
VERIFIED DIRECT TESTIMONY OF KEVIN J. BLISSMER

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

2 A1. My name is Kevin J. Blissmer. My business address is 801 E. 86th Avenue,
3 Merrillville, Indiana 46410. I am Manager of Regulatory for NiSource
4 Corporate Services Company ("NCSC").

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

6 A2. I am submitting this testimony on behalf of Northern Indiana Public Service
7 Company LLC ("NIPSCO").

8 **Q3. Please describe your educational and employment background.**

9 A3. I graduated from Purdue University with a Bachelor of Science Degree
10 majoring in both Accounting and Finance. I was employed at Universal
11 Access, a small public telecommunications company based in Chicago,
12 Illinois for three years, where I progressed in my career to Assistant
13 Controller before leaving to join NiSource Inc. ("NiSource"). I joined
14 NiSource in 2003 as the Manager of SEC Reporting and Research until 2010,
15 after which I held roles as Manager of Accounting Research and Manager
16 of Corporate Finance before joining NIPSCO's Rates and Regulatory

1 Finance Department in 2014 as the Manager of Regulatory Accounting. On
2 November 1, 2017, I accepted my current position as Manager of
3 Regulatory.

4 **Q4. What are your responsibilities as Manager of Regulatory?**

5 A4. I am responsible for the preparation and coordination of many of NIPSCO's
6 electric tracker filings, including NIPSCO's Fuel Adjustment Clause
7 ("FAC") filings (Cause No. 38706 FAC XXX), Electric Transmission,
8 Distribution, and Storage Improvement Charge ("TDSIC") filings (Cause
9 No. 44733 TDSIC X), Electric Demand Side Management ("DSM") filings
10 (Cause No. 43618 DSM XX), Resource Adequacy tracker filings (Cause No.
11 44155 RA XX), Regional Transmission Organization ("RTO") Adjustment
12 tracker filings (Cause No. 44156 RTO XX), Green Power Rider ("GPR")
13 filings (Cause No. 44198 GPR XX), Environmental Cost Tracker ("ECT")
14 filing (Cause No. 46033 ECT XX), and Generation Cost Tracker ("GCT")
15 tracker filings (Cause No. 45947 GCT XX). I am also responsible for the
16 preparation and coordination of NIPSCO's annual Attachment O, GG, and
17 MM postings to the Midcontinent Independent System Operator, Inc.
18 ("MISO").

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

3 A5. Yes. I previously submitted testimony before the Commission in NIPSCO's
4 electric rate case in Cause No. 45772 and in NIPSCO's request for a
5 Certificate of Public Convenience and Necessity ("CPCN") (1) to construct
6 a natural gas combustion turbine peaker plant (the "CT Project"), and (2)
7 for federally mandated projects in Cause Nos. 45700 and 45797. I also
8 routinely file testimony before the Commission in support of various
9 electric trackers, including NIPSCO's FAC filings (FAC 131 and FAC 136),
10 TDSIC filings (TDSIC 4, TDSIC 5, TDSIC 6), DSM filings (DSM 15 through
11 DSM 19), RTO filings (RTO 11 through RTO 19), GPR filings (GPR 10
12 through GPR 16), and GCT filing (GCT 1).

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

14 A6. The purpose of my direct testimony is to support NIPSCO's request for the
15 issuance of a CPCN to purchase and acquire a 200 megawatt ("MW") wind
16 project located in Benton County, Indiana (the "Templeton Project").
17 Specifically, I support NIPSCO's request for authorization for financial

incentives for the Templeton Project as a clean energy project, including timely cost recovery under Ind. Code § 8-1-8.8-11 ("Section 11"). I also support NIPSCO's request to record and recover costs associated with NIPSCO's proposed Templeton Project through NIPSCO's Rider 595 – Generation Costs Tracker ("GCT"). Specifically, I provide: (1) an overview of the amounts NIPSCO proposes to recover through rates for the Templeton Project; (2) a description of the proposed ratemaking treatment for the Templeton Project through the GCT approved by the Commission's October 16, 2024 Order in Cause No. 45947 (the "45947 Order"), including an explanation of how the GCT revenue requirement will be calculated for the Templeton Project and the estimated timing of its inclusion in the GCT; (3) financial support for recovery of the cost of the Templeton Project through the GCT; (4) a description of the allocators NIPSCO uses to allocate the various components of the GCT; and (5) a description of the depreciation rates for the Templeton Project. In addition, I describe NIPSCO's proposed mechanism for sharing federal tax credits. Finally, I provide the estimated monthly bill impact as a result of the Templeton Project for an average residential customer.

