STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC PURSUANT TO IND. CODE §§ 8-1-242.7, 8-1-2-61 AND 8-1-2.5-6 FOR (1) AUTHORITY TO MODIFY ITS RETAIL RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A PHASE IN OF RATES; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, GENERAL RULES AND REGULATIONS, AND RIDERS (BOTH EXISTING AND NEW); (3) APPROVAL OF REVISED COMMON AND ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING, BUT LIMITED TO, AUTHORITY TO CAPITALIZE AS RATE BASE ALL EXPENDITURES FOR IMPROVEMENTS TO PETITIONER'S INFORMATION TECHNOLOGY SYSTEMS THROUGH THE DESIGN, DEVELOPMENT, AND IMPLEMENTATION OF A WORK AND ASSET MANAGEMENT ("WAM") PROGRAM, TO THE EXTENT NECESSARY; AND (5) APPROVAL OF ALTERNATIVE REGULATORY PLANS FOR THE PARTIAL WAIVER OF 170 IAC 4-1-16(f) AND PROPOSED REMOTE DISCONNECTION AND RECONNECTION PROCESS AND, TO THE EXTENT NECESSARY, IMPLEMENTATION OF A LOW INCOME PROGRAM.	)	**CAUSE NO. 46120**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
PUBLIC'S EXHIBIT NO. 4
REDACTED TESTIMONY OF OUCC WITNESS
BRITTANY L. BAKER

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

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REDACTED TESTIMONY OF OUCC WITNESS BRITTANY L. BAKER
CAUSE NO. 46120
NORTHERN INDIANA PUBLIC SERVICE COMPANY

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Brittany L. Baker, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A summary of my educational background and experience is included in Appendix A attached to my testimony.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to present labor expense issues I identify in Northern Indiana Public Service Company LLC's ("NIPSCO" or "Company") case-in-chief. While I take no issue with the requested newly created employee positions, I recommend the Indiana Utility Regulatory Commission ("Commission") not approve the replacement vacant employee position adjustments to the Company's requested labor expense, employee medical expenses, other employee benefits, and payroll taxes. My recommendation is based on NIPSCO continuing to be under budget with replacement employee positions. My adjustments reduce NIPSCO's proposed Operation and Maintenance ("O&M") Expenses by $<CONFIDENTIAL> [redacted][1]

[1] Confidential Attachment BLB-5, l. 5.

<CONFIDENTIAL> and Taxes Other Than Income by $<CONFIDENTIAL> [redacted][2] <CONFIDENTIAL>.

Q: Have you prepared attachments supporting your adjustments?

A: Yes. I have prepared:

1) Confidential Attachment BLB-1: NIPSCO Annual Headcount;
2) Confidential Attachment BLB-2: NIPSCO Vacant Electric Positions – New Positions;
3) Confidential Attachment BLB-4: Summary of BLB Adjustments to Net Income – Step 1 (Forecasted Period Ended June 30, 2025); and
4) Confidential Attachment BLB-5: Summary of BLB Adjustments to Net Income – Step 2 (Forecasted Period Ended December 31, 2025).

Confidential Attachments BLB-4 and BLB-5 correspond to NIPSCO’s proposed Step 1 and Step 2 revenue requirement calculations. Confidential Attachment BLB-4 reflects the interim rates based on the Step 1 forecasted period ended June 30, 2025. Confidential Attachment BLB-5 reflects the interim rates based on the Step 2 forecasted period ended December 31, 2025. I have also attached multiple responses to OUCC data requests.

Q: If your testimony does not address a specific topic, issue, or item, should it be construed to mean you agree with Petitioner’s proposal?

A: No. My silence regarding any issue should not be construed as an endorsement. Also, my silence in response to actions or adjustments stated or implied by Petitioner should not be construed as an endorsement.

II. LABOR EXPENSES

A. Payroll Expenses

Q: Please discuss the Company’s adjustments to payroll expenses.

A: NIPSCO adjusted its payroll expenses in its O&M workpapers labeled O&M-1-S1 and O&M-1-S2. The Company's adjustments include general pay increases for 2024 and 2025, an increased headcount, and newly created positions. These adjustments increase payroll expenses from approximately $<CONFIDENTIAL>[redacted][3] <CONFIDENTIAL> for 2023 to approximately $<CONFIDENTIAL>[redacted][4] <CONFIDENTIAL> for 2025, an increase of $<CONFIDENTIAL> [redacted] <CONFIDENTIAL> or <CONFIDENTIAL>[redacted]% <CONFIDENTIAL> over the two-year period. The Company included annual merit increases of three percent for 2023 - 2025 for Bargaining Unit ("BU") contracts.[5] The BU contracts will expire March 31, 2026.[6] Non-Bargaining Unit ("NBU") contracts receive a proposed four percent increase for 2024.[7]

Q: Do you have any issues with the Company's proposed merit adjustment?

