind. Code § 8-1-2-42(a) to be administered through NIPSCO's FAC proceeding (or successor mechanism). This recovery shall not be subject to any Ind. Code § 8-1-2-42(d) tests.

Q16. When will the benefits of the PTC be passed through to customers?

A16. NIPSCO is proposing to pass the PTCs generated by the facility to customers over a 10-year period, beginning the year after the facility is placed in service. This one-year lag allows NIPSCO to accurately compute the PTC based on energy produced and sold throughout the prior year to pass the benefit to customers. NIPSCO would defer the recognition of the PTC generated for that year and reflect the benefit ratably throughout the four quarterly adjustment periods in NIPSCO's FAC proceeding (or successor mechanism), grossed up for taxes, the following year.

Q17. How does NIPSCO expect to utilize the PTCs generated by the Gibson Project?

A17. As noted above, the IRA provides taxpayers a previously unavailable option of selling all or a portion of the PTCs associated with a particular project to unrelated taxpayers. This option provides additional flexibility to accelerate the monetization of these credits. While NIPSCO has not decided whether to sell the credits or carry forward the credits to offset its future tax liability, the benefits of these credits will be passed to customers in the manner described above.

Q18. How does the change to direct ownership of the Gibson Project and the opportunity to receive PTCs fit within NIPSCO's diverse project portfolio?

A18. Prior to enactment of the IRA, NIPSCO, through its tax equity partnership arrangements, was limited to claiming the ITC on solar energy projects. As such, NIPSCO claimed the ITC with respect to certain solar projects that currently are in service (i.e., Indiana Crossroads Solar and Dunn's Bridge I

Solar). The enactment of the IRA and the revival of the PTC for solar energy projects gave NIPSCO the flexibility to evaluate the four solar projects that had not yet been placed in service to determine which ownership structure and tax credit option would produce the optimal benefit to customers. As I mentioned previously, with respect to the Gibson Project, NIPSCO determined the PTC is more advantageous and provides more benefit to customers than the ITC on this solar energy facility. The same benefits and advantages of direct ownership apply to the Dunn's Bridge II Solar Project, Cavalry Solar Project, and Fairbanks Solar Project.[5] The Commission approved NIPSCO direct ownership of the Dunn's Bridge II and Cavalry Solar Projects in Cause No. 45936. Ultimately, the IRA allowed NIPSCO to pursue different ownership and tax credit options for the various projects within its diverse project portfolio to provide optimal benefits for customers.

---

[5] Note that, with respect to Dunn's Bridge II Solar and Cavalry Solar, NIPSCO expects to utilize PTCs on the energy produced and sold by each of those projects and the ITC on the battery storage components.

Q19. Does this conclude your prefiled direct testimony?

A19. Yes.

VERIFICATION

I, Jonathan Bass, Director of Income Tax Planning & Controversy for NiSource Corporate Services Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

/s/ Jonathan Bass
Jonathan Bass

Date: March 22, 2024