Q7. Are you sponsoring any attachments to your direct testimony in this

1 **Cause?**

2 A7. Yes. I am sponsoring Confidential Attachment 3-A and Confidential
3 Attachment 3-B, both of which were prepared by me or under my direction
4 and supervision.

5 **Q8. Are NIPSCO's books and records kept in accordance with the Uniform**
6 **System of Accounts and Generally Accepted Accounting Principles?**

7 A8. Yes.

8 **Overview of Amounts to be Recovered for the Templeton Project**

9 **Q9. At a high-level, what accounting treatment for costs related to the**
10 **Templeton Project does NIPSCO propose?**

11 A9. NIPSCO proposes to include the Templeton Project in original cost rate
12 base, earn a return on the rate base, and recover the cost of the Templeton
13 Project, including cost of removal, in depreciation rates. NIPSCO will
14 record the entire cost of the Templeton Project as traditional utility plant
15 and rate base, including start-up and development costs. The net book
16 value of the plant will be included in rate base, and the costs of owning and
17 maintaining the plant will be included in cost-of-service. Accumulated
18 deferred income taxes related to accelerated tax depreciation of the
19 Templeton Project would be included in NIPSCO's weighted average cost

1 of capital ("WACC"). NIPSCO also will recover any related allowance for
2 funds used during construction ("AFUDC"), carrying charges, and start-up
3 and development costs recorded as capitalized project costs, which is
4 consistent with other investments in new utility plant. In the event the
5 Templeton Project assets would not be placed in service, NIPSCO requests
6 authority to defer costs associated with the Templeton Project, including
7 the previously mentioned start-up and development costs, in a regulatory
8 asset for recovery in a future general rate case or to be capitalized as part of
9 an alternative generation project.

10 **Q10. Why is NIPSCO requesting ratemaking and accounting treatment for the**
11 **start-up and development costs for the Templeton Project?**

12 A10. NIPSCO has or will incur reasonable and necessary costs related to the
13 start-up and development of the Templeton Project. These costs are not
14 ongoing in nature and not otherwise captured by the ratemaking process
15 and would typically be recorded on NIPSCO's books as Preliminary Survey
16 and Investigation (FERC account 183) or construction work in progress
17 ("CWIP"). These are costs NIPSCO incurs related to internal resource
18 support and outside services that are reasonable and necessary to develop
19 and finalize the contracts and projects.

1 **Q11. How has NIPSCO previously received Commission approval to recover**
2 **the foregoing revenue requirement amounts associated with renewable**
3 **energy projects that NIPSCO directly owns?**

4 A11. With respect to renewable projects NIPSCO has been authorized to directly
5 purchase, the Commission has authorized NIPSCO to defer for recovery
6 through rates in a subsequent rate proceeding costs associated with: (i)
7 capital investments to be recorded as utility plant to complete the purchase,
8 including AFUDC, start-up and development costs; (ii) accrued post in
9 service carrying charges ("PISCC") on NIPSCO's investments and deferred
10 depreciation; (iii) deferred depreciation expense on NIPSCO's investments;
11 and (iv) deferred operating and property tax expenses.

12 **Q12. In what cases has the Commission authorized NIPSCO to defer such costs**
13 **for recovery through rates in a subsequent rate proceeding?**

14 A12. The Commission authorized such recovery in its Orders in Cause No. 45936
15 (Dunn's Bridge II Solar Generation LLC and Cavalry Solar Generation
16 LLC), Cause No. 46028 (Fairbanks Solar Generation LLC), and Cause No.
17 46032 (Gibson Solar Generation LLC). In those cases, the Commission
18 authorized NIPSCO to record AFUDC while the projects are under
19 construction, and once in-service, the projects earn carrying charges until

1 recovery begins. Once recovery begins through a base rate case proceeding,
2 AFUDC or carrying charges cease.