A: No. NIPSCO witness Kirstie Eyre stated on page 4 of her direct testimony that NiSource's (NIPSCO's Parent Company) philosophy for employee compensation is:

> to compensate employees and provide benefits that are competitive in comparison to the utility industry, as well as general industry (non-utility) employers, to attract, retain and motivate employees who are qualified to perform the functions needed by the Company. This

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[2] Confidential Attachment BLB-5, l. 5.

[3] Petitioner's Workpaper O&M 1-S2-Labor Confidential_Gen Breakout S2, Tab ".1 OM 1", l. 1.

[4] *Id.*, l. 11.

[5] Petitioner's Exhibit No. 11, Verified Direct Testimony of Kirstie Eyre, p. 8, l. 16 to p. 9, l. 1.

[6] *Id.*, p. 9, ll. 1-2.

[7] *Id.*, p. 29, ll. 7-9.

> philosophy enables the Company to meet its obligations to provide safe, reliable, and affordable service to its customers.[8]

Witness Eyre's Attachment 11-C 'Non-Union Merit Increase Market Data' "compares NIPSCO's granted 2023 and 2024 merit increases for employee groups to national, utility, and regional actual increases in 2023 and projected increases for 2024."[9]

Similar to NIPSCO's projected payroll increases, The Society of Human Resource Management stated, "U.S. employers are planning an overall average salary increase of four percent for 2024, according to the latest Salary Budget Planning Survey by consulting firm WTW, which surveyed more than 33,000 employers in December."[10] Mercer, a compensation data and consulting firm, stated "U.S. employers are budgeting for 3.3% merit increases and 3.6% total salary increases for non-unionized employees in 2025, according to Mercer's August 2024 QuickPulse U.S. Compensation Planning Survey." [11] Mercer also reported previous reports and 2025 projections include:

- WorldatWork: 3.8% mean U.S. salary increase budgets
- The Conference Board: 3.9% average U.S. salary increase budgets
- WTW: 3.9% median U.S. salary increases
- Payscale: 3.5% average U.S. salary increases[12]

Q: Were you able to confirm the data in NIPSCO witness Eyre's Attachment 11-C?

A: No. The OUCC requested copies of each survey used to create Attachment 11-C in OUCC Data Request 15-003. NIPSCO stated Petitioner was unable to secure permission to provide partial survey data.[13]

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[8] Eyre Direct, p. 4, ll. 3-9.
[9] *Id.*, p. 6, ll. 19-21.
[10] Attachment BLB-9, p. 1 of 2.
[11] Attachment BLB-10, p. 3 of 11.
[12] *Id.*, p. 4 of 11.
[13] Attachment BLB-6

B. Vacant Positions

Q: Did the Company propose an adjustment related to vacant positions?

A: Yes. The Company made an adjustment to include <CONFIDENTIAL> [redacted][14] <CONFIDENTIAL> vacant positions, which added $<CONFIDENTIAL> [redacted][15] <CONFIDENTIAL> to NIPSCO's 2025 payroll expenses.

Q: Do you agree with NIPSCO's proposed adjustment for vacant positions?

A: No. NIPSCO's actual headcount (on an annual average basis) from 2019 through September 2024 has consistently been below its estimates, as shown in Table 1 below.

Table 1
NIPSCO Headcounts

Year	Authorized HC Less Actual HC	Percent Difference
2019	167	6%
2020	149	5%
2021	239	8%
2022	324	12%
2023	259	10%
2024	247	9%
*HC - Headcount		

The data in Table 1 is found in Confidential Attachment BLB-1. The most recent four-year average of the difference between NIPSCO's authorized versus actual headcount is <CONFIDENTIAL> [redacted]%[16] <CONFIDENTIAL> under the Company's authorized headcount. I chose this four-year average because it encompasses the time between

[14] Petitioner's Workpaper O&M 1-S2-Labor Confidential_Gen Breakout S2, sum of listed positions on Tabs ".11a NBU Open Positions", ".11b NBU Gen Open Positions", ".12a BU Open Positions", and ".12b BU Gen Open Positions".

[15] *Id.*, Tab ".4 Labor Calc", sum of line 24, col. "Total NIPSCO".

[16] Confidential Attachment BLB-1, l. 10.

NIPSCO's last rate case and the present, and the last four years represent a post-COVID hiring landscape.

Consistent with the historical trend illustrated above, I recommend the Commission reject NIPSCO's vacant positions adjustment because NIPSCO has not demonstrated how it has addressed or plans to address the disparity between its actual headcount and its authorized headcount. Each year since 2019, NIPSCO's actual headcount has been less than the headcount authorized. In response to an OUCC discovery request, NIPSCO noted "Based on the way the budget is built, NIPSCO does not review and analyze actual headcount to authorized headcount from the Human Resource System variances."[17]

Q: Does NIPSCO have issues with attracting employees for vacant positions due to compensation?