3 **Proposed Ratemaking Treatment**

4 **Q13. What ratemaking relief is NIPSCO seeking in this case?**

5 A13. In this case, NIPSCO is proposing to recover on a timely basis its capital,
6 depreciation, operations and maintenance ("O&M") expense, property tax,
7 and costs incurred to acquire the Templeton Project, including start-up and
8 development costs, through the forward-looking GCT tracking mechanism
9 before NIPSCO's next base rate case. As NIPSCO Witness d'Entremont
10 indicates, NIPSCO will acquire the Templeton Project once it achieves
11 commercial operation (i.e., the "Commercial Operation Date"), which is
12 anticipated to be mid-2027. Therefore, as I discuss below, NIPSCO
13 proposes to include the foregoing costs in the GCT revenue requirement
14 that corresponds with the expected in-service date as illustrated in
15 Confidential Attachment 3-A. However, if the Commission does not
16 authorize NIPSCO to timely recover the costs through the GCT, NIPSCO
17 requests that its investment in the Templeton Project, deferred
18 depreciation, and PISCC be included in its rate base, and deferred O&M
19 expenses be included in cost-of-service in a subsequent rate case proceeding

1 in the same manner as the Commission authorized in the proceedings set
2 out in Question / Answer 12.

3 **Q14. Please provide an overview of the GCT through which NIPSCO is**
4 **proposing to recover the cost of the Templeton Project.**

5 A14. The GCT is a semi-annual forecasted tracker approved by the
6 Commission's 45947 Order. The purpose of the GCT is to track costs
7 associated with capital projects before those projects are incorporated in
8 base rates in a subsequent base rate case after the projects are placed in
9 service. Consistent with NIPSCO's 45947 GCT 1 filing, GCT filings are
10 expected to be made each year in June (reflecting the forward-looking
11 period of November through April) and December (reflecting the forward-
12 looking period of May through October). The proceedings are designed so
13 that an Order can be issued and rates implemented 120 days after the filing.
14 Any variance between the forecasted tracker revenue requirement and the
15 amounts collected will be compared to the actual revenue requirement. The
16 resulting variance is captured in a reconciliation report within each tracker
17 filing.

18 **Q15. Please summarize NIPSCO's ratemaking proposal for timely recovery of**

1 **costs and expenses with respect to the Templeton Project through the**
2 **GCT and the statutory support for this proposal.**

3 A15. In accordance with Section 11, NIPSCO requests the Commission authorize
4 the necessary ratemaking treatment to permit NIPSCO to timely recover,
5 costs and expenses of the Templeton Project through the GCT. Specifically,
6 NIPSCO proposes approval and recovery of the eligible revenue
7 requirement amounts associated with the Templeton Project in the GCT,
8 including costs associated with capital investments to complete the
9 acquisition, including start-up and development costs; depreciation
10 expense; O&M expenses; and property tax.

11 Rate updates will be filed in accordance with the process approved in the
12 45947 Order. Recoverable amounts for approved investments, which
13 would include the previously approved CT Project and the Templeton
14 Project, would be aggregated within the total revenue requirement. As
15 described below, NIPSCO will initially depreciate all investments within
16 the Templeton Project over a period of thirty (30) years. NIPSCO will apply
17 its WACC to the capital investments for the Templeton Project after the
18 Templeton Project is placed into electric plant in service.

1 **Q16. Is NIPSCO requesting CWIP ratemaking treatment for the Templeton**
2 **Project?**

3 A16. No. Unlike the CT Project approved by the Commission in Cause No.
4 45947, NIPSCO will not make payment under the Templeton Build Transfer
5 Agreement ("BTA") or take ownership of the Templeton Project until its
6 Commercial Operation Date. Following that date, NIPSCO will make
7 payment and take ownership, and the Templeton Project will be placed into
8 electric plant in service. As discussed below, NIPSCO would expect the
9 date the Templeton Project is placed in service to trigger the build-up of the
10 revenue requirement for the Templeton Project in the GCT. Therefore,
11 NIPSCO effectively would contemporaneously begin recovery of the
12 eligible revenue requirement amounts through the GCT when the
13 Templeton Project is placed in service. CWIP ratemaking treatment is
14 unnecessary, and NIPSCO expects any AFUDC to be a small percentage of
15 the total cost using the GCT. Using the GCT, AFUDC would not be
16 included for start-up and development costs. As discussed below, actual
17 start-up and development costs would be included in rate base without
18 AFUDC.