A: Not according to NIPSCO. Per NIPSCO witness Eyre, "compensation and benefits are competitive when compared to the compensation at a similar group of employers, and this total compensation is reasonable and supports the ability to attract and retain talented employees."[18]

Q: Are you recommending NIPSCO eliminate all its vacant positions?

A: No. NIPSCO's witness Richard D. Weatherford testified that part of the adjustment to labor expense is to reflect:

- An incremental level of additional Labor expense associated with open positions expected to be filled by the beginning of or during the Forward Test Year;

- An incremental level of additional Labor expense associated with additional positions anticipated to be filled during the

[17] Attachment BLB-7.

[18] Eyre Direct, p. 39, ll. 12-15.

> Forward Test Year to operate NIPSCO's wholly owned Solar generation facilities[.][19]

I am not recommending the labor expense adjustment for these new positions be eliminated. But the number of vacant positions listed as "new job positions" that are not replacing existing positions, is only <CONFIDENTIAL> [redacted][20] <CONFIDENTIAL> positions out of the <CONFIDENTIAL> [redacted] <CONFIDENTIAL>. My recommended labor expense adjustment is for the removal of the remaining positions not listed as "new job positions."

Q: What adjustment do you recommend regarding NIPSCO's vacant position adjustment?

A: I recommend the adjustment for vacant positions be limited to only the <CONFIDENTIAL>[redacted] <CONFIDENTIAL> newly created positions. It is reasonable that new positions will be necessary in connection with NIPSCO owned solar generation facilities that are anticipated to become operational as follows:

- Dunn's Bridge II Solar Plus Storage – Quarter 1, 2025[21]
- Fairbanks Solar – Quarter 2, 2025[22]
- Gibson Solar – Quarter 3, 2025[23]

The other <CONFIDENTIAL> [redacted] <CONFIDENTIAL> positions are replacements of current positions. Those positions are already included in NIPSCO's system and hiring a replacement employee should not affect the payroll budget for that

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[19] Petitioner's Exhibit No. 3, Verified Direct Testimony of Richard D. Weatherford, p. 35, ll. 4-9.
[20] Confidential Attachment BLB-2.
[21] Petitioner's Exhibit No. 9, Verified Direct Testimony of Rosalva Robles, p. 13, ll. 12-13.
[22] *Id.*, p. 13, l. 18.
[23] *Id.*, p. 13, ll. 22-23.

position. In response to an OUCC discovery request, NIPSCO states "most roles are filled within 90 days."[24]

Q: What is the dollar amount of your proposed adjustment to exclude the vacant replacement employee positions NIPSCO added?

A: The adjustment to remove the <CONFIDENTIAL> [redacted] <CONFIDENTIAL> vacant replacement employee positions reduces payroll expenses by $ <CONFIDENTIAL> [redacted][25] <CONFIDENTIAL>.

C. Employee Benefits Related to Vacant Positions

Q: Does excluding the vacant positions affect employee benefit costs?

A: Yes. Employee benefit costs are modified depending on the headcount. In NIPSCO's prior rate case, Cause No. 45772, NIPSCO witness Jennifer L. Shikany stated in her rebuttal testimony, "NIPSCO acknowledges the relationship between headcount and benefit expense."[26] NIPSCO includes adjustments to employee medical expenses and other employee benefits based on employee headcount and estimated costs provided by Aon Hewitt.[27] Aon Hewitt is one of three consulting firms assisting NiSource with health and welfare benefits, actuarial analysis, and the administration of pension, health, and welfare benefits.[28] The employee medical expenses were adjusted in Petitioner's Workpaper O&M 14-S2 and the other employee benefits were adjusted in Petitioner's Workpaper O&M 16-

[24] Attachment BLB-8.
[25] Confidential Attachment BLB-5.1, l. 7.
[26] Cause No. 45772, Petitioner's Exhibit No. 3-R, Verified Rebuttal Testimony of Jennifer L. Shikany, p. 10, ll. 15-16.
[27] Petitioner's Exhibit No. 3, Verified Direct Testimony of Richard D. Weatherford, p. 44, ll. 6-16, and p. 46, ll. 9-19.
[28] Eyre Direct, p. 5, ll. 4-7.

S2. The other employee benefits include retirement savings plan matching, dental, life insurance, disability, and vision insurance.

Q: What adjustments are needed to remove employee medical expenses and other employee benefits related to the vacant positions NIPSCO added?

A: The adjustment to remove the employee medical expense for the <CONFIDENTIAL> [redacted] <CONFIDENTIAL> vacant positions reduces O&M expenses by $<CONFIDENTIAL> [redacted][29] <CONFIDENTIAL>. The adjustment to remove the other employee benefits for the same vacant positions reduces O&M expenses by $<CONFIDENTIAL> [redacted][30] <CONFIDENTIAL>.

D. Payroll Taxes

Q: Do the adjustments to compensation regarding the vacant positions affect the level of payroll taxes that should be included in the revenue requirement?

A: Yes. Employee compensation is subject to employment taxes. NIPSCO recognized the effect of its adjusted payroll levels on employment taxes in adjustment OTX-2-S2. The Company included $9,774,947[31] in employment taxes in its adjusted revenue requirement.

Q: What is the effect of the adjustment to payroll tax expense based on your adjustment to exclude vacant positions from labor expense?

A: The adjustment to payroll tax expense as a result of excluding NIPSCO's vacant positions reduces Taxes Other Than Income by $<CONFIDENTIAL> [redacted][32] <CONFIDENTIAL>.

III. RECOMMENDATIONS

Q: Please summarize your recommendations to the Commission in this Cause.

A: I recommend excluding <CONFIDENTIAL> [redacted] <CONFIDENTIAL> of the <CONFIDENTIAL> [redacted] <CONFIDENTIAL> vacant positions NIPSCO added to its revenue requirement. This equates to a reduction in O&M of $<CONFIDENTIAL>

[redacted][33] <CONFIDENTIAL> and a reduction in Taxes Other Than Income of $<CONFIDENTIAL>[redacted][34] <CONFIDENTIAL>. The reductions are as follows:

- $<CONFIDENTIAL> [redacted] <CONFIDENTIAL> for labor expenses,
- $<CONFIDENTIAL> [redacted] <CONFIDENTIAL> for employee medical expenses,
- $<CONFIDENTIAL> [redacted] <CONFIDENTIAL> for other employee benefits, and
- $<CONFIDENTIAL> [redacted] <CONFIDENTIAL> for payroll taxes.

Q: Does this conclude your testimony?

A: Yes.

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[33] Confidential Attachment BLB-5, l. 5.

[34] *Id.*

APPENDIX A

Q: Please describe your educational background and experience.

A: I received a Bachelor of Science Degree in Business with a major in Accounting from the Kelley School of Business at IUPUI in 2014. I have four years of experience in the utility industry as a staff accountant at LWG CPAs & Advisors. I prepared individual, corporate, property, and non-profit tax returns; prepared monthly compilations for a town utility; and completed audits on rural electric membership cooperatives in Indiana, Illinois, and Ohio. In November 2022, I began my employment with the OUCC as a Utility Analyst II in the electric division. My duties include reviewing and testifying in trackers, rate cases, and other proceedings before the Commission. My focus is in analyzing accounting and revenue requirements in the proceedings.

Q: Have you previously filed testimony in other Commission proceedings?

A: Yes.

Attachment BLB-1 is attached as an Excel File which is
CONFIDENTIAL
File Name: "46120 Attachment BLB-1 (CONFIDENTIAL).xlsx"

Attachment BLB-2 is attached as an Excel File which is

CONFIDENTIAL

File Name: "46120 Attachment BLB-2 (CONFIDENTIAL).xlsx"

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Fifteenth Set of Data Requests

OUCC Request 15-002:
Referring to NIPSCO's Confidential Workpaper Direct – 03 – O&M – 1 – S2 – Labor Confidential_Gen Breakout Tabs: ".11a NBU Open Positions", ".11b NBU Gen Open Positions", ".12a BU Open Positions", and ".12b BU Gen Open Positions": a. Do these listed open positions include positions that are anticipated to be filled by December 31, 2025, to operate NIPSCO's wholly owned solar generation facilities? b. Of these listed open positions, please identify for each open position whether each position is a current position that needs to be replaced or a new position. c. How many open positions are expected to be filled by December 31, 2024? d. How many open positions are expected to be filled by May 31, 2025? e. How many open positions are expected to be filled by December 31, 2025? f. Please identify which open positions are for NIPSCO Electric only.
Objections:
Response:
a. Yes, there are 5 positions (1 on .11a/b and 4 on .12a/b) that are associated with operating NIPSCO's wholly owned solar generation facilities; b. Please see OUCC Request 15-002 Attachment A; c. Time to fill, which is defined as the time from approval of the position requisition until the candidate accepts the offer, vacant positions can vary depending on talent market supply and demand. Most roles are filled within 90 days. NIPSCO does not post jobs that it does not intend to fill; therefore, as of the date of NIPSCO's case-in-chief filing NIPSCO was actively recruiting for these roles with the intent to fill them as quickly as possible. Additionally, it is important to note that in the event that vacancies are not filled, or that these vacancies are filled but other vacancies arise, there will not necessarily be a