19 **Q17. Please explain further the manner in which NIPSCO proposes to account**

1 **for the capital cost to complete the acquisition in the GCT.**

2 A17. NIPSCO is proposing the total cost to acquire the Templeton Project be
3 contemporaneously recovered through the GCT. This would include costs
4 within plant associated with start-up and development. Capital costs
5 would be recovered at NIPSCO's WACC. Because the GCT is a forward-
6 looking tracker, NIPSCO intends to record the cost of the Templeton
7 Project, including start-up and development costs, in plant in service for
8 inclusion in the GCT that covers the period the Templeton Project is
9 expected to go in service (i.e., mid-2027). In other words, the Templeton
10 Project would be included in NIPSCO's December 2026 GCT filing, which
11 would cover the six-month period from May 2027 through October 2027.

12 **Q18. How will O&M expenses, depreciation, and property taxes be accounted**
13 **for in the GCT?**

14 A18. NIPSCO proposes to include the expected amount of O&M expense,
15 depreciation, and property tax expense associated with the forward-
16 looking six-month period in each GCT filing. When the Templeton Project
17 is projected to be placed in service in a six-month forecast period, the GCT
18 will commence recovery of the depreciation that will be reconciled when
19 actual depreciation is recognized in a future tracker. This avoids any

1 deferral and produces lower rates for customers. Similarly, forecasted
2 O&M and property tax expenses will be included in the GCT and reconciled
3 when actual operating expenses and property tax expense is recognized in
4 a future tracker.

5 **Q19. How does the in-service date relate to the tracker recovery period?**

6 A19. In essence, the revenue requirement for the forward-looking GCT will be
7 based on the projected in-service date. For instance, assuming the
8 Templeton Project goes into service in June of 2027, it would trigger the
9 build out of the revenue requirement for the GCT that would be in effect
10 during the months of May through October 2027. During that tracker
11 period, the tracker charge would not change. However, the revenue
12 requirement for that period would be calculated on a model assuming
13 recovery of \$0 of costs associated with the Templeton Project during the
14 month of May as can be seen in Confidential Attachment 3-A, Attachment
15 3, Schedule 1, Columns (b) and (c).

16 **Q20. Is it possible that NIPSCO would recover some amount of deferred**
17 **expenses through the GCT?**

1 A20. It is possible that NIPSCO would incur depreciation expense, O&M
2 expense, or accrued property tax expense associated with the Templeton
3 Project before those costs are being recovered through base rates or the
4 GCT. To the extent NIPSCO incurs other O&M expenses or accrues such
5 property tax expense before rate recovery, NIPSCO seeks to defer such
6 expenses for future recovery until recovered through the GCT or base rates.

7 **Q21. If the Commission were to not approve recovery of Templeton Project**
8 **costs through the GCT, how would NIPSCO propose that those costs be**
9 **included in rates?**

10 A21. In the event the GCT is not used, NIPSCO proposes to accrue costs
11 associated with capital investment to complete the purchase of the
12 Templeton Project, including AFUDC and PISCC. AFUDC will be accrued
13 under NIPSCO's current AFUDC rate and recorded as additional utility
14 plant while the Templeton Project is classified as CWIP. The Templeton
15 Project will accrue PISCC once in service at NIPSCO's pre-tax WACC.
16 NIPSCO also proposes to record the accrued PISCC and deferred
17 depreciation expense as regulatory assets until such time as they can be
18 included for recovery in rates along with the unamortized portion included
19 in rate base upon which NIPSCO is authorized to earn a return. NIPSCO

1 seeks to record deferred O&M expenses and property taxes as a regulatory
2 asset as well with recovery in cost-of-service. In summary, NIPSCO would
3 recover the following through base rates:

- 4 • Capital investment, which will be recorded as utility plant for the
5 purchase of the Templeton Project, including AFUDC, start-up, and
6 development costs, which will be included in rate base;
- 7 • Accrued PISCC on NIPSCO's investments in the Templeton Project
8 and accrued PISCC on deferred depreciation, which will be included
9 in rate base;
- 10 • Deferred depreciation expense on NIPSCO's investments in the
11 Templeton Project, which will be included in rate base;
- 12 • Deferred operating expenses, which will be included in cost-of-
13 service; and
- 14 • Ongoing O&M expenses, property tax and depreciation expense
15 including cost of removal associated with the Templeton Project,
16 which will also be included in cost-of-service.

17 Accruing these costs for recovery in a future rate case, as opposed to timely
18 recovery through the GCT as NIPSCO has proposed, will result in more
19 than \$7 million in higher costs to customers, as more fully described below.

20 **Q22. Please describe Confidential Attachment 3-A.**

21 A22. Confidential Attachment 3-A contains illustrative schedules of the GCT
22 filing, including costs associated with the Templeton Project.

1 **Financial Support for Recovery of Templeton Project Costs Through GCT**

2 **Q23. Is the relief NIPSCO is seeking in this case for the Templeton Project**
3 **permitted under Indiana law?**

4 A23. Yes. Section 11 provides for financial incentives including timely recovery
5 of costs and expenses incurred during the construction and operation of
6 clean energy projects. Indiana Code § 8-1-8.8-2 defines a "clean energy
7 project" as including "projects to develop alternative energy sources,
8 including renewable energy projects." In addition, "energy from wind" is
9 specifically listed as one of the clean energy resources in Indiana Code §§
10 8-1-37-4(a)(1) through -4(a)(16), thus making it a "renewable energy
11 resource" under Ind. Code § 8-1-8.8-10. Section 11(a) concerning financial
12 incentives provides:

13 The commission may not approve a financial incentive under
14 this subdivision unless the commission finds that the eligible
15 business has demonstrated that the timely recovery of costs
16 and expenses incurred during the construction and operation
17 of the project: (A) is just and reasonable; and (B) in the case of
18 construction financing costs, will result in a gross financing
19 savings over the life of the project.

20
21 NIPSCO's proposal for the Templeton Project satisfies both additional
22 requirements under Section 11(a). The ratemaking proposal does not

1 change the amount of direct costs, but it eliminates the compounding of
2 carrying costs, thereby producing a lower rate base, which results in a lower
3 annual revenue requirement. Permitting an earlier cash flow than would
4 otherwise be produced by AFUDC and PISCC treatments ultimately
5 reduces customer rates.

6 **Q24. Relating to Section 11(B), will the ratemaking that NIPSCO is proposing**
7 **for the Templeton Project result in gross financing savings over the life**
8 **of the project?**

9 A24. Yes. As shown in Confidential Attachment 3-B, the proposed ratemaking
10 treatment will result in a gross financing savings over the life of the project.
11 The Summary tab in Confidential Attachment 3-B includes the results from
12 the data contained in the remaining tabs and presents two scenarios: (1) the
13 top half presents the revenue requirement and financing costs portion of
14 the revenue requirement under the proposed ratemaking treatment, and (2)
15 the bottom half presents the same information under an alternative scenario
16 where the Templeton Project is reflected in rates after being placed in
17 service as part of a general rate case.¹ Under both scenarios, the Templeton

¹ As set forth in the Verified Petition in this Cause, NIPSCO seeks relief in the alternative under Section 11(a) to accrue PISCC and to defer depreciation from the date the Templeton Project

1 Project is assumed to be placed in service in June 2027, the general rate case
2 test year is assumed to be calendar year 2028, and the Step 1 rates in that
3 general rate case are assumed to become effective on a bills rendered basis
4 commencing with the September 1, 2028 billing cycle. From that point
5 forward, the sequence and timing of rate implementation under both
6 scenarios is the same, as the Templeton Project under the GCT will have
7 rolled into base rates. The only difference from September 2028 over the
8 remaining life of the project is the result of the higher accrued rate base
9 (including regulatory asset) produced by the accrual of AFUDC and PISCC
10 under the traditional model.

11 **Q25. Please describe the first scenario in the top half of the Summary tab (the**
12 **GCT tracking proposal) until September 1, 2028.**

13 A25. The top half of the Summary tab shows the recovery of the costs through
14 the proposed GCT until the Templeton Project is reflected in base rates
15 resulting from the assumed 2028 general rate case. Based upon the timing
16 of this case and the expected commercial operation date and acquisition of

is placed in service until the cost of the Templeton Project is reflected in NIPSCO's rates either through the GCT or in a general rate case, all as described in the Verified Petition. The request for alternative relief would trigger in the event ratemaking treatment through the GCT is not approved as proposed.