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Fifteenth Set of Data Requests

corresponding decrease in labor cost. The work must still be completed and is often done using current employee overtime hours or outside contractors;

d. See NIPSCO's response to subpart c. of this request;

e. See NIPSCO's response to subpart c. of this request;

f. The positions on tab .11a, .11b, .12a, and .12b that are labeled "Elec/Gas" on row 7 are positions that are intended to support NIPSCO Gas and NIPSCO Electric. The positions labeled "Elec" on row 7 are positions that are intended to support NIPSCO Electric only. NIPSCO determined the classification of each position based upon a manual review of each position. Also, as shown on pages .11a and .12a, NIPSCO applied an electric allocation factor, based on the 2023 actual electric and gas allocation, to the positions labeled "Elec/Gas." The valuation of these vacancies will not result in an amount equal to 100% of the total per position due to the allocation of time to NIPSCO Electric based on the type of work performed.

Attachment BRB-3 includes an Excel File.
File name: “46120_Attachment BLB-3.xlsx”

Attachment BLB-4 is attached as an Excel File which is

CONFIDENTIAL

File Name: "46120 Attachment BLB-4 (CONFIDENTIAL).xlsx"

Attachment BLB-5 is attached as an Excel File which is

CONFIDENTIAL

File Name: "46120 Attachment BLB-5 (CONFIDENTIAL).xlsx"

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Fifteenth Set of Data Requests

OUCC Request 15-003:
Referring to Witness Eyre's direct testimony, Attachment 12-A "NIPSCO Non-Union Salary Analysis" (pg. 42 of the PDF version of Witness Eyre's direct testimony), please provide a copy of each survey that was used to create this Non-Union Salary Analysis.
Objections.
NIPSCO objects to this Request on the grounds and to the extent that this Request seeks information that is confidential, proprietary and/or trade secret. The surveys are considered proprietary by the vendor and subject to licensing agreements. NIPSCO further objects to this Request on the separate and independent grounds and to the extent that this Request is unduly burdensome and calls for the compilation and production of voluminous materials. The surveys in its raw, native format is not typically usable without aggregation of the data by the service provider.
Response:
See objection. NIPSCO has been unable to secure permission from the licensed survey provider to provide partial survey data but NIPSCO is willing to schedule a call to share the information.

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Sixteenth Set of Data Requests

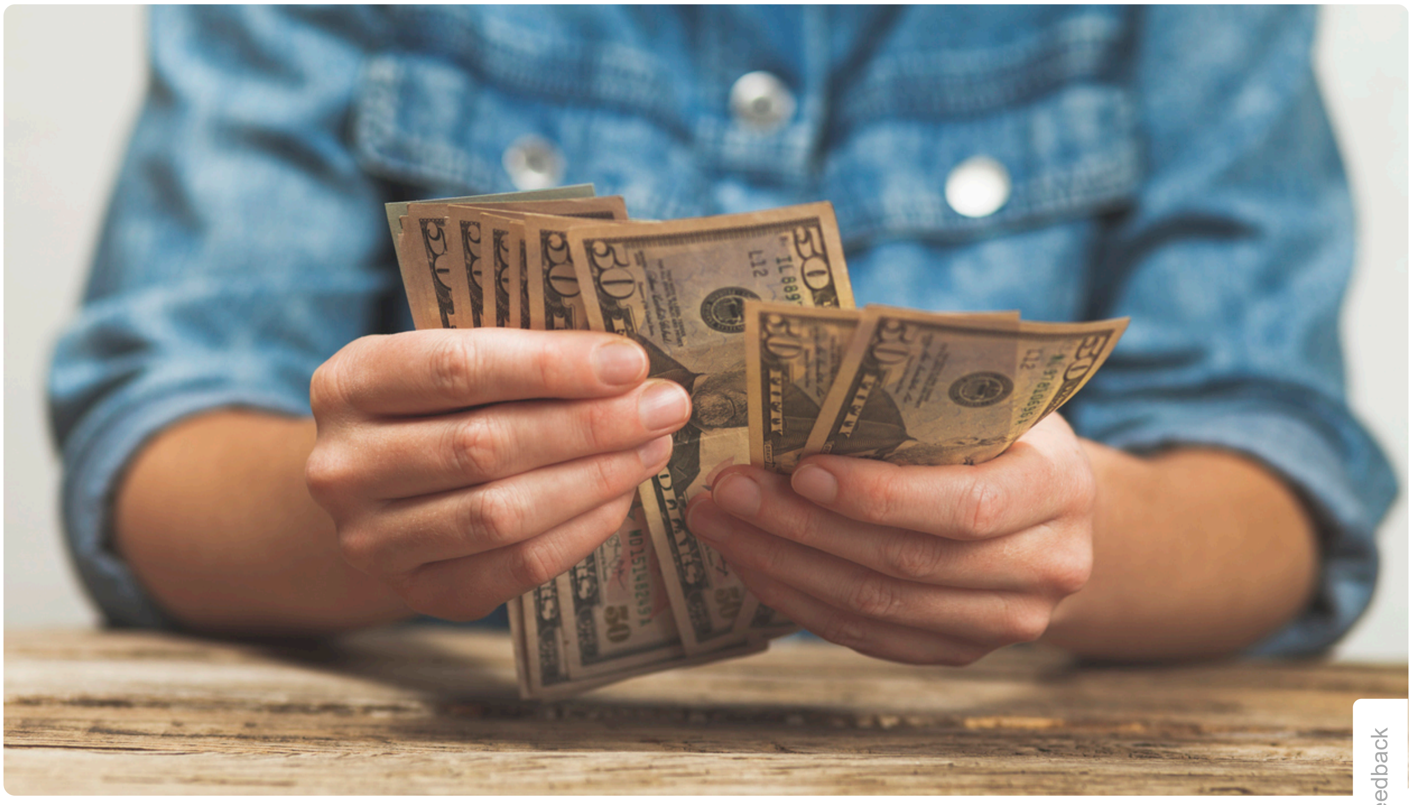
OUCC Request 16-001:
Please refer to OUCC Confidential Attachment BLB-1, which is included in this data request. Please explain why the average actual annual headcount is continuously under NIPSCO's budget headcount.
Objections:
NIPSCO objects to this Request on the grounds and to the extent that this Request solicits an analysis, calculation, or compilation which has not already been performed and which NIPSCO objects to performing.
Response:
Subject to and without waiver of the foregoing general and specific objections, NIPSCO is providing the following response: The authorized headcount originates from the Human Resource System and does not translate to forecasted labor expense included in the 2025 test year. As described in Question / Answer 38 of NIPSCO Witness Weatherford's direct testimony, NIPSCO forecasts labor expense utilizing actual headcount as of June 30, 2024. Additionally, NIPSCO does not solely budget labor expense based on headcount from the Human Resource System; rather, NIPSCO uses it as a starting point when building the budget and adjusts for anticipated changes. Based on the way the budget is built, NIPSCO does not review and analyze actual headcount to authorized headcount from the Human Resource System variances.