1 the Templeton Project, NIPSCO anticipates putting rates in effect under the
2 GCT on a bills rendered basis commencing with the May, 2027 billing cycle
3 that would include the full cost incurred under the Templeton BTA.

4 **Q26. On the top half of the Summary tab, what is included in the line item for**
5 **Expense Tracker?**

6 A26. Under its proposal, NIPSCO will reflect depreciation expense and property
7 taxes on the Templeton Project in the GCT. In addition, NIPSCO is
8 proposing to include certain operating expenses in the GCT. Unlike
9 NIPSCO's coal-fired or gas-fired units, there are no fuel or chemical costs
10 related to wind generation. There are, however, ongoing operating related
11 expenses, such as landowner payments and other maintenance expenses.
12 These are the expenses reflected in the line item for Expense Tracker.

13 **Q27. For both scenarios (the top half and the bottom half) why have property**
14 **taxes and operating expenses been removed?**

15 A27. Since property taxes and operating expenses are not financing costs, and
16 Section 11 requires a comparison of gross financing costs, property taxes
17 and operating expenses have been removed.

18 **Q28. Why has depreciation expense not been removed under the same**

1 **reasoning?**

2 A28. Depreciation expense has not been removed because the regulatory asset
3 resulting from the deferral of depreciation expense would be reflected in
4 rate base. Depreciation results in differential financing costs under the two
5 scenarios so depreciation expense should not be removed.

6 **Q29. What is the conclusion of your analysis?**

7 A29. The total financing costs over the life of the Templeton Project are set forth
8 in the Revenue from Financing Costs line item. Under NIPSCO's proposal
9 (the top half), the total revenue is \$ [REDACTED]. Under the traditional
10 general rate case scenario (the bottom half), the total revenue is
11 \$ [REDACTED]. The difference between these two amounts of \$7,183,685 is
12 the gross financing savings over the life of the Templeton Project.

13 **Q30. Returning to the language in Section 11(a), is NIPSCO's proposed**
14 **financial incentive for the Templeton Project just and reasonable?**

15 A30. Yes. The gross financing savings produces lower rates for customers.

16 **Q31. Is there also a benefit to NIPSCO from the proposed ratemaking**
17 **treatment for the Templeton Project?**

1 A31. Yes. The primary benefit from a financial health standpoint is that it will
2 provide NIPSCO cash flow during the period preceding NIPSCO's next
3 base rate case. The proposed ratemaking improves near term cash flow and
4 mitigates the negative effects of the significant financing required to acquire
5 the project. Given the Templeton Project is expected to require a significant
6 capital outlay, the associated financing costs and depreciation costs would
7 be significant. Accordingly, the absence of this proposed accounting
8 treatment could have a material adverse financial consequence to NIPSCO.
9 This amplifies the importance of the proposed accounting treatment to
10 mitigate the negative financial impacts to NIPSCO during this period.

11 **Allocation of GCT Costs**

12 **Q32. Please describe the allocation factors NIPSCO uses to allocate costs in the**
13 **GCT.**

14 A32. NIPSCO will allocate the costs associated with the Templeton Project in the
15 manner approved in the 45947 Order (p. 32). As approved therein, NIPSCO
16 will allocate costs based on NIPSCO's Commission approved demand
17 allocators for the GCT, whereby the demand allocators are based upon
18 revenue attributable to each of NIPSCO's rate schedules used to establish
19 NIPSCO's Commission approved electric base rates in Cause No. 45772.

1 Additionally, NIPSCO will adjust its allocation percentages to reflect the
2 significant migration of customers amongst the various rates for each semi-
3 annual tracker filing, as it does with other tracking mechanisms. This
4 adjustment is appropriate to prevent any unintended consequences of the
5 migration of customers between rates and to properly allocate their share
6 of the revenue requirement.

7 **Depreciation Rates and Operating Income**

8 **Q33. Please describe the depreciation rates that will apply to the Templeton**
9 **Project.**

10 A33. For utility ratemaking purposes, NIPSCO does not currently have a
11 Commission-approved depreciation rate for wind assets such as those
12 contemplated by the Templeton Project. Accordingly, NIPSCO proposes
13 that investments made in the Templeton Project be initially depreciated
14 over the expected life of the assets of 30 years, using an annual depreciation
15 rate of approximately 3.3%, which is consistent with the rate approved in
16 the Cause Nos. 45936, 46028, and 46032 Orders and does not include cost of
17 removal. NIPSCO proposes to evaluate adjustments to these depreciation
18 rates, including collection of cost of removal, and include proposed
19 depreciation rates for these assets in a future formal depreciation study.