Cause No. 46120
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Fifteenth Set of Data Requests

OUCC Request 15-002:
Referring to NIPSCO's Confidential Workpaper Direct – 03 – O&M – 1 – S2 – Labor Confidential_Gen Breakout Tabs: ".11a NBU Open Positions", ".11b NBU Gen Open Positions", ".12a BU Open Positions", and ".12b BU Gen Open Positions": a. Do these listed open positions include positions that are anticipated to be filled by December 31, 2025, to operate NIPSCO's wholly owned solar generation facilities? b. Of these listed open positions, please identify for each open position whether each position is a current position that needs to be replaced or a new position. c. How many open positions are expected to be filled by December 31, 2024? d. How many open positions are expected to be filled by May 31, 2025? e. How many open positions are expected to be filled by December 31, 2025? f. Please identify which open positions are for NIPSCO Electric only.
Objections:
Response:
a. Yes, there are 5 positions (1 on .11a/b and 4 on .12a/b) that are associated with operating NIPSCO's wholly owned solar generation facilities; b. Please see OUCC Request 15-002 Attachment A; c. Time to fill, which is defined as the time from approval of the position requisition until the candidate accepts the offer, vacant positions can vary depending on talent market supply and demand. Most roles are filled within 90 days. NIPSCO does not post jobs that it does not intend to fill; therefore, as of the date of NIPSCO's case-in-chief filing NIPSCO was actively recruiting for these roles with the intent to fill them as quickly as possible. Additionally, it is important to note that in the event that vacancies are not filled, or that these vacancies are filled but other vacancies arise, there will not necessarily be a

'Healthy' Pay Raises on Tap for 2024

December 19, 2023 | Kathryn Mayer



Economic concerns are pushing some employers to think more conservatively about raises next year compared with this year.

But overall, employers are reaching their 2024 salary consensus, and it's a good one for employees: They will be handing out competitive pay bumps, especially as their workforce continues to grapple with high costs of living.

U.S. employers are planning an overall average salary increase of 4 percent for 2024, according to the latest Salary Budget Planning Survey by consulting firm WTW, which surveyed more than 33,000 employers in December. Though down from the actual average increase of 4.4 percent in 2023, the numbers remain well above the 3.1 percent salary increase budget in 2021 and years prior.

Meanwhile, Mercer's U.S. Compensation Planning Survey 2023 November edition, also released this month, finds a slightly more modest average salary hike of 3.8 percent in 2024 and an average merit boost of 3.5 percent.

"We are seeing healthy salary increases forecasted for 2024," said Hatti Johannsson, research director of reward, data and intelligence at WTW. "Though economic uncertainty looms, employers are looking to remain competitive for talent, and pay is a key factor."

The WTW and Mercer pay forecasts are the latest insights into pay moves for next year. Other surveys predicting salary trends for 2024 were conducted earlier in the year, but the new pair of surveys, conducted in recent weeks, help paint a clearer picture of pay raises for 2024.

What's Driving 2024 Raises?

A couple of factors are contributing to employers' pay raise strategies for 2024: high inflation and the still-tight job market.

Even though inflation has cooled from its red-hot pace, which hit a 40-year high of 9.1 percent last summer, workers continue to struggle with steep prices for food, housing, health care and other expenses. The effects of inflation have yet to wear off and may have intensified, with a recent **Bank of America survey - (https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employee-financial-wellness-drops-to-new-low-bank-of-america-report.aspx)** finding that months of high costs of living have pushed employee financial well-being to an all-time low. Credit card debt has also hit a record high, while most workers said inflation is an obstacle to saving for a comfortable retirement, according to a **recent Charles Schwab survey - (https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/inflation-market-volatility-retirement-obstacle-workers-charles-schwab.aspx)** . More than half of employers (55 percent) surveyed by WTW cited inflationary pressures as the primary reason behind increased salary budgets.

Nearly the same percentage of employers (52 percent) cited concerns over a tight labor market as a reason for bumping up workers' pay, according to the WTW survey. Voluntary turnover and attrition are at 11 percent overall, WTW found. While attraction and retention are still common concerns, fewer organizations (48 percent) are reporting issues with finding and keeping workers, down from 60 percent in 2022.

"Competition for talent remains high, so [the 2024 forecasts are] indicative of how employers are feeling about the current labor market," said Lauren Mason, senior principal in Mercer's career practice.

Pay bumps aren't the only strategy employers plan to adopt in order to attract and retain talent, the WTW survey found. Employers say they are embracing more workplace flexibility (63 percent); a broader emphasis on inclusion, equity and diversity (60 percent); and improving the employee experience (55 percent). Additionally, most employers say they have committed to hiring staff in a higher salary range (55 percent); undertaken compensation reviews of specific employee groups (54 percent); and raised starting salary ranges (49 percent).

Johannsson said organizations should think strategically about pay tactics for the upcoming year and remember that pay levels are difficult to reduce if markets deteriorate.

"It's best to avoid basing decisions that will have long-term implications on their organization on temporary economic conditions," she said.

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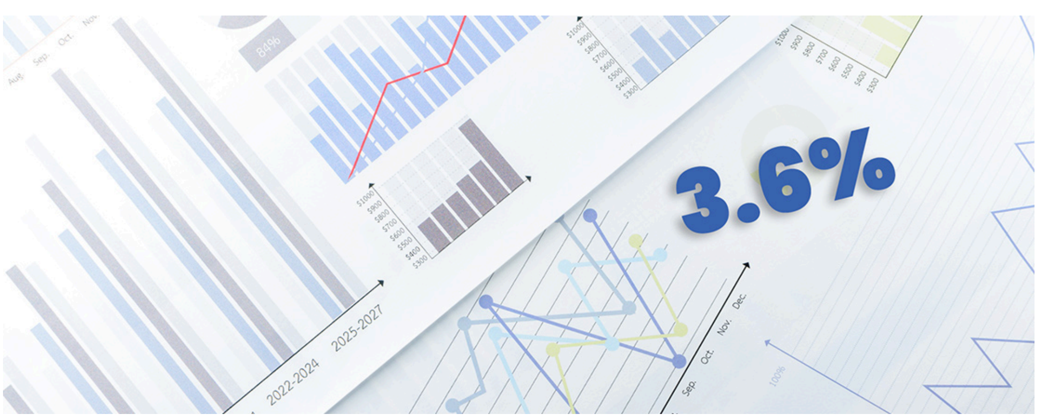
Mercer Projects 3.6% Total Salary Increase Budgets in 2025

Workspan Daily
October 09, 2024

By Audrey Ingram

Finance and Budgeting Employee Compensation



For WorldatWork Members

- WorldatWork's Salary Budget Survey, research
- Compensation Immersion Program, course
- Performing a Pay Equity Analysis, course
- Cracking the Compensation Code: Connecting Pay Strategy, Transparency and Benchmarking, webinar

For Everyone

- Conference Board Projects 3.9% Salary Increase Budgets for 2025, Workspan Daily article
- Report: 2024 Salary Increases Lower Than Projected Workspan Daily article
- Payscale: U.S. Employers Forecast 3.5% Pay Increases for 2025, Workspan Daily article
- Survey Data, Partnerships Enable Effective Salary Budget Plans, Workspan Daily article

- Pay Equity Laws by State — Are You in Compliance? tool

Reuse Permission

U.S employers are budgeting for 3.3% merit increases and 3.6% total salary increases for non-unionized employees in 2025, according to Mercer's August 2024 QuickPulse U.S. Compensation Planning Survey.