1 **Q34. How does NIPSCO propose to treat the operating income associated with**
2 **the Templeton Project's capital costs for purposes of the earnings test in**
3 **NIPSCO's FAC proceedings?**

4 A34. As part of the Section 11 financial incentive, NIPSCO proposes to include
5 the operating income associated with the Templeton Project in the total
6 electric Comparison of Electric Operating Income for purposes of the Ind.
7 Code § 8-1-2-42(d) earnings test. This is also consistent with the treatment
8 of earnings associated with both NIPSCO's Rider 588 – Adjustment of
9 Charges for Transmission, Distribution and Storage System Improvement
10 Charge, initially approved in Cause No. 44371, and NIPSCO's Rider 587 –
11 Adjustment of Charges for Federally Mandated Costs, initially approved in
12 Cause No. 44340.

13 **Accounting for Federal Tax Credit Proceeds**

14 **Q35. What will be the accounting treatment for federal tax credit proceeds and**
15 **how will they be passed back to customers?**

16 A35. NIPSCO will record a regulatory liability representing the amount to pass
17 to customers through NIPSCO's FAC proceeding (or successor
18 mechanism).

19 **Q36. Has the Commission approved similar ratemaking relief in any other**

1 **NIPSCO proceedings?**

2 A36. Yes. The Commission authorized NIPSCO to share federal tax credit
3 proceeds with customers through the FAC, similar to NIPSCO's proposal
4 here, in its Orders in Cause No. 45936 (Dunn's Bridge II Solar Generation
5 LLC and Cavalry Solar Generation LLC), Cause No. 46028 (Fairbanks Solar
6 Generation LLC), and Cause No. 46032 (Gibson Solar Generation LLC).

7 **Estimated Bill Impact**

8 **Q37. What is the estimated bill impact of the Templeton Project for an average**
9 **residential customer?**

10 A37. The exact impact will be dependent on a number of different factors.
11 However, assuming issuance of a CPCN for the Templeton Project and
12 approval of the forward-looking recovery of costs through the GCT as
13 described above, NIPSCO currently estimates that including the Templeton
14 Project in the GCT would result in an incremental charge of approximately
15 \$3.48 to a 668 kWh per month residential bill once the Templeton Project is
16 included in base rates, as shown in Confidential Attachment 3-B. The
17 incremental charge would be \$3.79 without any initial recovery through the
18 GCT. These incremental charge estimates include an offset of \$1.17 for
19 annual expected production tax credit proceeds in the first few years of

1 operation. Importantly, however, the estimates do not include benefits of
2 ownership such as renewable energy credit sales or other savings/credits
3 from activities such as off-system sales, which are also expected to lower
4 customer bills or provide other savings associated with NIPSCO's
5 generation transition strategy. As discussed in the testimony of NIPSCO
6 Witnesses d'Entremont and Harding, should the Templeton Project qualify
7 for the domestic content bonus credit, the estimated monthly bill impact
8 would be lower.

9 **Q38. Is it reasonable to compare the estimated bill impact in this Cause to that**
10 **provided in Cause No. 45887?**

11 A38. No. The estimated customer bill impact provided in Cause No. 45887
12 (Attachment 1-F to NIPSCO Witness Robles' direct testimony) was based
13 solely on the year one impact of the Templeton PPA and did not reflect any
14 rate base impact of the Templeton Project. There are a number of other
15 critical differences between the two bill impact calculations that makes any
16 comparison inappropriate, including differences between the residential
17 allocation factor, the forecasted sales volumes, and the average residential
18 kWh.

1 **Conclusion**

2 Q39. Does this conclude your prefled direct testimony?

3 A39. Yes.

VERIFICATION

I, Kevin J. Blissmer, Manager of Regulatory of 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.

A handwritten signature in dark ink, reading "Kevin Blissmer", written over a horizontal line.

Kevin J. Blissmer

Dated: February 24, 2025

Confidential Attachment 3-A (Redacted)

Confidential Attachment 3-B (Redacted)