The survey asked more than 1,100 U.S. employers to share their preliminary budget projections for 2025. Mercer data showed the current projected total salary increase for next year matches the actual pay increases organizations delivered in March 2024. The firm, however, predicted actual increase budgets for 2025 will be lower, continuing a recent downward trend.

Access bonus Workspan Daily Plus+ content on this subject:

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"As budgets are finalized, we may see a decrease in merit spending as well as off-cycle salary adjustments in response to the decreased pressure of attracting and retaining talent," said Jack Jones, a principal at Mercer.

This is the fifth large-scale salary budget survey to be released recently. Previous reports and 2025 projections included:

- WorldatWork: 3.8% mean U.S. salary increase budgets
- The Conference Board: 3.9% average U.S. salary increase budgets
- WTW: 3.9% median U.S. salary increases
- Payscale: 3.5% average U.S. salary increases

"Salary increases are strongly influenced by labor supply and demand," said Alicia Scott-Wears, a compensation content director at WorldatWork. "Hiring appears to be slowing, making the job market increasingly competitive among job seekers."

Scott-Wears also noted the U.S. Department of Labor's Bureau of Labor Statistics reported on Sept. 20 that the national unemployment rate remained relatively unchanged over the past month but was 0.4 percentage points higher than in August 2023.

"These indicators suggest that employers may continue to reduce salary increase budgets incrementally," she said. "This aligns with participant predictions for 2025 from WorldatWork's Salary Budget Survey, released in July, as well as Mercer's projection that this downward trend will persist."

WorldatWork will reassess labor fluctuations following the November general elections and provide a fall update to its Salary Budget Survey.

*Click **here** to access top-level results from WorldatWork's 2024-2025 report. In addition, the full* *report — covering base salary increases and merit budgets for 22 countries and in-depth salary budget insights for the U.S., Canada, India and the United Kingdom — is available for purchase. Report purchase also provides access to the U.S./Canada Online Reporting Tool to build customized reports based on industry, organization size and/or geographic area.*

Salary Increase Budget Reductions Expected

In addition to decreased pressure to attract and retain talent, an uncertain economic outlook is an additional major factor driving this year's salary increase budgets, said Jones.

Talent demand continues to outpace supply, but the gap has narrowed compared to pre-pandemic levels in 2019.

"In 2022 and 2023, the labor gap between job openings [demand] and unemployment [supply] was immense," Jones said. "This heightened demand for workers resulted in companies offering more aggressive compensation packages to attract and retain talent."

Coupled with low unemployment rates and layoffs, all indicators are that the labor market is healthy, he said, adding concerns arising from slowing job gains and unpredictability of election outcomes will leave employers questioning whether the labor market is cooling.

"Mixed economic signals and prevailing uncertainty in the labor market are both weighing on companies' hiring and compensation decisions," Jones said. "Many employers are now bracing for impact with a frugal approach to all strategic financial planning."

In 2024, actual salary increase budgets came in about 0.2% to 0.3% lower than original projections, Jones said. The 2025 salary increases (expected to take effect in the first quarter) are likely to follow a similar pattern.

"Employers will need to find ways to do more with less," Jones said. "It's important to re-evaluate merit processes and embrace insights from data-driven approaches to make informed decisions, as the traditional 3% across-the-board merit budgets will no longer cut it."

Other highlights from the Mercer report include:

- Survey respondents within the high tech and life sciences industry sectors project merit-based salary budget increases of 3.5%, above the 3.3% average, while the healthcare services, retail and wholesale, and consumer goods sectors project lower-than-average increases of 3%, 3.1% and 3.2%, respectively.
- Employers overall are planning to promote 10% of employees, up slightly from the 8% they predicted promoting in 2024. The average promotional increase budget for 2025 is 1.0%, slightly down from 1.1% in 2024.

Editor's Note: Additional Content

For more information and resources related to this article, see the pages below, which offer quick access to all WorldatWork content on these topics:

- Employee Compensation
- Finance and Budgeting

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AFFIRMATION

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

Brittany L. Baker
Utility Analyst II
Indiana Office of Utility Consumer Counsel
Cause No. 46120
NIPSCO, LLC

Date: December 19, 2024

CERTIFICATE OF SERVICE

This is to certify that a copy of the **Indiana Office of Utility Consumer Counselor Public's Exhibit No. 4 Redacted Testimony of OUCC Witness Brittany L. Baker** has been served upon the following counsel of record in the captioned proceeding by electronic service on December 19, 2024.

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